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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 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 of incorporation or organization)	(IRS Employer Identification Number)
1940 N.W. 67th Place Gainesville, FL	32653
(Address of Principal Executive Offices)	(Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock, $.001 Par Value	Boston Stock Exchange
Redeemable Warrants	Boston Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
Class B Warrants

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not

be contained to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by nonaffiliates of the Registrant as of March 14, 1997, based on the closing sale price of such stock as reported by NASDAQ on such day, was $13,521,998. The Company is listed on the Small-Cap Market on NASDAQ.

As of March 14, 1997, there were 10,095,948 shares of the registrant's common stock, $.001 par value, outstanding, excluding 920,000 shares held as treasury stock.

Documents Incorporated by reference: None

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.

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PART I

ITEM 1. BUSINESS

Company Overview

Perma-Fix Environmental Services, Inc. (the "Company") is a Delaware corporation engaged in the (i) treatment, storage, recycling and disposal of hazardous and non-hazardous waste, mixed waste which is both low-level radioactive and hazardous, and industrial waste management services; and (ii) consulting engineering services to industry and government for broad-scope environmental issues. The Company has grown through both acquisitions and internal development. The Company's present objective is to maximize the profitability of its existing segments and to continue to focus on those core businesses and expertise which will achieve this objective.

Principal Products and Services

Through its subsidiaries, the Company is in the following two (2) lines of business: (i) waste management, including off-site and on-site services for the treatment, storage, recycling and disposal of hazardous, non-hazardous and mixed low-level radioactive and hazardous wastes; and (ii) environmental engineering and consulting services specializing in environmental management programs, agency communications, regulatory permitting, compliance and auditing, landfill design, field testing and characterization. The Company services research institutions, commercial companies and governmental agencies nationwide. Distribution channels for services are through direct sales to customers or via intermediaries.

The Company was incorporated in December of 1990 as a Delaware corporation. Its executive offices are located at 1940 N.W. 67th Place, Gainesville, Florida 32653.

A more detailed summary of the Company's industrial waste management and consulting engineering services is provided below:

Waste Management Services: The Company provides off-site waste storage, treatment, recycling and disposal services through its five treatment, storage and disposal ("TSD") facility subsidiaries: Perma-Fix Treatment Services, Inc. ("PFTS") located in Tulsa, Oklahoma; Perma-Fix of Dayton, Inc. (PFD), located in Dayton, Ohio; Perma-Fix of Memphis, Inc. ("PFM"), located in Memphis, Tennessee; Perma-Fix of Ft. Lauderdale, Inc. (PFL), located in Ft. Lauderdale, Florida; and Perma-Fix of Florida, Inc. (PFF), located in Gainesville, Florida. PFTS is a permitted facility that provides transportation, treatment and storage of liquid hazardous and non-hazardous wastes, stabilization of liquid and solid drum residues and disposal of non-hazardous liquid waste, including characteristic hazardous liquid waste in which the hazardous characteristics are removed, by injection into a deep well located at PFTS' facility. Prior to disposal, all hazardous liquids are processed in a manner designed to remove or eliminate the hazardous characteristics of the

liquids. PFTS is permitted to dispose in the deep well non-hazardous waste liquids (including, but not limited to, characteristic waste liquids for which the hazardous characteristics have been removed). The deep well has been specifically designed and constructed for this purpose.

PFD operates a permitted hazardous waste treatment and storage facility to collect and treat oily waste waters and used oil from both small and large quantity generators and provides hazardous waste treatment services for collecting and processing organic solvents, sludges, and solids for use as substitute fuels in cement kilns.

PFM is a permitted facility that provides transportation, storage, treatment and disposal services to hazardous and non-hazardous waste generators throughout the United States. PFM operates a hazardous waste storage facility that primarily blends and processes hazardous and non-hazardous waste liquids, solids and sludges into substitute fuel or as a raw material substitute in cement kilns that have been specially permitted for the processing of hazardous and non-hazardous wastes.

On January 27, 1997, PFM sustained an explosion and fire at its TSD facility in Memphis, Tennessee, which resulted in damage to certain hazardous waste storage tanks located on the facility and caused certain limited contamination at the facility. From the date of the fire through the date of this report, this facility has not been operational. However, PFM has accepted and will continue to accept waste for processing and disposal, but has arranged for other facilities owned by the Company or subsidiaries of the Company or others not affiliated with the Company to process such waste. The utilization of other facilities to process such waste results in higher costs to PFM than if PFM were able to store and process such waste at its Memphis, Tennessee, TSD facility, along with the additional handling and transportation costs associated with these activities. PFM is in the process of repairing and/or removing the damaged storage tanks and any contamination resulting from the occurrence, and, as of the date of this report, anticipates that PFM will be able to begin certain operations at the facility by the end of April 1997. The extent of PFM's activities at the facility, once operations are renewed, are presently being evaluated by the Company. The Company and PFM have property and business interruption insurance and have provided notice to its carriers of such loss. Although there are no assurances, the Company presently believes that its property insurance will cover any property loss suffered by PFM at the facility as a result of such occurrence. The Company is in the process of determining the amount of business interruption insurance that may be recoverable by PFM as a result thereof, if any. See "Property," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 15 to Notes to Consolidated Financial Statements. Certain statements contained in this paragraph are forward-looking statements, and (i) PFM may be unable to begin operations as stated above if repair, removal or restoration of the damaged tanks are delayed beyond the date stated or any federal, state or local governmental authority institutes action against PFM prohibiting PFM from beginning operations or delays issuance of the approvals, if any, necessary for PFM to begin operations, or (ii) the insurance carrier determines that property loss coverage is not available or is available only in limited amounts or contests the amount of PFM's claim.

PFL is a permitted facility that collects and treats hazardous waste waters, oily waste waters, used motor oils and other waste

petroleum products. Recycled waste oil is sold as "on-specification" fuel. PFL also provides underground storage tank cleaning and removal support services, and other tank and pit cleaning activities that complement the facility's treatment capabilities.

PFF specializes in the processing and treatment of certain types of low-level mixed radioactive and hazardous wastes. Its four basic services include the treatment and processing of waste Liquid Scintillation Vials (LSVs), the processing and handling of other mixed and radioactive wastes, collection and processing of organic solvents and sludges for fuel blending, and management of various other hazardous and non-hazardous wastes. The LSVs are generated primarily by institutional research agencies and biotechnical companies. These wastes contain mixed (low-level) radioactive materials and hazardous waste (flammable) constituents. This business began in 1983 and to this date has processed over one million ft3 of LSV waste. Management believes that PFF controls approximately 80% of the available LSV business in the country. The business has expanded into receiving and handling other low-level radioactive and mixed wastes primarily from the nuclear utilities, the U.S. Department of Energy ("USDOE") and other government facilities. PFF manages the activities at the facility under the jurisdiction of the State of Florida Office of Radiation Control and the State Department of Environmental Protection.

Through its wholly-owned subsidiary, Industrial Waste Management, Inc. ("IWM"), located in St. Louis, Missouri, the Company is engaged in supplying and managing non-hazardous and hazardous waste to be used by cement plants as a substitute fuel or as a source of raw materials used in the production of cement.

The Company also provides on-site (at the generator's site) waste treatment services to convert certain types of characteristic hazardous wastes into non-hazardous waste by removing those characteristics which categorize such waste as "hazardous" and treats non-hazardous waste as an alternative to off-site waste treatment and disposal methods. These services are provided by the Company's wholly-owned subsidiaries, Perma-Fix, Inc. ("PFI") and Reclamation Systems, Inc. ("RSI"), through "Service Centers". Service Centers are located in Tulsa, Oklahoma, and Albuquerque, New Mexico. PFI does not treat on-site waste that is specifically listed as hazardous waste by the EPA under the Resource Conservation and Recovery Act of 1976, as amended ("RCRA"), but treats only non-hazardous waste and characteristic waste deemed hazardous under RCRA.

For 1996, the Company's waste management services business accounted for approximately 82.1% of the Company consolidated revenues, as compared to approximately 82.7% for 1995.

Consulting Engineering Services: The Company provides environmental engineering and regulatory compliance consulting services through Schreiber, Grana & Yonley, Inc. ("SG&Y") located in St. Louis, Missouri, and Mintech, Inc. ("Mintech") located in Tulsa, Oklahoma, with a field office in Kansas City, Kansas. SG&Y specializes in environmental management programs, permitting, compliance and auditing, in addition to landfill design, field investigation, testing and monitoring. SG&Y clients are primarily industrial, and include extensive work in the cement manufacturing industry. Mintech specializes in environmental and geotechnical consulting, engineering, geology, hydrogeology and geophysics, including evaluating, selecting and implementing the appropriate

environmental solutions to problems involving soil and water. In addition, Mintech personnel routinely provide training services required under RCRA and the Superfund Amendments and Reauthorization Act ("SARA") to private industry, governmental agencies and military installations. During 1996 environmental engineering and regulatory compliance consulting services accounted for approximately 17.9% of the Company's total revenue, as compared to 17.3% in 1995.

Segment Information and Foreign and Domestic Operations and Export Sales

During 1996, the Company was engaged in two industry segments: (i) treatment, recycling and disposal of hazardous and non-hazardous wastes; and (ii) environmental engineering and consulting services. See Note 12 of Notes to Consolidated Financial Statements included in Item 8 of this report. Most of the Company's activities were conducted in the Southeast, Southwest and Midwest. The Company had no foreign operations or export sales during 1996.

Importance of Patents and Trademarks, or Concessions Held

The Company does not believe that it is dependent on any particular patent or trademark in order to operate its business or any significant segment thereof. The Company has received registration through the year 2000 for the service mark "Perma-Fix" by the U.S. Patent and Trademark office.

The Company owns patents covering various systems for the recycling of waste materials in cement kilns. The Company has an agreement with Continental Cement Company which provides for the payment of royalties to Continental at such time as one or more of the above patents are licensed to other cement manufacturers for the recycling of waste materials.

The Company does not believe the on-site waste treatment processes utilized by PFI are patentable. The Company does, however, believe that its level of expertise in utilizing such processes is substantial, and, therefore, maintains such processes as a trade secret of the Company. The Company maintains a policy whereby key employees of PFI who are involved with the implementation of the treatment processes utilized by PFI sign confidentiality agreements with respect to non-disclosure of such processes.

Permits and Licenses

The Company's business is subject to extensive evolving and increasingly stringent federal, state and local environmental laws and regulations. Such federal, state and local environmental laws and regulations govern the Company's activities regarding the treatment, storage, recycling, disposal and transportation of hazardous, non-hazardous and radioactive wastes, and require the Company and/or its subsidiaries to obtain and maintain permits, licenses and/or approvals in order to conduct certain of their waste activities. Failure to obtain and maintain such permits or approvals would have a material adverse effect on the Company, its operations and financial condition. Moreover, as the Company expands its operations it may be required to obtain additional approvals, licenses or permits, and there can be no assurance that the Company will be able to do so.

PFTS is presently operating its hazardous waste storage and treatment activities under a RCRA Part B permit. It operates its deepwell injection disposal facility under a non-hazardous waste permit issued by the State of Oklahoma.

PFM operates under a final RCRA permit relating to its hazardous waste drum storage activities and interim status RCRA

permits to store in tanks the hazardous waste which PFM blends and processes into substitute fuels. PFM has submitted for renewal its final RCRA permit.

PFF operates its hazardous and low-level radioactive waste activities under a RCRA Part B permit and a radioactive materials license. PFF's low-level radioactive license was issued on August 18, 1995 and amended on March 13 and August 15, 1996 for expanded radioactive waste management activities. These include larger numbers of radioisotopes, increased radioactive chemical/physical forms, research and development, and holding times of up to three (3) years.

PFD operates a hazardous and non-hazardous waste treatment and storage facility under a RCRA Part B permit granted January 3, 1996.

The Company believes that its TSD facilities presently have obtained all approvals, licenses and permits necessary to enable it to conduct its business as it is presently conducted. The failure of the Company's TSD facilities to renew any of their present approvals, licenses and permits, or the termination of any such approvals, licenses or permits, could have a material adverse effect on the Company, its operations and financial condition.

The Company believes that its on-site waste treatment services performed by PFI does not require federal environmental permits provided certain conditions are met, and PFI has received written verification from each state in which it is presently operating that no such permit is required provided certain conditions are met. There can be no assurance that states in which the Company's waste facilities presently do business, other states in which the Company's waste facilities may do business in the future, or the federal government will not change policies or regulations requiring PFI to obtain permits to carry on its on-site activities.

Seasonality

Management believes that the Company experiences a seasonal slowdown during the winter months extending from late November through early March. The seasonality factor is a combination of the inability to generate consistent billable hours in the consulting engineering segment, along with poor weather conditions in the central plains and midwestern geographical markets it serves for on-site and off-site services, resulting in a decrease in revenues and earnings during such period.

Dependence Upon a Single or Few Customers

The majority of the Company's revenues for fiscal 1996 have been derived from hazardous and non-hazardous waste management services provided to a variety of industrial and commercial customers. The Company's customers are principally engaged in research, biotechnical development, transportation, chemicals, metal processing, electronic, automotive, petrochemical, refining and other similar industries, in addition to government agencies that include the USDOE, USDOD, USDA, VA and other federal, state and local agencies. The Company is not dependent upon a single customer, or a few customers, the loss of any one or more of which would have a material adverse effect on the Company, and the Company during 1996 did not make sales to any single customer that in the aggregate amount represented more than ten percent (10%) of the Company's consolidated revenues.

Competitive Conditions

The Company competes with numerous companies that are able to provide one or more of the environmental services offered by the

Company and many of which may have greater financial, human and other resources than the Company. However, the Company believes that the range of waste management and environmental consulting, treatment, recycling and remediation services it provides affords it a competitive advantage with respect to certain of its more specialized competitors. The Company believes that the treatment processes it utilizes offer a cost savings alternative to more traditional remediation and disposal methods offered by the Company's competitors.

Many other companies presently provide services similar to those provided by the Company (except in the low-level radioactive and hazardous mixed waste area, which has only a few competitors), and there continues to be intense competition within certain segments of the waste management industry, which has resulted in reduced gross margin levels for those segments. Competition in the waste management industry is likely to increase as the industry continues to mature, as more companies enter the market and expand the range of services which they offer and as the Company and its competitors move into new geographic markets. The Company believes that there are no formidable barriers to entry into the on-site treatment business within which PFI operates. The Company believes that the permitting requirements, and the cost to obtain such permits, are barriers to the entry of hazardous waste TSD facilities and radioactive activities as presently operated by the Company through its subsidiaries. Certain of the non-hazardous waste operations of the Company, however, do not require such permits and, as a result, entry into these non-hazardous waste businesses would be easier. In addition, at present there is only one other facility in the United States that provides low-level radioactive and hazardous waste recycling of scintillation vials, which requires both a radioactive permit and a hazardous waste permit. If the permit requirements for both hazardous waste storage, treatment and disposal activities and/or the handling of low level radioactive matters are eliminated or made easier to obtain, such would allow more companies to enter into these markets and provide greater competition to the Company.

In the on-site waste treatment service area, the Company believes that the major competition to its services is the continued utilization of traditional off-site disposal methods such as landfilling. As the viability of the Company's on-site treatment process is demonstrated in the market, the Company believes that the potential to reduce costs and the ability to limit potential liability will persuade waste generators to utilize the Company's services. In the future, the Company believes that it will face direct competition as processes such as those applied by the Company are utilized by competitors.

The Company believes that it is a significant participant in the delivery of off-site waste treatment services in the Southeast, Midwest and Southwest. The Company competes with TSD facilities operated by national, regional and independent environmental services firms located within a several hundred mile radius of the Company's facilities. The TSD with radiological activities works on a nationwide basis, to include Puerto Rico, Guam, Samoa, the Virgin Islands and Antarctica.

The Company's competitors for remediation services include national and regional environmental services firms that may have larger environmental remediation staffs and greater resources than the Company. The Company recognizes its lack of technical and financial resources necessary to compete for larger remediation contracts and therefore, presently concentrates on remediation

services projects within its existing customer base or projects in its service area which are too small for companies without a presence in the market to perform competitively.

Environmental engineering and consulting services provided by the Company through Mintech and SG&Y involve competition with larger engineering and consulting firms. The Company believes that it is able to compete with these firms based on its established reputation in its market areas and its expertise in several specific elements of environmental engineering and consulting such as environmental applications in the cement industry.

Capital Spending and Certain Environmental Expenditures

During 1996, the Company spent approximately $2,082,000 in capital expenditures, which was principally for the expansion and improvements to the operations, and to comply with federal, state and local environmental laws, rules and regulations at its TSD facilities. For 1997, the Company has budgeted $1,250,000 for capital expenditures to maintain permit compliance and improve operations and $350,000 to comply with federal, state and local regulations in connection with remediation activities at two locations. As with 1996, these ongoing environmental expenditures were not significant, with the exception of remedial activities at two locations. The two facilities where these expenditures will be made are Environmental Processing Services, Inc. ("EPS"), a former RCRA storage and recycling facility, and also the remedial activity at the PFM facility. EPS operated its facility on property that it leased from an affiliate of EPS ("Leased Property").

In June 1994, the Company acquired from Quadrex Corporation and/or a subsidiary of Quadrex Corporation (collectively, "Quadrex") three TSD companies, including the Dayton, Ohio, PFD facility. The former owners of PFD had merged EPS with PFD, which was subsequently sold to Quadrex. The Company, through its acquisition of PFD in 1994 from Quadrex, was indemnified by Quadrex for costs associated with remediating the Leased Property, which entails remediation of soil and/or groundwater restoration. The Leased Property used by EPS to operate its facility is separate and apart from the property on which PFD's facility is located. During 1995, in conjunction with the bankruptcy filing by Quadrex, the Company was required to advance $250,000 into a trust fund to support remedial activities at the Leased Property used by EPS, which was subsequently increased to $343,000. As discussed in Note 7 to the consolidated financial statements included in Item 8, the Company has accrued approximately $925,000 for the estimated costs of remediating the Leased Property used by EPS, which is in excess of the current estimate for completion and will extend for a period of three (3) to five (5) years.

The PFM facility is situated in an industrial setting in Memphis, Tennessee, with numerous industrial and commercial businesses proximate. By and from the acquisition of PFM, the Company assumed certain liabilities to remediate gasoline contaminated groundwater and investigate, under the hazardous and solid waste amendments, potential areas of soil contamination on its property. Prior to the Company's ownership of PFM, the prior owners installed monitoring and treatment equipment to restore the groundwater to acceptable standards in accordance with federal, state and local authorities. As discussed in Note 7 to the Consolidated Financial Statements included in Item 8, the Company has accrued approximately $1,160,000 for the estimated costs of this continuing restoration, which is in excess of the current estimate and will extend for a period of five (5) to ten (10) years.

As previously discussed, due to a fire and explosion at PFM's Memphis, Tennessee, TSD facility in January 1997, the Company anticipates, although there is no assurance, that its property insurance will cover substantially all of the costs to repair or remove tanks damaged at the facility as a result of such occurrence. The Memphis facility has not been operational since the date of such occurrence. However, PFM has accepted and will continue to accept waste for processing and disposal, but has arranged for other facilities owned by the Company or subsidiaries of the Company or others not affiliated with the Company to process such waste. The Company is in the process of determining the amount of business interruption insurance that may be recoverable by PFM as a result of such occurrence, if any. See "BUSINESS--Waste Management Services" for further discussion as to such occurrence and certain forward-looking statements contained herein and cautionary statements relating thereto.

In addition, the Company has budgeted $1,250,000 for capital expenditures during 1997 in order to upgrade its TSD facilities to reduce the cost of waste processing and handling, expand the range of wastes that can be accepted for treatment and processing and to maintain permit compliance requirements. However, there is no assurance that the Company will have the funds available for such budgeted expenditures. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources of the Company".

Number of Employees

As of December 31, 1996, the Company and its subsidiaries employed approximately 255 persons, of which approximately 61 were assigned to the Company's engineering and consulting segment and approximately 189 to the waste management segment. The Company is not a party to any collective bargaining agreement covering its employees. The Company believes its relationship with its employees is satisfactory.

Governmental Regulation

The Company and its customers are subject to extensive and evolving environmental laws and regulations administered by the EPA and various other federal, state and local environmental, safety and health agencies. These laws and regulations largely contribute to the demand for the Company's services. Although the Company's customers remain responsible by law for their environmental problems, the Company must also comply with the requirements of those laws applicable to its services. Because the field of environmental protection is both relatively new and rapidly developing, the Company cannot predict the extent to which its operations may be affected by future enforcement policies as applied to existing laws or by the enactment of new environmental laws and regulations. Moreover, any predictions regarding possible liability are further complicated by the fact that under current environmental laws the Company could be jointly and severally liable for certain activities of third parties over whom the Company has little or no control. Although management believes that the Company is currently in substantial compliance with all applicable laws and regulations, the Company could be subject to fines, penalties or other liabilities or could be adversely affected by existing or subsequently enacted laws or regulations. The principal environmental laws affecting the Company and its customers are briefly discussed below.

The Resource Conservation and Recovery Act of 1976, as amended ("RCRA"). RCRA and its associated regulations establish a strict and comprehensive regulatory program applicable to hazardous waste.

The EPA has promulgated regulations under RCRA for new and existing treatment, storage and disposal facilities including incinerators, storage and treatment tanks, storage containers, storage and treatment surface impoundments, waste piles and landfills. Every facility that treats, stores or disposes of specified minimum amounts of hazardous waste must obtain a RCRA permit or must obtain interim status from the EPA, or a state agency which has been authorized by the EPA to administer its program, and must comply with certain operating, financial responsibility and closure requirements. RCRA provides for the granting of interim status to facilities that allows a facility to continue to operate by complying with certain minimum standards pending issuance or denial of a final RCRA permit.

Boiler and Industrial Furnace Regulations under RCRA ("BIF Regulations"). BIF Regulations require boilers and industrial furnaces, such as cement kilns, to obtain permits or to qualify for interim status under RCRA before they may use hazardous waste as fuel. If a boiler or industrial furnace does not qualify for interim status under RCRA, it may not burn hazardous waste as fuel or use such as raw materials without first having obtained a final RCRA permit. In addition, the BIF Regulations require 99.99% destruction of the hazardous organic compounds used as fuels in a boiler or industrial furnace and impose stringent restrictions on particulate, carbon monoxide, hydrocarbons, toxic metals and hydrogen chloride emissions.

The Safe Drinking Water Act, as amended (the "SDW Act"), regulates, among other items, the underground injection of liquid wastes in order to protect usable groundwater from contamination. The SDW Act established the Underground Injection Control Program ("UIC Program") that provides for the classification of injection wells into five classes. Class I wells are those which inject industrial, municipal, nuclear and hazardous wastes below all underground sources of drinking water in an area. Class I wells are divided into non-hazardous and hazardous categories with more stringent regulations imposed on Class I wells which inject hazardous wastes. Operators of Class I hazardous waste injection wells that can demonstrate to the satisfaction of the EPA that the wastes will not migrate from the injection zone for 10,000 years are able to receive significant exemptions from these regulations. PFTS does not have and is not expected to receive such an exemption and therefore only injects non-hazardous liquid waste and certain types of hazardous liquid waste streams which have been treated prior to disposal in compliance with applicable regulations or for which no treatment has been prescribed by applicable law.

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA", also referred to as the "Superfund Act"). CERCLA governs the clean-up of sites at which hazardous substances are located or at which hazardous substances have been released or are threatened to be released into the environment. CERCLA authorizes the EPA to compel responsible parties to clean up sites and provides for punitive damages for noncompliance. CERCLA imposes joint and several liability for the costs of clean-up and damages to natural resources.

Health and Safety Regulations. The operation of the Company's environmental activities is subject to the requirements of the Occupational Safety and Health Act ("OSHA") and comparable state laws. Regulations promulgated under OSHA by the Department of Labor require employers of persons in the transportation and environmental industries, including independent contractors, to implement hazard communications, work practices and personnel protection programs in

order to protect employees from equipment safety hazards and exposure to hazardous chemicals.

Atomic Energy Act. The Atomic Energy Act of 1954 governs the safe handling and use of Source, Special Nuclear and Byproduct materials in the U.S. and its territories. This act authorized the Atomic Energy Commission (now the Nuclear Regulatory Commission) to enter into "Agreements with States to carry out those regulatory functions in those respective states except for Nuclear Power Plants and federal facilities like the VA hospitals and the USDOE operations. On July 1, 1964, the State of Florida signed this Agreement. Thus, the State of Florida (with the USNRC oversight), Office of Radiation Control, regulates the radiological program of the PFF facility.

Other Laws. The Company's activities are subject to other federal environmental protection and similar laws, including, without limitation, the Clean Water Act, the Clean Air Act, the Hazardous Materials Transportation Act and the Toxic Substances Control Act. Many states have also adopted laws for the protection of the environment which may affect the Company, including laws governing the generation, handling, transportation and disposition of hazardous substances and laws governing the investigation and clean-up of, and liability for, contaminated sites. Some of these state provisions are broader and more stringent than existing federal law and regulations. The failure of the Company to conform its services to the requirements of any of these other applicable federal or state laws could subject the Company to substantial liabilities which could have a material adverse affect on the Company, its operations and financial condition. In addition to various federal, state and local environmental regulations, the Company's hazardous waste transportation activities are regulated by the U.S. Department of Transportation, the Interstate Commerce Commission and transportation regulatory bodies in the states in which it operates. The Company cannot predict the extent to which it may be affected by any law or rule that may be enacted or enforced in the future, or any new or different interpretations of existing laws or rules.

Potential Environmental Liability and Insurance

The nature of the Company's business exposes it to significant risk of liability for damages. Such potential liability could involve, for example, claims for clean-up costs, personal injury or damage to the environment in cases where the Company is held responsible for the release of hazardous materials; claims of employees, customers or third parties for personal injury or property damage occurring in the course of the Company's operations; and claims alleging negligence or professional errors or omissions in the planning or performance of its services or in the providing of its products. In addition, the Company could be deemed a responsible party for the costs of required clean-up of any property which may be contaminated by hazardous substances generated by the Company or transported by the Company to a site selected by the Company, including properties owned or leased by the Company. The Company could also be subject to fines and civil penalties in connection with violations of regulatory requirements.

Prior to the time of acquisition of PFM by the Company, gasoline has been detected in the groundwater at the PFM facility, and remediation of such gasoline is currently underway. See "BUSINESS -- Certain Environmental Expenditures". The PFM facility is situated in the vicinity of the Memphis Military Defense Depot (the "Defense Facility"), which Defense Facility is listed as a Superfund Site and is adjacent to the Allen Well Field utilized by Memphis Light, Gas & Water, a public water supply utilized in

Memphis, Tennessee. Chlorinated compounds have previously been detected in the groundwater beneath the Defense Facility, as well as in very limited amounts in certain production wells in the adjacent Allen Well Field. Very low concentrations of certain chlorinated compounds have also been detected in the groundwater beneath the PFM facility and the possible presence of these compounds at PFM is currently being investigated. Based upon a study performed by the Company's environmental engineering group, the Company does not believe the PFM facility is the source of the chlorinated compounds in a limited number of production wells in the Allen Well Field and, as a result, does not believe that the presence of the low concentrations of chlorinated compounds at the PFM facility will have a material adverse effect upon the Company.

The Company currently has $1 million of general liability insurance coverage with $2 million in the aggregate plus $6 million excess umbrella coverage. In addition, the Company carries contractors' pollution and professional liability coverage of $1 million per occurrence and $2 million in the aggregate. The Company is 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, the Company has doubled these coverage amounts to $2 million per occurrence and $4 million per year in the aggregate. In particular, the PFTS deep well carries liability insurance of $4 million per occurrence and $8 million per year in the aggregate. The cost of the Company's insurance is substantial. Although the Company believes that its insurance coverage is presently adequate and similar to or greater than the coverage maintained by other companies of its size in the industry, there can be no assurance that liabilities that may be incurred by the Company will be covered by its insurance or that the dollar amount of such liabilities that are covered will not exceed the Company's policy limits. Furthermore, there can be no assurance that the Company will be able to continue to obtain adequate or required insurance coverage or, if obtainable, to be able to purchase it at affordable rates. If the Company has difficulty in obtaining such coverage, it could be at a competitive disadvantage with other companies and/or may be unable to continue certain of its operations.

ITEM 2. PROPERTIES

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The following table describes the principal properties currently operated by the Company:

Location	Entity	Own/Lease	Description
<S>	<C>	<C>	<C>
Dayton, OH	Perma-Fix of Dayton, Inc.	Own	27,000 sq. ft. of office and ware-house space on 25.6 acres
Davie, FL	Perma-Fix of Ft. Lauderdale, Inc.	Own	Office and plant on 2.5 acres
Davie, FL	Perma-Fix of Ft. Lauderdale, Inc.	Lease	2,115 sq. ft. of office space
Gainesville, FL	Perma-Fix of Florida, Inc.	Own	45,000 sq. ft. of office and ware-house space on 7.5 acres

Memphis, TN	Perma-Fix of Memphis, Inc.	Own	6,000 sq. ft. of office space on 9.8 acres
Memphis, TN	Perma-Fix of Memphis, Inc.	Own	3,000 sq. ft. of office and warehouse space on 2 acres
Tulsa, OK	Perma-Fix Treatment Services, Inc.	Own	1,950 sq. ft. of office space on 25 acres
Tulsa, OK	Perma-Fix Treatment Services, Inc.	Lease(1)	13,541 sq. ft. of office and warehouse space on 10 acres
Atlanta, GA	Perma-Fix Environmental Services, Inc.	Lease	480 sq. ft. of office space
Tulsa, OK	Mintech, Inc.	Lease	8,707 sq. ft. of office space
Albuquerque, NM	Perma-Fix of New Mexico Inc.	Lease	5,236 sq. ft. of warehouse space
Fenton, MO	Schrieber, Yonley & Associates	Lease	13,000 sq. ft. of office space
Kansas City, MO	Perma-Fix of Memphis, Inc.	Lease	5,000 sq. ft. of office and warehouse space

<FN>
(1) Lease provides an option to purchase for a nominal amount at the end of the lease term.
</FN>
</TABLE>

The Company believes that the above facilities currently provide adequate capacity for the Company's operations and that additional facilities are readily available in the regions in which the Company currently operates.

The facility owned by Perma-Fix of Memphis, Inc. ("PFM") that is permitted to store and treat hazardous waste and at which fuels are blended has not been operational since January 27, 1997, the date that an explosion and fire occurred at the facility. The Company anticipates that PFM's facility will be able to resume operations during the second quarter of 1997. The extent of PFM's activities at this facility once operations are resumed is presently being evaluated by the Company. See "BUSINESS -- Waste Management Services" for further discussion of such occurrence and certain forward-looking statements contained herein and cautionary language relating thereto.

ITEM 3. LEGAL PROCEEDINGS

During September 1994, Perma-Fix of Memphis, Inc. (PFM), formerly American Resource Recovery Corporation ("ARR"), was sued by Community First Bank ("Community First") to collect a note in the principal sum of $341,000 that was allegedly made by ARR to CTC Industrial Services, Inc. ("CTC") in February 1987 (the "Note"), and which was allegedly pledged by CTC to Community First in December 1988 to secure certain loans to CTC. This lawsuit, styled Community First Bank v. American Resource Recovery Corporation, was instituted on September 14, 1994, and is pending in the Circuit Court, Shelby County, Tennessee. The Company was not aware of either the Note or its pledge to Community First at the time of the Company's acquisition of PFM in December 1993. The Company intends to vigorously defend itself in connection therewith. PFM has filed a third party complaint against Billie Kay Dowdy, who was the sole

shareholder of PFM immediately prior to the acquisition of PFM by the Company, alleging that Ms. Dowdy is required to defend and indemnify the Company and PFM from and against this action under the terms of the agreement relating to the Company's acquisition of PFM. Ms. Dowdy has stated in her answer to the third party complaint that if the Note is determined to be an obligation enforceable against PFM, she would be liable to PFM, assuming no legal or equitable defenses.

In May 1995, PFM, a subsidiary of the Company, became aware that the U.S. District Attorney for the Western District of Tennessee and the Department of Justice were investigating certain prior activities of W. R. Drum Company, its successor, First Southern Container Company, and any other facility owned or operated, in whole or in part, by Johnnie Williams. PFM used W. R. Drum Company to dispose of certain of its used drums. In May 1995, PFM received a Grand Jury Subpoena which demanded the production of any documents in the possession of PFM pertaining to W. R. Drum Company, First Southern Container Company, or any other facility owned or operated, and holder in part, by Johnnie Williams. PFM complied with the Grand Jury Subpoena. Thereafter, in September of 1995, PFM received another Grand Jury Subpoena for documents from the Grand Jury investigating W. R. Drum Company, First Southern Container Company and/or Johnnie Williams. PFM complied with the Grand Jury Subpoena. In December 1995, representatives of the Department of Justice advised PFM that it was also currently a subject of the investigation involving W. R. Drum Company, First Southern Container Company, and/or Johnnie Williams. Since that time, however, PFM has had no contact with representatives of either the United States District Attorney's office for the Western District of Tennessee or the Department of Justice, and is not aware of why it is also a subject of such investigation. In accordance with certain provisions of the Agreement and the Plan of Merger relating to the prior acquisition of PFM, on or about January 2, 1996, PFM notified Ms. Billie K. Dowdy of the foregoing, and advised Ms. Dowdy that the Company and PFM would look to Ms. Dowdy to indemnify, defend and hold the Company and PFM harmless from any liability, loss, damage or expense incurred or suffered as a result of, or in connection with, this matter.

In addition to the above matters and in the normal course of conducting its business, the Company is involved in various other 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.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's annual meeting of stockholders ("Annual Meeting") was held on December 12, 1996. At the Annual Meeting, the following matters were voted on and approved by the shareholders:

1. The election of four (4) directors to serve until the next annual meeting of stockholders or until their respective successors are duly elected and qualified;

2. Approval of the Third Amendment to the Company's 1992 Outside Directors Stock Option and Incentive Plan.

3. Approval of the Company's 1996 Employee Stock Purchase Plan.

4. Approval of an amendment to the Company's Certificate of Incorporation increasing the authorized shares of the Company's common stock from 20,000,000 shares to 50,000,000 shares.

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At the Annual Meeting the four (4) nominated directors were elected to serve until the next annual meeting of stockholders. The directors elected at this annual meeting of stockholders and the votes cast for, against and abstentions for each director are as follows:

	For	Withhold Authority	Abstentions and Broker Non-Votes
<S>	<C>	<C>	<C>
Dr. Louis F. Centofanti	7,993,533	61,952	-
Mark A. Zwecker	7,994,533	60,952	-
Steve Gorlin	7,993,533	61,952	-
Jon Colin	7,991,233	64,252	-

</TABLE>

Also, at the Annual Meeting the shareholders approved the Third Amendment to the Company's 1992 Outside Directors Stock Option and Incentive Plan, which, among other things, provided that each eligible director shall receive, at such eligible director's option, either sixty-five percent (65%) or one hundred percent (100%) of the fee payable to such director for services rendered to the Company as a member of the Board in Common Stock of the Company. In either case, the number of shares of common stock of the Company issuable to the eligible director shall be determined by valuing the common stock of the Company at seventy-five percent (75%) of its fair market value as defined by the Plan. Also approved at the Annual Meeting was the adoption of the Perma-Fix Environmental Services, Inc. 1996 Employee Stock Purchase Plan. This plan provides that eligible employees of the Company and its subsidiary, who wish to become stockholders, an opportunity to purchase common stock of the Company through payroll deductions. The maximum number of shares of common stock of the Company that may be issued under the plan will be 500,000 shares. The plan provides that shares will be purchased two (2) times per year and that the exercise price per share shall be eighty-five percent (85%) of the market value of each such share of common stock on the offering date on which such offer commences or on the exercise date on which the offer period expires, whichever is lowest. The final proposal approved at the Annual Meeting was the amendment to the Company's Restated Certificate of Incorporation, as amended, to increase from 20,000,000 to 50,000,000 shares the Company's authorized common stock, par value $.001 per share.

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The votes for, against and abstentions and broker non-votes are as follows:

	For	Against	Abstentions and Broker Non-Votes
<S>	<C>	<C>	<C>
Approval of Third Amendment to the 1992 Outside Directors Stock	5,784,580	309,415	1,961,490

Option and Incentive Plan			
Approval of the 1996 Employee Stock Purchase Plan	4,318,672	160,550	3,576,263
Amendment to the Restated Certificate of Incorporation increasing the number of authorized shares of common stock from 20,000,000 to 50,000,000	6,868,750	293,685	893,050

ITEM 4A. EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth, as of the date hereof, information concerning the executive officers of the Company:

Dr. Louis F. Centofanti Chairman of the Board, President and Chief Executive Officer	Dr. Centofanti has served as Chairman of the Board since formation of the Company in February 1991. Dr. Centofanti also served as President and Chief Executive Officer of the Company from February 1991 until September 1995, at which time Mr. Robert W. Foster, Jr. ("Foster") was elected as Chief Executive Officer. Upon the resignation of Foster in March 1996, Dr. Centofanti was again elected to serve as President and Chief Executive Officer of the Company and continues as Chairman of the Board. From 1985 until joining the Company, Dr. Centofanti served as Senior Vice President of USPCI, Inc. ("USPCI"), a large integrated hazardous waste management company, where he was responsible for managing the treatment, reclamation and technical groups within the company. In 1981, he founded PPM, Inc., a hazardous waste management company specializing in the treatment of PCB contaminated oils which was sold to USPCI in 1985. From 1978 to 1981, Dr. Centofanti served as Regional Administrator of the Department of Energy for the southeastern region of the United States. Dr. Centofanti has a Ph.D. and a M.S. in Chemistry from the University of Michigan, and a B.S. in Chemistry from Youngstown State University.
Mr. Richard T. Kelecy Chief Financial Officer Age: 41	Mr. Kelecy was elected Chief Financial Officer in September 1995. He previously served as Chief Accounting Officer and Treasurer of the Company, since July 1994. From 1992 until June 1994, Mr. Kelecy was Corporate Controller and Treasurer for Quadrex Corporation ("Quadrex"). In February 1995, Quadrex filed for bankruptcy protection under the

	federal bankruptcy laws. From 1990 to 1992 Mr. Kelecy was Chief Financial Officer for Superior Rent-a-Car, and from 1983 to 1990 held various positions at Anchor Glass Container Corporation including Assistant Treasurer. Mr. Kelecy holds a B.A. in Accounting and Business Administration from Westminster College in New Wilmington, Pennsylvania.

<FN>
(1) There is no family relationship between any of the executive officers.
</FN>
</TABLE>

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

<TABLE>
<CAPTION>

The Company's common stock, with a par value of $.001 per share, is traded on the NASDAQ Small-Cap Market ("NASDAQ") and the Boston Stock Exchange ("BSE") under the symbol "PESI" on NASDAQ and "PES" on the BSE. Effective December 1996, the Company's common stock also began trading on the Berlin Stock Exchange under the symbol "PES.BE." The following table sets forth the high and low bid prices quoted for the common stock during the periods shown. The source of such quotations and information is the NASDAQ Stock market statistical summary reports:

		1996		1995	
		Low	High	Low	High
<S>	<C>	<C>	<C>	<C>	<C>
Common Stock:	1st Quarter	1	1 3/4	1 3/4	3 1/8
	Second Quarter	29/32	2 7/16	1 11/16	3
	Third Quarter	1 1/2	2 9/16	1 7/8	2 3/4
	Fourth Quarter	1 5/16	2 7/16	1 1/8	1 15/16

</TABLE>

Such over-the-counter market quotations reflect inter-dealer prices, without retail mark-ups or commissions and may not represent actual transactions.

As of December 31, 1996, there were approximately 182 shareholders of record of the Company's common stock, including brokerage firms and/or clearing houses holding shares of the Company's common stock for their clientele (with each brokerage house and/or clearing house being considered as one holder). However, the total number of beneficial shareholders was approximately 1,100 on this date.

Since its inception, the Company has not paid a dividend on its common stock and has no dividend policy. Management is subject to certain restrictions on the payment of dividends by the terms and covenants under the terms of the Loan and Security Agreement ("Loan Agreement") with Heller Financial, Inc. The Company is prohibited from paying dividends unless Heller agrees to such payment. The Loan Agreement was entered into on January 27, 1995 and is further discussed in Note 5 of the Notes to Consolidated Financial Statements.

ITEM 6. SELECTED FINANCIAL DATA

<TABLE>
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The financial data included in this table has been derived from the consolidated financial statements of the Company and its subsidiaries. Financial statements for the year ended December 31, 1996 have been audited by BDO Seidman, LLP, and for the years ended December 31, 1995 and 1994, by Arthur Andersen LLP. Financial statements for the years ended December 31, 1993 and 1992 have been audited by Coopers & Lybrand L.L.P.

Statement of Operations Data:
(Amounts in Thousands, Except for Share Amounts)

	December 31,				
	1996	1995(4)	1994(3)	1993	1992(1)
<S>	<C>	<C>	<C>	<C>	<C>
Revenues	$31,037	$34,891	$28,075	$10,123	$ 5,983
Net loss applicable to common stock	(405)	(9,052)	(1,516)	(1,895)	(1,269)
Net loss per common share(2)	(.05)	(1.15)	(.25)	(.44)	(.50)
Weighted average number of common shares outstanding(2)	8,761	7,872	5,988	4,287	2,531

</TABLE>

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Balance Sheet Data:

	December 31,				
	1996	1995(4)	1994(3)	1993	1992(1)
<S>	<C>	<C>	<C>	<C>	<C>
Working capital (deficit)	$ (773)	$(9,372)	$ (705)	$ 1,278	$ 7,280
Total assets	29,036	28,873	35,067	17,711	10,523
Long-term debt, less current maturities	4,881	1,116	4,772	820	1,516
Total liabilities	16,451	20,935	18,105	6,997	2,286
Stockholders' equity	12,585	7,938	16,962	10,714	8,237

<FN>

(1) Includes financial data of IWM using the purchase method of accounting and only from February 10, 1992, the date of acquisition.

(2) As adjusted to reflect the stock split approved by the Board of Directors in July 1992, and to reflect all stock options and warrants outstanding at December 31, 1993 as if such options and warrants had been outstanding for all periods presented prior to December 31, 1993, using the treasury stock method in accordance with SEC Staff Accounting Bulletin No. 83.

(3) Includes financial data of Perma-Fix of Florida, Inc., Perma-Fix of Dayton, Inc. and Perma-Fix of Ft. Lauderdale, Inc., as acquired from Quadrex Corporation and accounted for using the

purchase method of accounting, from June 30, 1994.

(4) Includes write-down of impaired intangible permit related to an acquisition completed in December of 1993 and certain nonrecurring charges.
</FN>
</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis is based, among other things, upon the audited consolidated financial statements of the Company and its subsidiaries, and includes the accounts of the Company and its wholly-owned subsidiaries, after elimination of all significant inter-company balances and transactions.

Results of Operations

The following discussion and analysis should be read in conjunction with the consolidated financial statements of the Company and its subsidiaries and the notes thereto included in Item 8 of this report.

The Company is an active participant in the pollution control industry, which encompasses numerous segments ranging from residential solid waste collection and disposal to integrated remedial services for military and government installations, and the treatment and disposal of hazardous and mixed waste. The industry was born out of the promulgation of federal, state and local environmental regulations. Over the last three to five years, waste minimization, in conjunction with maturing market conditions, has lead to acquisitions, consolidations and some firms exiting from segments in this industry. Today's business environment in the waste management industry is highly competitive, with customer cost containment, pricing pressures and market share consolidation prevalent. As a result of these industry conditions and the related losses recognized by the Company, a major restructuring program was initiated during 1995. This program included the closure of several poorly-performing service centers, the establishment of regional profit centers and the reduced overall cost structure and overhead carried by the Company. Charges related to this program are reflected in the operating results for the year ended December 31, 1995.

The reporting of financial results and pertinent discussions are tailored to two segments of the pollution control industry: Waste Management Services and Consulting Engineering Services.

<TABLE>
<CAPTION>
Below are the results of operations for the Company for the prior three years with subsequent disclosures for industry segments for this same year found in the segment reporting section.

(Amounts in Thousands)	1996	1995	1994
<S>	<C>	<C>	<C>
Revenues	$31,037	$34,891	$28,075
Cost of goods sold	21,934	26,564	22,301
Gross profit	9,103	8,327	5,774
Selling, general and administrative	6,922	8,132	5,298
Depreciation and amortization	2,252	2,431	1,545
Permit write-down	-	4,712	-

Nonrecurring charges	-	987	-
Other income (expense):			
Interest income	65	70	65
Interest expense	(812)	(952)	(373)
Other	558	(235)	(109)
Provision for income taxes	-	-	30
Preferred stock dividends	(145)	-	-
Net loss applicable to common stock	$ (405)	$(9,052)	$(1,516)

</TABLE>

Summary -- Years Ended December 31, 1996 and 1995

The Company had net revenues of $31,037,000 for the year ended December 31, 1996, compared to the 1995 net revenues of $34,891,000. This decrease in revenue from 1995 to 1996 of $3,854,000 reflects 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 elimination of select low margin activities, as the Company continued to focus its efforts on certain business segments. The above noted increase in revenues, however, from 1994 to 1995 principally reflects the June 1994 acquisitions of Perma-Fix of Dayton, Inc. ("PFD"), Perma-Fix of Ft. Lauderdale, Inc. ("PFL"), and certain assets located in Gainesville, Florida, now known as Perma-Fix of Florida, Inc. ("PFF"), from Quadrex Corporation and its subsidiary Quadrex Environmental Company (collectively, "Quadrex"). During 1996, the Company experienced reduced revenues at PFL's facility in Ft. Lauderdale, Florida, during the period that a major capital expansion project at such facility was being instituted. In addition, during such expansion, the PFL facility was vandalized during October 1996, resulting in a minimal reduction in revenues over a two to four week period. The combined reduction in revenues at PFL was approximately $718,000 during 1996, which was partially offset by increased revenues of $268,000 at certain other fixed-based facilities of the Company and receipt during 1996 of new contracts, such as the waste treatment project at the U.S. Department of Energy's Fernald, Ohio, facility.

Cost of goods sold for the Company decreased during 1996 by $4,630,000 to a total of $21,934,000, as compared to $26,564,000 for 1995. This decrease is partially attributable to the overall reduction in revenue of $3,854,000 as discussed above, and to the cost benefit associated with the various restructuring programs and a reduced cost structure throughout the organization. This reduced cost structure can be further reflected by the cost of goods sold as a percent of revenue, which was 70.7% for 1996, as compared to 76.1% and 79.4% for 1995 and 1994, respectively.

Selling, general and administrative expenses decreased $1,210,000 from $8,132,000 for fiscal 1995 to $6,922,000 for fiscal year ended December 31, 1996. This decrease principally reflects the reduced administrative cost structure, resulting from the restructuring program, which reflected an overall reduction in administrative expenses of $1,441,000 during 1996. This reduced administrative cost was partially offset by an increase in marketing expenses of approximately $231,000 from 1995 to 1996, reflecting increased sales and marketing efforts as the Company focuses on new business areas of the waste industry. The increase in selling, general and administrative expenses from 1994 to 1995 principally reflects a full year of expenses in 1995 as a result of the acquisition from Quadrex of PFD, PFL and PFF, over the partial year

of 1994. As a percent of revenue, SG&A expenses were 22.3% of revenue for 1996, as compared to 23.3% of revenue for fiscal year ended December 31, 1995.

During December 1995, the Company recognized a permit impairment charge of $4,712,000, related to the December 1993 acquisition of Perma-Fix of Memphis, Inc. ("PFM"). The evaluation of this impairment included the review of prior operating results, the recent restructuring activities, including the reduction of all possible operating and overhead costs, margin and revenue enhancements, and the related estimate of future undiscounted operating income. Based upon this review, the permit was deemed to be impaired and a charge recorded for the full carrying amount of this intangible permit, which is further discussed in Note 13 of the Notes to Consolidated Financial Statements.

During 1995, the Company recorded several nonrecurring charges totalling $987,000, for certain unrelated events. Of this amount, $450,000 represents a divestiture reserve as related to the sale of a wholly-owned subsidiary and $537,000 are one-time charges resulting from restructuring programs.

The Company decided in 1994 to divest its wholly-owned subsidiary, Re-Tech Systems, Inc., which is engaged in post-consumer plastics recycling. A reserve in the amount of $450,000 was recorded during the second quarter of 1995 for the estimated loss to be recognized through a sale transaction. During the first quarter of 1996, the Company completed the sale transaction for this business, resulting in total consideration of $970,000, which is further discussed in "Liquidity and Capital Resources" of this Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 14 of the Notes to Consolidated Financial Statements. The Company also executed restructuring programs during 1995 within the waste management services segment. A one-time charge of $237,000 was recorded 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 related closing of seven (7) of the nine (9) offices. A one-time charge of $75,000 was also recorded during the second quarter of 1995 to provide for consolidation costs, principally severance, associated with the restructuring of the Southeast Region, which is comprised of PFF and PFL. These restructuring costs were principally incurred and funded during 1995.

In December of 1995, in conjunction with the above referenced restructuring program, the Company and Mr. Robert W. Foster, Jr. ("Foster") agreed to Foster's resignation as President, Chief Executive Officer and Director of the Company, thereby terminating his employment agreement with the Company effective March 15, 1996. The Company paid severance benefits of $30,000 in cash, continued certain employee benefits for a period of time, and issued $171,000 in the form of common stock, par value $.001, of the Company (152,000 shares). Pursuant to the above, the Company recorded a nonrecurring charge at December 31, 1995 of $215,000. In addition, severance costs of approximately $10,000 were also incurred upon the termination of several corporate executives. These restructuring costs were principally incurred and funded during the first six (6) months of 1996.

Depreciation and amortization for 1996 reflects a total of $2,252,00 or a decrease of $179,000 from the 1995 balance of

$2,431,000. This decrease is principally a result of reduced amortization in conjunction with the permit write-down of $4,712,000 related to PFM, as recorded in December 1995. The amortization expense for 1996 was $455,000, which reflects a decrease of $232,000 from the 1995 total of $687,000. This reduced amortization is partially offset by increased depreciation of $53,000 reflecting new capital assets acquired during the year, partially offset by asset dispositions and the divestiture of a subsidiary of the Company.

Interest income totalled $65,000, a reduction of $5,000 from the 1995 total of $70,000. This total reflects interest earned on the restricted cash balances maintained by the Company. These restricted cash balances and related interest income generally increase from year to year. However, the restricted cash balance was reduced in the fourth quarter of 1995 as the Company replaced existing letters of credit with an alternative financial assurance instrument, thereby eliminating the need for such restricted cash. This, in turn, resulted in reduced interest income in 1996. Interest expense also decreased during 1996 by $140,000 to a total of $812,000, as compared to $952,000 for 1995. The interest expense is primarily related to the senior debt facility with Heller Business Credit and the capital lease line with Ally Capital Corporation, both of which reflect reduced debt balances during 1996 due to repayments and correspondingly reduced interest expense. Interest expense was also impacted by a reduced revolving credit line balance during 1996 resulting from the proceeds generated from the private placements which were used to partially repay said balance. Offsetting this reduced interest expense, during 1996, was the preferred stock dividends totalling $145,000 incurred in conjunction with the Series 3 Class C Convertible Preferred Stock as issued in July 1996. The preferred stock dividend was paid in the form of 100,387 shares of common stock of the Company, which covered the period July 24 through December 31, 1996, and were issued in January 1997.

Other income (expense) for 1996 reflected an income total of $558,000, as compared to expense of $235,000 for 1995. In conjunction with the above discussed restructuring programs and office closures, the Company renegotiated and settled certain accounts payable on favorable terms and adjusted other liabilities, resulting in approximately $334,000 net other income during 1996. The Company also recognized a gain of approximately $166,000 on the sale of non-productive assets, including the gain on the sale of Re-Tech. Effective December 31, 1996, the Company divested its arsenic removal technology for a net gain of approximately $122,000. Partially offsetting the above gains during 1996 were other expenses totalling $65,000, which principally represented costs associated with the October 1996 vandalism at PFL's facility as discussed above.

The Company reported a net loss applicable to common stock of $405,000 in 1996, as compared to $9,052,000 in 1995. The per share loss was $.05 for 1996 versus $1.15 in 1995. Net loss for 1995 included permit write-down and nonrecurring charges totalling $5,699,000, which, when deducted from the total loss, results in a comparable loss of $3,353,000. This significant improvement from 1995 to 1996 reflects again the impact of the various restructuring programs, cost reduction across all segments of the Company and the revenue focus on select areas of the waste industry.

Summary -- Years Ended December 31, 1995 and 1994

The Company had net revenues of $34,891,000 for the year ended December 31, 1995, compared to the 1994 revenue of $28,075,000. The

Company benefited by a full calendar year of its 1994 acquisitions of PFD, PFL, and certain assets located in Gainesville, Florida, now known as PFF, from Quadrex. As a percent of revenue, this is a 24.3% increase over 1994 revenue. Despite this increase, the Company continued to experience flat to declining revenue during 1995, attributable to its service groups and engineering segments, as a result of discontinuing specific products or locations.

Cost of goods sold for the Company increased 19.1% from 1995 over 1994, totaling $26,564,000 for 1995 versus $22,301,000 for the year ended December 31, 1994. As a percent of revenue, costs of goods sold were 79.4% in 1994 versus 76.1% for fiscal 1995. The cost of goods sold continues to decrease as a percent of revenue, which is attributable to a business mix based more on fixed-based processing facilities (82.7% of gross revenue in 1995 versus 74.9% of gross revenue in 1994). These fixed-based operations generally have lower costs of goods sold versus the engineering consulting segments.

Selling, general and administrative expenses increased $2,834,000 from $5,298,000 for fiscal 1994 to $8,132,000 for fiscal year ended December 31, 1995. Both marketing and general administrative expenses were higher than 1994, reflecting increased costs of acquiring new customers and general administrative functions, and the full year of the businesses acquired from Quadrex, which reflected an increase of approximately $1,333,000 over the partial year of 1994. Also impacting this increase was the additional reserves for "allowance for doubtful accounts" recorded during 1995 versus 1994; $610,000 and $311,000, respectively. This increase of $299,000 is principally a result of the Industrial Compliance and Safety, Inc. acquisition completed during the second quarter of 1995 and the related forgiveness of its indebtedness to the Company. As a percent of revenue, SG&A expenses were 23.3% of revenue for the year ended December 31, 1995, as compared to 18.9% of revenue for fiscal year ended December 31, 1994.

Depreciation and amortization for 1995 reflects a total of $2,431,000 or an increase of $886,000 over the 1994 balance of $1,545,000. This increase was principally a result of the depreciation and amortization related to the businesses acquired from Quadrex, which resulted in an increase of $588,000 in 1995, over the six (6) months of 1994.

Interest income reflected a slight increase during 1995, with $70,000 for fiscal 1995 versus $65,000 for fiscal year ended December 31, 1994. However, interest expense increased to $952,000 for the year ended December 31, 1995 as compared to $373,000 for the year ended December 31, 1994. This increase is principally attributable to the senior debt facility with Heller Business Credit and a capital lease line with Ally Capital Corporation. Under these facilities the Company utilized debt financing to fund capital expenditures and working capital needs, which resulted in increased interest expense of $579,000 for fiscal 1995.

Other expense for 1995 was $235,000, which reflects an increase of $126,000 over the 1994 total of $109,000. This expense represents primarily the $281,000 in financing fees relative to securing the Heller Financial, Inc. Loan and Security Agreement, partially offset by various other income items.

The Company reported a net loss of $9,052,000 in 1995 as compared to a net loss of $1,516,000 in 1994. The per share loss was $1.15 for 1995 versus $.25 in 1994. The increase in both the dollars lost and per share loss are generally attributable to discontinuing certain of the service center/mobile treatment

centers, the write-down in anticipation of the loss from divesting the plastics business, poor performance from the Memphis fixed-based facility and resulting permit impairment charge, and generally poor performances from the remainder of the Company's operations.

Subsequent Event

On January 27, 1997, the Company's subsidiary, PFM, sustained an explosion and fire at its Memphis, Tennessee, TSD facility. As a result, this facility has not been operational since the date of the explosion and fire. However, during this period, PFM has accepted and will continue to accept waste for processing and disposal, but has arranged for other facilities owned by the Company or subsidiaries of the Company or others not affiliated with the Company to process such waste. The utilization of other facilities to process such waste results in higher costs to PFM than if PFM were able to store and process such waste at its Memphis, Tennessee, TSD facility, along with the additional handling and transportation costs associated with these activities. The Company anticipates that this facility will begin certain limited operations on or prior to the end of April 1997, upon the repair and/or removal of the tanks that were damaged as a result of such occurrence. The Company presently believes that its property insurance will cover any property loss suffered by PFM as a result of such occurrence. The Company is presently in the process of determining the amount of business interruption that may be recoverable by PFM as a result of such explosion and fire. See "BUSINESS--Waste Management Services" for a discussion of certain forward-looking statements contained herein and certain cautionary statements relating thereto.

Liquidity and Capital Resources of the Company

At December 31, 1996, the Company had cash and cash equivalents of $45,000. This cash and cash equivalents total reflects a decrease of $156,000 from December 31, 1995, as a result of net cash used in operations of $1,291,000 (principally related to the reduction of accounts payable and accrued expenses of $2,085,000, partially offset by increases in accounts receivable and other assets), cash used in investing activities of $963,000 (principally purchases of equipment, net totaling $2,082,000, partially offset by the proceeds from the sale of property and equipment of $1,214,000) and cash provided by financing activities of $2,098,000. Accounts receivable, net of allowances, totalled $5,549,000, an increase of $518,000 over the December 31, 1995 balance of $5,031,000, which reflects an increase in the days sales outstanding at year end, resulting from the timing of collections.

In January 1995, the Company entered into a term and revolving loan agreement with Heller Financial, Inc. ("Heller"). Under the loan agreement with Heller, the Company was provided a term loan of $2,500,000 and a revolving loan facility in the amount of $7,000,000. The term loan is for a term of 36 months, payable in monthly installments of $42,000 and a balloon payment for the balance on January 31, 1998. The revolving loan facility is reduced by the outstanding unpaid principal amount due on the term loan and is subject to the maximum credit availability, determined on a monthly borrowing base equal to 80% of the eligible accounts receivable (as defined in the loan agreement) of the Company and its subsidiaries. See Note 5 to Notes to Consolidated Financial Statements.

As of December 31, 1996, the borrowings under the Company's revolving loan facility totalled $2,879,000, a decrease of $297,000 from the December 31, 1995 balance of $3,176,000, with a related borrowing availability of $958,000, based on 80% of the amount of

eligible receivables of the Company as of December 31, 1996. The balance on the term loan totalled $1,383,000, as compared to $2,083,000 at December 31, 1995. Total indebtedness under the Agreement with Heller, as amended, as of December 31, 1996 was $4,262,000, a reduction of $997,000 from the December 31, 1995, balance of $5,259,000. See Note 5 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. Both the revolving loan and term loan were prime based loans at December 31, 1996, bearing interest at a rate of 9.75% and 10.00%, respectively.

Pursuant to the Sixth Amendment to the Agreement with Heller, the Company is obligated to raise an additional $700,000 on or before August 15, 1997. Under such amendment, this additional amount may be in the form of proceeds received under property and/or business interruption insurance as a result of the explosion and fire at PFM's facility, insurance proceeds with regard to vandalism at the PFL facility, selling of additional equity securities by the Company, or other proceeds obtained in a manner approved by Heller. The Company believes that it will be able to comply with such a requirement. Whether the Company will be able to comply with such a requirement is a forward-looking statement, and the results of such could materially differ from the above statement if, among other things, PFM is unable to recover from its insurance carrier insurance proceeds and the Company is unable to sell equity securities in an aggregate amount necessary to comply with such requirement.

Under the Sixth Amendment to the Agreement with Heller, the Company is to provide Heller with evidence on or before May 9, 1997, that the adjusted orderly liquidation value of the equipment owned by the Company and its subsidiaries that are borrowers under the Agreement with Heller exceeds 75% of the principal amount of the term loan with Heller, which totaled $1,217,000 as of April 1, 1997. If such principal balance of the term loan exceeds 75% of the liquidation value of such equipment, then the Company and Heller are to discuss the appropriate required repayment of the term loan. If Heller and the Company are unable to agree on an amount on or prior to May 31, 1997, then Heller shall make such determination of the amount of such required prepayment, which shall be paid by the Company on or prior to May 26, 1997, or, in lieu thereof, Heller may cause such amount to be paid by making a revolving loan in the amount thereof under the Agreement with Heller. The Company believes that the liquidation value of its owned equipment will exceed 75% of the principal amount of the term loan with Heller, and, if for any reason, such does not occur, the Company believes that it will have sufficient availability under its revolving credit line with Heller to pay such amount. The penultimate sentence contains a forward-looking statement, the results of which could be materially different than such statement if damage occurs to a material amount of the Company's equipment or there is a decline in the Company's business resulting in a substantial reduction in the Company's receivables that would cause the Company not to have the necessary availability under its revolving line of credit with Heller.

As of December 31, 1996, total consolidated accounts payable

for the Company was $3,677,000, a reduction of $1,725,000 from the December 31, 1995 balance of $5,402,000. This December 1996 balance also reflects a reduction of $1,804,000 in the balance of payables in excess of sixty (60) days, to a total of $1,422,000. 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.

Ally Capital Corporation ("Ally") had previously provided the Company with an equipment financing arrangement to finance the purchase of capital equipment. As of December 31, 1996, the Company's outstanding principal balance owing under this equipment financing arrangement was $1,257,000. The Company has fully utilized this equipment financing arrangement with Ally. See Note 5 to Notes to Consolidated Financial Statements.

At December 31, 1996, the Company had $6,360,000 in aggregate principal amounts of outstanding debt, as compared to $8,478,000 at December 31, 1995. This decrease in outstanding debt of $2,118,000 during 1996 reflects the net repayment of the revolving loan and term note facility of $997,000, the scheduled principal repayments on long-term debt of $920,000, 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 Company's net purchases of new capital equipment for the twelve month period ended December 31, 1996 totalled approximately $2,082,000. These expenditures were for improvements to the operations, including two (2) large capital expansion projects within the waste management segment, and other capital expenditures necessary to maintain compliance with federal, state or local permit standards. These capital expenditures were 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, as discussed above, and $424,000 through various other lease financing sources. The Company has budgeted capital expenditures of $1,250,000 for 1997 (excluding any expenditures at PFM due to the explosion and fire), which includes completion of the two (2) above noted expansion projects, as well as other identified capital and permit compliance purchases. The Company anticipates 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 December 31, 1996 was $773,000, 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 $2,626,000 during 1996.

The Company issued to RBB Bank Aktiengesellschaft ("RBB Bank"), during February 1996, 1,100 shares of newly created convertible Series 1 Preferred at a price of $1,000 per share, for an aggregate sales price of $1,100,000, and paid placement and closing fees of $180,000. The Company also issued to RBB Bank 330 shares of newly created convertible Series 2 Preferred at a price of $1,000 per share, for an aggregate sales price of $330,000, and paid placement and closing fees of $35,000. 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 1,034,000 shares of the Company's common stock and the associated accrued dividends were paid in the form of approximately 16,000 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 ("Series 3 Preferred"), 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 $1,770,000. 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 $586,000. 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 and "Certain Relationships and Related Transactions" for further discussion of the Series 3 Preferred and the conversions of such series of preferred. The Company received from the sale of the Series 3 Preferred net proceeds of approximately $4,900,000. 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 $1,770,000. The Company used the net proceeds for capital improvements at its various facilities, to reduce outstanding trade payables, and for general working capital requirements. 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. The accrued dividends for the period July 17, 1996 through December 31, 1996 were paid in January 1997, in the form of approximately 101,000 shares of the Company's common stock.

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 $595,000 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 1996, principally at closed service center locations and at the Perma-Fix of Dayton, Inc. facility. Proceeds from these asset sales total approximately $320,000.

Effective February 7, 1997, the Company amended five (5) warrants with an original issuance date of February 10, 1992, to purchase an aggregate of 487,814 shares of the Company's common stock ("Acquisition Warrants"). The Acquisition Warrants were amended to (i) reduce the exercise price from $2.1475 per share of common stock to $1.00 per share of common stock, and (ii) extend the expiration date of the warrants from February 10, 1997 to March 3, 1997. All Acquisition Warrants were subsequently exercised prior to this March 3, 1997 date, which resulted in $487,814 of additional capital/equity.

As previously discussed, the Company's subsidiary, PFM, sustained an explosion and fire at its TSD facility in Memphis, Tennessee, on January 27, 1997, damaging certain hazardous waste storage tanks and causing certain limited contamination at the facility. Since such event the facility has not been operational. It is not presently anticipated that such facility will become operational until the damaged tanks are repaired, which is presently anticipated to be the end of April 1997. PFM is in the process of repairing or removing the damaged tanks and removing or remediating the contamination caused by the explosion and fire. During the period that PFM's facility is not operational, PFM has accepted and will continue to accept waste for processing and disposal, but has arranged for other facilities owned by the Company or subsidiaries of the Company or others not affiliated with the Company to process such waste. The utilization of other facilities to process such waste results in higher costs to PFM than if PFM were able to store and process such waste at its Memphis, Tennessee, TSD facility, along with the additional handling and transportation costs associated with these activities. The additional costs incurred or to be incurred are undetermined at this time. The Company has also experienced a reduction in revenues as a result of this occurrence, as it attempts to selectively accept and reroute waste, which the Company does not believe is material at this time. As previously discussed, the Company and PFM have property and business interruption insurance. The Company presently believes, although there are no assurances, that its property insurance will reimburse the company for repair, replacement or removal of the damaged property, due to the explosion and fire. The cost of this property repair and restoration is undetermined at this time. The Company is presently in the process of determining the amount of business interruption insurance that may be recoverable by PFM as a result of such occurrence, if any. See "BUSINESS--Waste Management Services" for a discussion of certain forward-looking statements contained herein and cautionary statements relating thereto.

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.

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. Because of the integral part of providing quality environmental services, 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 waste waters to publicly-owned treatment works and/or recycling 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 $1,250,000 for 1997 at the TSD facilities, which are necessary to maintain permit compliance and improve operations, as discussed above under "Business -- Certain Environmental Expenditures" and "Liquidity and Capital Resources of the Company" of this Management's Discussion and Analysis, the Company has also budgeted for 1997 an additional $350,000 in environmental expenditures to comply with federal, state and local regulations in connection with remediation of certain contaminates at two locations. As previously discussed under "Business -- Certain Environmental Expenditures," the two locations where these expenditures will be made are the Affiliated Property in Dayton, Ohio, a former RCRA storage facility as operated by the former owners of PFD, and PFM's facility in Memphis, Tennessee. Additional funds will be required for the next five to fifteen years to properly investigate and remediate these sites. As discussed in Note 7 to the Consolidated Financial Statements, the Company has accrued $2,085,000 for estimated costs of remediating these two sites, which is projected to be the maximum exposure and is expected to be performed over a period in excess of ten (10) years. The Company expects to fund these expenses to remediate these two sites from funds generated internally. This is a forward looking statement and is subject to numerous conditions, including, but not limited to, the Company's ability to generate sufficient cash flow from operations to fund all costs of operations and remediation of these two sites, the discovery of additional contamination or

expanded contamination which would result in a material increase in such expenditures, or changes in governmental laws or regulations.

<TABLE>
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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

Schedules Omitted

In accordance with the rules of Regulation S-X, other schedules are not submitted because (a) they are not applicable to or required by the Company, or (b) the information required to be set forth therein is included in the consolidated financial statements or notes thereto.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Perma-Fix Environmental Services, Inc.

We have audited the accompanying consolidated balance sheet of Perma-Fix Environmental Services, Inc. and subsidiaries as of December 31, 1996, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended. We have also audited the schedule listed in the accompanying index. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedule are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedule. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Perma-Fix Environmental Services, Inc. and subsidiaries at December 31, 1996, and the results of their operations and their cash flows for the year then ended, in conformity with generally accepted accounting principles.

Also, in our opinion, the schedule presents fairly, in all material respects, the information set forth therein.

/s/ BDO Seidman, LLP

BDO Seidman, LLP

Orlando, Florida
February 14, 1997, except
for Note 5 which is as of
April 14, 1997

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
Perma-Fix Environmental Services, Inc.:

We have audited the accompanying consolidated balance sheet of PERMA-FIX ENVIRONMENTAL SERVICES, INC. (a Delaware corporation) and Subsidiaries as of December 31, 1995, and the related consolidated statements of operations, cash lows and stockholders' equity for each of the two years in the period ended December 31, 1995. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present

fairly, in all material respects, the financial position of Perma-Fix Environmental Services, Inc. as of December 31, 1995, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 1995 in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered recurring losses from operations and and for the year ended December 31, 1995, the Company had a net working capital deficiency of approximately $9,372,000, an accumulated deficit of $13,885,000, and was in violation of substantially all financial covenants under its debt agreements with its two major lenders (see Note 5). These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

Our audits were made for the purpose of performing an opinion on the basic financial statements taken as a whole. The schedule listed in the index to consolidated financial statements is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in our aduits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data for each of the two years in the period ended December 31, 1995 required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

Jacksonville, Florida
March 15, 1996

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED BALANCE SHEETS
As of December 31

(Amounts in Thousands, Except for Share Amounts)	1996	1995
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 45	$ 201
Restricted cash equivalents and investments	448	380
Accounts receivable, net of allowance for doubtful accounts of $383 and $392, respectively	5,549	5,031
Inventories	107	183
Prepaid expense	549	414
Other receivables	545	134
Total current assets	7,243	6,343
Property and equipment:		

Buildings and land	4,894	6,055
Equipment	6,429	5,874
Vehicles	1,421	1,589
Leasehold improvements	289	143
Office furniture and equipment	1,136	1,252
Construction in progress	3,028	1,435
	17,197	16,348
Less accumulated depreciation	(4,593)	(3,378)
Net property and equipment	12,604	12,970
Intangibles and other assets:		
Permits, net of accumulated amortization of $598 and $366, respectively	3,949	4,036
Goodwill, net of accumulated amortization of $435 and $289, respectively	4,846	4,992
Covenant not to compete, net of accumulated amortization of $383 and $304, respectively	9	87
Other assets	385	445
Total assets	$ 29,036	$ 28,873

</TABLE>

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
As of December 31

(Amounts in Thousands, Except for Share Amounts)	1996	1995
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,677	$ 5,402
Accrued expenses	2,860	2,951
Revolving loan and term note facility	500	5,259
Equipment financing agreement	646	1,778
Current portion of long-term debt	333	325
Total current liabilities	8,016	15,715
Long-term debt, less current portion	4,881	1,116
Environmental accruals	2,460	3,063
Accrued closure costs	1,094	1,041
Total long-term liabilities	8,435	5,220
Commitments and contingencies (see Notes 3, 5, 7 and 10)	-	-
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; 50,000,000 shares authorized, 10,399,947 and 7,872,384 shares issued, including 920,000 and 0 shares held as treasury stock, respectively	10	8
Redeemable warrants	140	269
Additional paid-in capital	28,495	21,546
Accumulated deficit	(14,290)	(13,885)
	14,355	7,938
Less common stock in treasury at cost; 920,000 and 0 shares issued and outstanding, respectively	(1,770)	-
Total stockholders' equity	12,585	7,938
Total liabilities and stockholders' equity	$ 29,036	$ 28,873

</TABLE>

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

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31

(Amounts in Thousands, Except for Share Amounts)	1996	1995	1994
<S>	<C>	<C>	<C>
Net revenues	$ 31,037	$ 34,891	$ 28,075
Cost of goods sold	21,934	26,564	22,301
Gross profit	9,103	8,327	5,774
Selling, general and administrative expenses	6,922	8,132	5,298
Depreciation and amortization	2,252	2,431	1,545
Permit write-down (see Note 13)	-	4,712	-
Nonrecurring charges (see Note 14)	-	987	-
Loss from operations	(71)	(7,935)	(1,069)

Other income (expense):			
Interest income	65	70	65
Interest expense	(812)	(952)	(373)
Other	558	(235)	(109)
Net loss before provision for income taxes	(260)	(9,052)	(1,486)
Provision for income taxes	-	-	30
Net loss	(260)	(9,052)	(1,516)
Preferred stock dividends	145	-	-
Net loss applicable to common stock	$ (405)	$ (9,052)	$ (1,516)
Net loss per common share	$ (.05)	$ (1.15)	$ (.25)
Weighted average number of common and common equivalent shares outstanding	8,761	7,872	5,988

</TABLE>

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

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31

(Amounts in Thousands)	1996	1995	1994
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net loss	$ (405)	$ (9,052)	$ (1,516)
Adjustments to reconcile net loss to cash provided by (used in) operations:			
Depreciation and amortization	2,252	2,431	1,718
Permit write-down		4,712	
Divestiture reserve		450	
Provision for bad debt and other reserves	17	844	114
(Gain) loss on sale of plant, property and equipment	(4)	8	9
Changes in assets and			

liabilities, net of effects from business acquisitions:			
Accounts receivable	(535)	957	(779)
Prepaid expenses, inventories and other assets	(531)	(42)	246
Accounts payable and accrued expenses	(2,085)	(246)	(2,210)
Net cash provided by (used in) operations	(1,291)	62	(2,418)
Cash flows from investing activities:			
Proceeds of short-term investments			2,384
Purchases of property and equipment, net	(2,082)	(2,953)	(1,914)
Proceeds from sale of plant, property and equipment	1,214	14	4
Effect of acquisitions		9	292
Change in restricted cash, net	(95)	171	63
Net cash provided by (used in) investing activities	(963)	(2,759)	829
Cash flows from financing activities:			
Borrowings (repayments) from revolving loan and term note facility	(997)	2,162	
Borrowings on long-term debt and equipment financing agreement		1,573	668
Principal repayments on long-term debt	(1,502)	(1,327)	(2,279)
Proceeds from issuance of stock	6,367		3,641
Purchase of treasury stock	(1,770)		
Net cash provided by financing activities	2,098	2,408	2,030
(Decrease) increase in cash and cash equivalents	(156)	(289)	441
Cash and cash equivalents at beginning of period	201	490	49
Cash and cash equivalents at end of period	$ 45	$ 201	$ 490
Supplemental disclosure:			
Interest paid	$ 844	$ 923	$ 435
Income taxes paid	-	-	-

Non-cash investing and financing activities:			
Issuance of common stock for services	$ 462	$ -	$ -
Long-term debt incurred for purchase of property and equipment	424	-	-

</TABLE>

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

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the years ended December 31

(Amounts in Thousands, Except for Share Amounts)	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount
<S>	<C>	<C>	<C>	<C>
Balance at December 31, 1993	-	$ -	4,473,208	$ 4
Net loss	-	-	-	-
Issuance of stock for acquisitions	-	-	575,659	1
Issuance of stock and warrants for cash	-	-	1,400,000	1
Issuance of stock for note conversion	-	-	78,140	-
Issuance of stock for transaction costs	-	-	210,000	1
Amortization of deferred compensation	-	-	-	-
Balance at December 31, 1994	-	-	6,737,007	7
Net loss	-	-	-	-
Issuance of stock for acquisitions	-	-	1,135,377	1
Amortization of deferred compensation	-	-	-	-
Balance at December 31, 1995			7,872,384	8
Net loss	-	-	-	-
Preferred stock dividend	-	-	-	-
Issuance of stock for cash and services	-	-	573,916	-
Issuance of preferred stock for cash	6,930	-	-	-
Conversion of preferred stock to common	(1,430)	-	1,953,647	2
Expiration of redeemable warrants	-	-	-	-
Redemption of common shares to treasury stock	-	-	-	-
Balance at December 31, 1996	5,500	$ -	10,399,947	$ 10

</TABLE>

<TABLE>
<CAPTION>

Redeemable Warrants	Additional Paid-In Capital	Accumulated Deficit	Common Stock Held in Treasury	Deferred Comp.
<S>	<C>	<C>	<C>	<C>
$ 121	$13,982	$ (3,317)	$ -	$ (76)
-	-	(1,516)	-	-
-	3,217	-	-	-
140	3,500	-	-	-
8	220	-	-	-
-	630	-	-	-
-	-	-	-	46
269	21,549	(4,833)	-	(30)
-	-	(9,052)	-	-
-	(3)	-	-	-
-	-	-	-	30
269	21,546	(13,885)	-	-
-	-	(260)	-	-
-	-	(145)	-	-
-	693	-	-	-
-	6,129	-	-	-
-	(2)	-	-	-
(129)	129	-	-	-
-	-	-	(1,770)	-
$ 140	$28,495	$ (14,290)	$ (1,770)	$ -

</TABLE>

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

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
Notes to Consolidated Financial Statements
December 31, 1996, 1995 and 1994

NOTE 1
DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Perma-Fix Environmental Services, Inc. (the "Company") is a Delaware corporation engaged in the treatment, storage, processing and disposal of hazardous and non-hazardous industrial and commercial wastes, and provides consulting engineering services to

industry and government for broad-scope environmental problems. The Company has grown through both acquisitions and internal development. The Company's present objective is to focus the operations and to maximize the profitability of its existing businesses.

The Company is subject to certain risks: (1) It is involved in the transportation, treatment, handling and storage of hazardous and non-hazardous, mixed and industrial wastes. Such activities contain risks against which the Company believes it is adequately insured, and (2) in general, the industries in which the Company operates are characterized by intense competition among a number of larger, more established companies with significantly greater resources than the Company.

The consolidated financial statements of the Company for the years 1994 through 1996 include the accounts of Perma-Fix Environmental Services, Inc. ("PESI") and its wholly-owned subsidiaries, Perma-Fix, Inc. ("PFI") and subsidiaries, Industrial Waste Management, Inc. ("IWM") and subsidiaries, Perma-Fix Treatment Services, Inc. ("PFTS"), Perma-Fix of Florida, Inc. ("PFF"), Perma-Fix of Dayton, Inc. ("PFD"), Perma-Fix of Ft. Lauderdale, Inc. ("PFL"), Perma-Fix of Memphis, Inc. ("PFM") and Perma-Fix Recycling, Inc. ("Re-Tech"). The Perma-Fix Recycling, Inc. (Re-Tech) plastic recycling subsidiary was, however, sold effective March 15, 1996.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries after elimination of all significant intercompany accounts and transactions. See Note 3 for acquisitions.

Reclassifications

Certain prior year amounts have been reclassified to conform with the 1996 presentation.

Business Segments

The Company provides services and products through two business segments -- Waste Management Services and Consulting Engineering Services. See Note 12 for a further description of these segments and certain business information.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Company considers short-term investments with an initial maturity date of three months or less at the date of purchase to be cash equivalents.

Restricted Cash Equivalents and Investments

Restricted cash equivalents and investments include certificates of deposit ($145,000 and $289,000 at December 31, 1996 and 1995, respectively) and amounts deposited in cash collateral

accounts ($645,000 and $406,000 at December 31, 1996 and 1995, respectively). As of December 31, 1996, $234,000 of the restricted cash balance was pledged as collateral for the Company's secured letters of credit, as compared to $226,000 at December 31, 1995. Of the total restricted cash for 1996 and 1995 ($790,000 and $695,000, respectively), $448,000 of the 1996 total is classified as a current asset, as compared to $380,000 in 1995. The long-term portion totaling $342,000 for 1996 ($315,000 in 1995) reflects cash held for long-term commitments related to the RCRA closure action at a facility affiliated with PFD as further discussed in Note 7. The remainder of the restricted cash, as recorded as a current asset, represents secured collateral relative to the various financial assurance instruments guaranteeing the standard RCRA closure bonding requirements for the PFM, PFD and PFTS TSD facilities. The letters of credit secured by this restricted cash renew annually, and the Company plans to replace the letters of credit with other alternative financial assurance instruments.

Inventories

Inventories consist of fly ash, cement kiln dust and treatment chemicals. Inventories are valued at the lower of cost or market with cost determined by the first-in, first-out method.

Property and Equipment

Property and equipment expenditures are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets for financial statement purposes, while accelerated depreciation methods are principally used for tax purposes. Generally, annual depreciation rates range from ten to forty years for buildings (including improvements) and three to seven years for office furniture and equipment, vehicles, and decontamination and processing equipment. Maintenance and repairs are charged directly to expense as incurred. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts, and any gain or loss from sale or retirement is recognized in the accompanying consolidated statements of operations. Renewals and improvements which extend the useful lives of the assets are capitalized.

Intangible Assets

Intangible assets relating to acquired businesses consist primarily of the cost of purchased businesses in excess of the estimated fair value of net assets acquired ("goodwill") and the recognized permit value of the business. Goodwill is generally amortized over 40 years and permits are amortized over 20 years. Amortization expense approximated $455,000, $686,000 and $573,000 for the years ended 1996, 1995 and 1994, respectively. The Company continually reevaluates the propriety of the carrying amount of permits and goodwill as well as the amortization period to determine whether current events and circumstances warrant adjustments to the carrying value and estimates of useful lives. The Company uses an estimate of the related undiscounted operating income over the remaining lives of goodwill and permit costs in measuring whether they are recoverable. At December 31, 1995, the Company recognized a permit impairment charge of approximately $4,712,000 related to the December 1993 acquisition of Perma-Fix of Memphis, Inc. See Note 13 for further discussion of this charge. At this time, the Company believes that no additional impairment of goodwill or permits has occurred and that no reduction of the estimated useful lives of the remaining assets is warranted. This evaluation policy is in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," which is effective for fiscal years beginning after December 15, 1995. Adoption of this pronouncement did not have a material impact

on the financial statements.

Accrued Closure Costs

Accrued closure costs represent the Company's estimated environmental liability to clean up their facilities in the event of closure.

Income Taxes

The Company accounts for income taxes under Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes", which requires use of the liability method. SFAS No. 109 provides that deferred tax assets and liabilities are recorded based on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, referred to as temporary differences. Deferred tax assets or liabilities at the end of each period are determined using the currently enacted tax rates to apply to taxable income in the periods in which the deferred tax assets or liabilities are expected to be settled or realized.

Net Revenues

Revenues for services and reimbursable costs are recognized at the time services are rendered or, in the case of fixed price contracts, under the percentage-of-completion method of accounting. No customer accounted for more than ten percent (10%) of consolidated net revenues.

Self-Insurance

During June of 1994, the Company began a self-insurance program for certain health benefits, which was implemented initially at only three (3) locations. As of January 1, 1995, all employees were included in this program. The Company has stop-loss coverage of $60,000 per individual per occurrence with an annual aggregate limitation of approximately $776,000 per year. However, as the employment of the Company increases or decreases, the aggregate limitation rises or falls proportionally. The cost of such benefits is recognized as expense in the period in which the claim occurred, including estimates of claims incurred but not reported. The claims expense for 1996 was approximately $748,000, as compared to $693,000 for 1995. This increase principally reflects the full implementation of this program, to include all employees of the corporation, and the occurrence of several larger claims during 1996.

Net Loss Per Share

Net loss per share has been presented using the weighted average number of common shares outstanding. Common stock equivalents (stock options and warrants) have not been included in the net loss per share calculations since their effects would be antidilutive. Net loss per share for the fiscal year ended December 31, 1994 has been restated, in accordance with Accounting Principles Board Opinion No. 15, "Earnings Per Share", to reflect the issuance of contingent shares to Quadrex during 1995.

Fair Value of Financial Instruments

The book values of cash, trade accounts receivable, trade accounts payable, and financial instruments included in current assets and other assets approximate their fair values principally because of the short-term maturities of these instruments. The fair value of the Company's long-term debt is estimated based on the current rates offered to the Company for debt of similar terms and maturities. Under this method, the Company's fair value of long-term debt was not significantly different from the stated value at December 31, 1996 and 1995.

NOTE 3
ACQUISITIONS

During the second quarter of 1995, the Company completed the acquisition of substantially all of the assets and certain liabilities of Industrial Compliance and Safety, Inc. ("ICS") of Kansas City, Missouri. ICS has provided environmental, remedial, emergency response and waste management services for clients across the U.S. since 1989, and has been consolidated with the Company's existing waste management operations in Kansas City. The assets of ICS were acquired through the forgiveness of indebtedness to the Company and assumption of certain liabilities. The acquisition was accounted for using the purchase method effective June 1, 1995 and, accordingly, the assets and liabilities as of this date and the statement of operations from the effective date were included in the accompanying consolidated financial statements. The Company performed a purchase price allocation as of June 30, 1995, which resulted in an unallocated excess purchase price over net assets acquired, or goodwill, of $177,000, to be amortized over 10 years. The forgiven debt by the Company totalled $376,000 and was recorded against the respective bad debt reserve, and not utilized in determination of the purchase price. ICS assets of $233,000 were acquired through the assumption of accounts payable, debt and other liabilities of $358,000, and transaction costs of $52,000. The acquisition of ICS had an insignificant impact on historical financial data and, thus, pro forma financial information giving effect to the acquisition has not been provided.

On June 17, 1994, the Company acquired three treatment, storage and disposal facilities (the "Quadrex Facilities") from Quadrex Corporation ("Quadrex"), acquiring all of the outstanding stock of two facilities and purchasing certain assets and assuming certain liabilities of one facility. The acquisition was accounted for under the purchase method of accounting. Accordingly, the purchase price has been allocated to the net assets acquired based on their estimated fair values. This allocation has resulted in goodwill and intangible permit costs of $3,359,000 and $3,335,000, respectively. The goodwill is being amortized over 40 years and the intangible permit costs over 20 years, both on a straight-line basis. The results of operations of the Quadrex Facilities have been included in the consolidated statements of operations since June 30, 1994. The Quadrex Facilities were acquired for a combination of debt assumed ($5,532,000), accounts payable and other liabilities assumed ($8,141,000) and shares of the Company's common stock ($3,217,000). The value of the common stock reflected the market value of the Company's common stock adjusted to account for restrictions common to unregistered securities. Under the terms of the acquisition agreement, the Company held back issuance of certain shares contingent upon Quadrex's satisfying certain conditions. As of December 31, 1994, 576,000 shares had been recorded as issued and outstanding, and during 1995 the Company issued approximately 1,135,000 shares of common stock in full and complete settlement of all shares due Quadrex.

NOTE 4
PREFERRED STOCK ISSUANCE AND CONVERSION

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 placement and closing fees of $180,000. 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 placement and closing fees of $35,000. 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. The Series 1 Preferred and Series 2 Preferred were convertible, at any time, commencing forty-five (45) days after issuance into shares of the Company's common stock at a conversion price equal to the aggregate value of the shares of the Preferred Stock being converted, together with all accrued but unpaid dividends thereon, divided by the "Average Stock Price" per share (the "Conversion Price"). The Average Stock Price means the lesser of (i) seventy percent (70%) of the average daily closing bid prices of the common stock for the period of five (5) consecutive trading days immediately preceding the date of subscription by the holder or (ii) seventy percent (70%) of the average daily closing bid prices of the common stock for a period of five (5) consecutive trading days immediately preceding the date of conversion of the Preferred Stock. During the second quarter of 1996, a total of 722 shares of the Series 1 Preferred were converted into approximately 1,034,000 shares of the Company's common stock and the associated accrued dividends were paid in the form of approximately 16,000 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 $1,770,000 and are included in treasury stock as of December 31, 1996. 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 $586,000. 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 $1,770,000 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. The accrued dividends for the period July 17, 1996 through December 31, 1996 were paid in January 1997, in the form of approximately 101,000 shares of the Company's common stock.

NOTE 5
LONG-TERM DEBT

<TABLE>
<CAPTION>
Long-term debt at December 31 includes the following (in thousands):

<S>	<C>	<C>
Revolving loan facility dated January 27, 1995, collateralized by eligible accounts receivable, subject to monthly borrowing base calculation, variable interest paid monthly at base rate (prime) plus 1 1/2.	$ 2,879	$ 3,176
Term loan agreement dated January 27, 1995, payable in monthly principal installments of $42, due in January 1998, variable interest paid monthly at base rate (prime) plus 1 3/4. Secured by real property.	1,383	2,083
Mortgage note payable under an installment agreement, payable in monthly principal and interest installments of $5 (interest at 8%), collateralized by certain real estate.	-	582
Mortgage note agreement payable in quarterly installments of $15 plus accrued interest at 10%. Secured by real property.	123	184
Mortgage note payable in monthly principal and interest payments of $8, interest at 7.25%, due October 1996. Secured by real property.	-	79

Equipment financing agreements, secured by equipment, interest ranging from 10.2% to 13.05%, principal and interest due in equal installments of $62 through June 1999.	1,257	1,778
Various capital lease and promissory note obligations, payable 1997 to 2001, interest at rates ranging from 8.0% to 36.4%.	718	596
	6,360	8,378
Less current portion of long-term debt	333	325
Less current portion of revolving loan and term note facility	500	5,259
Less current portion of equipment financing agreements	646	1,778
	$ 4,881	$ 1,116

</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 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. The Company expensed during 1995 approximately $281,000 in financing fees relative to the solicitation and closing of this loan agreement (principally investment banking, legal and closing fees).

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," 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, and were subsequently increased during the first quarter of 1997 back to the base rate plus 2-1/4% on the term loan and the base

rate plus 2% on the revolving loan. Also, during the first quarter of 1997, Heller extended to the Company an overformula line in an amount not to exceed $300,000, for a period ending the earliest of 90 days after the date of first advance or May 20, 1997.

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. The Company was in default of the "fixed charge coverage" and "capital expenditures" financial covenants for the year ending December 31, 1996. The Company obtained a waiver from Heller for the year ended December 31, 1996, and reset certain covenants for 1997, under the Sixth Amendment to the Agreement (effective April 14, 1997). Therefore, $3,762,000 of such loans with Heller is classified as long-term debt at December 31, 1996, in compliance with generally accepted accounting principles. Pursuant to this Sixth Amendment, the Company is obligated to raise an additional $700,000 on or before August 15, 1997, of which $150,000 is to be paid by June 15, 1997. Under such amendment, this additional amount may be in the form of proceeds received under property and/or business interruption insurance as a result of the explosion and fire at PFM's facility, insurance proceeds with regard to the vandalism at the PFL facility, selling of additional equity securities by the Company, or other proceeds obtained in a manner approved by Heller. The Company believes that it will be able to comply with such a requirement.

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 1/2% 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 and Sixth Amendments, applicable interest rates were amended. Both the revolving loan and term loan were prime based loans at December 31, 1996, bearing interest at a rate of 9.75% and 10.00%, respectively.

As of December 31, 1996, the borrowings under the revolving loan facility total $2,879,000, a decrease of $297,000 from the December 31, 1995 balance of $3,176,000, with borrowing availability of $958,000. The balance on the term loan totalled $1,383,000, as compared to $2,083,000 at December 31, 1995. Total indebtedness under the Heller Agreement as of December 31, 1996 was $4,262,000, a reduction of $997,000 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%. 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 $1,778,000 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 Company was in default of the "fixed charge covecoverage" and "capital expenditures" financial covenant for the year ending December 31, 1996. Pursuant to an amendment to the Lease Agreement dated April 14, 1997, the Company obtained a waiver from Ally for the year ended December 31, 1997, and reset certain covenants for 1997. The outstanding balance on these equipment financing agreements at December 31, 1996 is $1,257,000, as compared to $1,778,000 at December 31, 1995. As a result of the above discussed waiver and amendment and the resetting of certain covenants for 1997, $611,000 has been classified as long-term debt at December 31, 1996, pursuant to generally accepted accounting principles.

The aggregate amount of the maturities of long-term debt maturing in future years as of December 31, 1996 is $1,479,000 in 1997; $4,507,000 in 1998; $234,000 in 1999; $130,000 in 2000; and $10,000 in 2001.

NOTE 6
ACCRUED EXPENSES

<TABLE>
<CAPTION>
Accrued expenses at December 31 include the following (in thousands):

	1996	1995
<S>	<C>	<C>
Salaries and employee benefits	$ 808	$ 818
Accrued sales, property and other tax	365	548
Waste disposal and other related expenses	667	657
Accrued environmental	482	338
Other	538	590
Total accrued expenses	$ 2,860	$ 2,951

</TABLE>

NOTE 7
ACCRUED CLOSURE COSTS AND ENVIRONMENTAL LIABILITIES

The Company accrues for the estimated closure costs of its fixed-based RCRA regulated facilities upon cessation of operations. The amount recorded in 1993 in accordance with EPA approved closure plans was $290,000. With the 1994 acquisition of two RCRA regulated facilities from Quadrex, the Company increased its liability to $935,000 as of December 31, 1994, which was subsequently increased to $1,041,000 in 1995. During 1996, the accrued closure cost increased by $53,000 to a total of $1,094,000, principally as a result of inflationary factors. The closure costs will increase in

the future, as indexed to an inflationary factor, and may also increase or decrease as the Company changes its current operations at these regulated facilities. Additionally, unlike solid waste facilities, the Company, consistent with EPA regulations, does not have post-closure liabilities that extend substantially beyond the effective life of the facility.

At December 31, 1996 the Company had accrued environmental and acquisition related liabilities totalling $2,460,000, which reflects a decrease of $603,000 from the December 31, 1995 balance of $3,063,000. This amount principally represents management's best estimate of the costs to remove contaminated sludge and soil, and to undergo groundwater remediation activities at one of its RCRA facilities and one former RCRA facility that is under a closure action from 1989 that its wholly-owned subsidiary, PFD, leases. Perma-Fix of Memphis, Inc., acquired December 30, 1993, is currently remediating gasoline contamination from a shallow aquifer on its property. The Company expects this activity to continue into the foreseeable future. Perma-Fix of Dayton, Inc. is the owner of a RCRA facility currently under closure since it ceased operations in 1989. This facility has pursued remedial activities for the last five years with additional studies forthcoming, and potential groundwater restoration which could extend five (5) to ten (10) years. The Company has estimated the potential liability related to the remedial activity of the above properties to approximate $2,085,000 (PFD $925,000 and PFM $1,160,000), which has been included in the above accrued environmental total.

NOTE 8
INCOME TAXES

<TABLE>
<CAPTION>
The components of the provision for income taxes are as follows (in thousands):

	1996	1995	1994
<S>	<C>	<C>	<C>
Current			
Federal	$ -	$ -	$ -
State	-	-	30
	$ -	$ -	$ 30
Deferred	-	-	-
Provision for income taxes	$ -	$ -	$ -

</TABLE>

<TABLE>
<CAPTION>
At December 31, 1996 and 1995 the Company had temporary differences and net operating loss carryforwards which gave rise to deferred tax assets and liabilities at December 31, as follows (in thousands):

	1996	1995
<S>	<C>	<C>
Net operating losses	$ 3,376	$ 2,770
Environmental reserves	980	1,131
Other	172	453
Valuation allowance	(4,034)	(3,849)

Deferred tax assets	494	505
Depreciation	466	493
Other	28	12
Deferred tax liability	494	505
Net deferred tax asset (liability)	$ -	$ -

</TABLE>
<TABLE>
<CAPTION>
A reconciliation between the expected tax benefit using the federal statutory rate of 34% and the provision for income taxes as reported in the accompanying consolidated statements of operations is as follows (in thousands):

	1996	1995	1994
<S>	<C>	<C>	<C>
Tax benefit at statutory rate	$ (137)	$ (3,077)	$ (505)
Permit impairment charge and goodwill amortization	43	1,811	-
Other	85	97	
State income taxes	-	-	30
Increase in valuation allowance	9	1,169	505
Provision for income taxes	$ -	$ -	$ 30

</TABLE>

The Company's valuation allowance increased by approximately $185,000 and $1,169,000 for the years ended December 31, 1996 and 1995, respectively, which represents the effect of changes in the temporary differences and net operating losses (NOLs), as amended. The Company has recorded a valuation allowance to state its deferred tax assets at estimated net realizable value due to the uncertainty related to realization of these assets through future taxable income.

The Company had estimated net operating loss carryforwards for federal income tax purposes of approximately $9,900,000 at December 31, 1996. These net operating losses can be carried forward and applied against future taxable income, if any, and expire in the years 2006 through 2011. However, as a result of various stock offerings and certain acquisitions, the use of $7,800,00 of these NOLs will be limited to approximately $1,500,000 per year under the provisions of Section 382 of the Internal Revenue Code of 1986, as amended. Additionally, NOLs may be further limited under the provisions of Treasury Regulation 1.1502-21 regarding Separate Return Limitation Years.

NOTE 9
CAPITAL STOCK, EMPLOYEE STOCK PLAN AND INCENTIVE COMPENSATION

In February 1996, the Company issued 1,100 shares of newly created Series 1 Class A Preferred Stock at a price of $1,000 per share, for net proceeds of $920,000. The Company also issued 330 shares of newly created Series 2 Class B Preferred Stock at a price

of $1,000 per share, for net proceeds of $295,000. Both of the Series 1 and Series 2 Preferred Stock were fully converted into 1,953,467 shares of the Company's common stock. During July 1996, the Company issued 5,500 shares of newly created Series 3 Class C Convertible Preferred Stock at a price of $1,000 per share for an aggregate sales price of $5,500,000. See Note 4 for further discussion.

In March 1996, the Company entered into a Stock Purchase Agreement with Dr. Centofanti, currently the President, Chief Executive Officer, Chairman of the Board, and Director of the Company, whereby the Company sold, and Dr. Centofanti purchased, 133,333 shares of the Company's common stock for 75% of the closing bid price of such common stock as quoted on the NASDAQ on the date that Dr. Centofanti notified the Company of his desire to purchase such stock, as authorized by the Board of Directors of the Company. During February 1996, Dr. Centofanti tendered to the Company $100,000 for such 133,333 shares by delivering to the Company $86,028.51 and forgiving $13,971.49 that was owing to Dr. Centofanti by the Company for expenses incurred by Dr. Centofanti on behalf of the Company. On the date that Dr. Centofanti notified the Company of his desire to purchase such shares, the closing bid price as quoted on the NASDAQ for the Company's common stock was $1.00 per share.

In June 1996, the Company entered into a second Stock Purchase Agreement with Dr. Centofanti, whereby the Company sold, and Dr. Centofanti purchased, 76,190 shares of the Company's common stock for 75% of the closing bid price of such common stock as quoted on the NASDAQ on the date that Dr. Centofanti notified the Company of his desire to purchase such stock (closing bid of $1.75 on June 11, 1996), as previously authorized by the Board of Directors of the Company. Dr. Centofanti tendered to the Company $100,000 for such 76,190 shares of common stock. During 1996, the Company also issued 347,912 shares of common stock to outside consultants of the Company for past and future services, valued at approximately $462,000.

At the Company's Annual Meeting of Stockholders ("Annual Meeting"), as held on December 12, 1996, the stockholders approved the adoption of the Perma-Fix Environmental Services, Inc. 1996 Employee Stock Purchase Plan. This plan provides eligible employees of the Company and its subsidiaries who wish to become stockholders, an opportunity to purchase common stock of the Company through payroll deductions. The maximum number of shares of common stock of the Company that may be issued under the plan will be 500,000. The plan provides that shares will be purchased two (2) times per year and that the exercise price per share shall be eighty-five percent (85%) of the market value of each such share of common stock on the offering date on which such offer commences or on the exercise date on which the offer period expires, whichever is lowest. Also approved at the Annual Meeting was the amendment to the Company's Restated Certificate of Incorporation, as amended, to increase from 20,000,000 to 50,000,000 shares the Company's authorized common stock, par value $.001 per share.

In June 1994, the Company acquired from Quadrex Corporation ("Quadrex") and its wholly-owned subsidiary, Quadrex Environmental Company ("QEC"), three businesses ("Quadrex Acquisitions"). Quadrex and QEC are collectively referred to as "Quadrex". As consideration for the Quadrex Acquisitions, the Company assumed certain debts of Quadrex and QEC and issued to Quadrex 575,659 shares of the Company's common stock and agreed to issue to Quadrex up to an additional 1,479,413 shares of Company common stock upon certain conditions being met, with such balance being subject to reductions

under certain conditions.

Subsequent to the closing of the Quadrex Acquisitions, the Company issued to Quadrex during the first quarter of 1995 an additional 94,377 shares of common stock upon certain conditions having been met. However, certain disputes and disagreements had arisen among the parties whether under the terms of the Quadrex Acquisitions the conditions required for delivery of the balance of such shares had been met, and even if conditions were met, the amount of such shares subject to reduction. In February 1995, Quadrex filed for federal bankruptcy protection. The Company and Quadrex negotiated and entered into a Settlement Agreement resolving their differences as a result of the Quadrex Acquisitions without resorting to litigation. Under the terms of the Settlement Agreement, the Company issued to Quadrex in November 1995 an additional 1,041,000 shares of common stock in full and complete settlement of any and all claims which the parties may have against each other relating to the Quadrex Acquisitions.

During July 1994, the Company completed the private placement of 140 units, with each unit consisting of 10,000 shares of its unregistered common stock and Class B Warrants to purchase up to 20,000 shares of the Company's common stock for $5.00 per share. The Company closed the private placement on July 30, 1994 and received total proceeds of $4,200,000, which resulted in the issuance of 1,400,000 shares of unregistered common stock and Class B Warrants to purchase 2,800,000 shares of common stock, as described above. Of the issuance costs of $559,000, the Company paid approximately $391,000 in fees to brokers, representatives or finders in connection with the private placement. In addition, the Company granted two warrants to purchase up to 331,000 shares of common stock to two investment banking corporations. Each of the warrants is for a term of five years and provides for an exercise price of $3.625 per share.

On August 31, 1994, in connection with the conversion of certain of the Company's notes then outstanding in the principal amount of $225,000 and accrued interest of $9,000, the Company issued 78,140 shares of its unregistered common stock and issued three warrants to purchase 156,280 shares of common stock. The warrants are exercisable for five years at a price of $5.00 per share.

On December 30, 1994, the Company registered the above mentioned shares of common stock and warrants issued during 1994, as well as previously unregistered shares of common stock and warrants issued in prior years.

Stock Options

On December 16, 1991, the Company adopted a Performance Equity Plan (the "Plan"), under which 500,000 shares of the Company's common stock are reserved for issuance, pursuant to which officers, directors and key employees are eligible to receive incentive or nonqualified stock options. Incentive awards consist of stock options, restricted stock awards, deferred stock awards, stock appreciation rights and other stock-based awards. Incentive stock options granted under the Plan are exercisable for a period of up to ten years from the date of grant at an exercise price which is not less than the market price of the common stock on the date of grant, except that the term of an incentive stock option granted under the Plan to a stockholder owning more than 10% of the then-outstanding shares of common stock may not exceed five years and the exercise price may not be less than 110% of the market price of the common stock on the date of grant. To date, all grants of options under the Performance Equity Plan have been made at an exercise

price not less than the market price of the common stock at the date of grant.

Effective September 13, 1993, the Company adopted a Nonqualified Stock Option Plan pursuant to which officers and key employees can receive long-term performance-based equity interests in the Company. The maximum number of shares of common stock as to which stock options may be granted in any year shall not exceed twelve percent (12%) of the number of common shares outstanding on December 31 of the preceding year, less the number of shares covered by the outstanding stock options issued under the Company's 1991 Performance Equity Plan as of December 31 of such preceding year. The option grants under the plan are exercisable for a period of up to ten years from the date of grant at an exercise price which is not less than the market price of the common stock at date of grant.

Effective December 12, 1993, the Company adopted the 1992 Outside Directors Stock Option Plan, pursuant to which options to purchase an aggregate of 100,000 shares of common stock had been authorized. This Plan provides for the grant of options on an annual basis to each outside director of the Company to purchase up to 5,000 shares of common stock. The options have an exercise price equal to the closing trading price, or, if not available, the fair market value of the common stock on the date of grant. The Plan also provides for the grant of additional options to purchase up to 10,000 shares of common stock on the foregoing terms to each outside director upon election to the Board. During the Company's annual meeting held on December 12, 1994, the stockholders approved the second amendment to the Company's 1992 Outside Directors Stock Option Plan which, among other things, (i) increased from 100,000 to 250,000 the number of shares reserved for issuance under the Plan, and (ii) provides for automatic issuance to each director of the Company, who is not an employee of the Company, a certain number of shares of common stock in lieu of sixty-five percent (65%) of the cash payment of the fee payable to each director for his services as director of the Company. The Third Amendment to the Outside Directors Plan, as approved at the December 1996 Annual Meeting, provided that each eligible director shall receive, at such eligible director's option, either sixty-five percent (65%) or one hundred percent (100%) of the fee payable to such director for services rendered to the Company as a member of the Board in common stock. In either case, the number of shares of common stock of the Company issuable to the eligible director shall be determined by valuing the common stock of the Company at seventy-five percent (75%) of its fair market value as defined by the Outside Directors Plan.

The Company applies APB Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for options issued to employees. Accordingly, no compensation cost has been recognized for options granted to employees at exercise prices which equal or exceed the market price of the Company's common stock at the date of grant. Options granted at exercise prices below market prices are recognized as compensation cost measured as the difference between market price and exercise price at the date of grant.

Statement of Financial Accounting Standards No. 123 (FAS 123) "Accounting for Stock-Based Compensation," requires the Company to provide pro forma information regarding net income and earnings per share as if compensation cost for the Company's employee stock options had been determined in accordance with the fair market value based method prescribed in FAS 123. The Company estimates the fair value of each stock option at the grant date by using the Black-

Scholes option-pricing model with the following weighted-average assumptions used for grants in 1996 and 1995, respectively: no dividend yield for both years; an expected life of ten years for both years; expected volatility of 46.8% and 47.0%; and risk-free interest rates of 6.63% and 7.69%.

<TABLE>
<CAPTION>
Under the accounting provisions of FASB Statement 123, the Company's net loss and loss per share would have been reduced to the pro forma amounts indicated below:

	1996	1995
<S>	<C>	<C>
Net loss applicable to common stock		
As reported	$ (405,000)	$ (9,052,000)
Pro forma	(758,000)	$ (9,553,000)
Net loss per share		
As reported	$ (.05)	$ (1.15)
Pro forma	(.09)	(1.21)

</TABLE>

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A summary of the status of options under the plans as of December 31, 1996 and 1995, and changes during the years ending on those dates are presented below:

	1996		1995	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>
Performance Equity Plan:				
Balance at beginning of year	263,282	$3.22	361,615	$3.31
Granted	110,000	1.00	15,000	2.47
Exercised	-	-	-	-
Forfeited	(57,056)	3.32	(113,333)	3.41
Balance at end of year	316,226	2.43	263,282	3.22
Options exercisable at year end	183,609	3.14	158,874	3.17
Options granted during the year at exercise prices which equal market price of stock at date of grant:				
Weighted average exercise price	110,000	1.00	15,000	2.47
Weighted average fair value	110,000	.68	15,000	1.69
Nonqualified Stock Option Plan:				
Balance at beginning of year	263,995	$3.17	119,295	$3.72

Granted	345,000	1.00	193,000	2.88
Exercised	-	-	-	-
Forfeited	(133,600)	2.88	(48,300)	3.40
Balance at end of year	475,395	1.68	263,995	3.17
Options exercisable at year end	34,158	3.77	8,079	4.75
Options granted during the year at exercise prices which equal market price of stock at date of grant:				
Weighted average exercise price	345,000	1.00	193,000	2.88
Weighted average fair value	345,000	.68	193,000	2.23
Outside Directors Stock Option Plan:				
Balance at beginning of year	110,000	$3.08	90,000	$3.05
Granted	35,000	1.75	20,000	3.25
Exercised	-	-	-	-
Forfeited	-	-	-	-
Balance at end of year	145,000	2.76	110,000	3.08
Options exercisable at year end	110,000	3.08	110,000	3.08
Options granted during the year at exercise prices which equal market price of stock at date of grant:				
Weighted average exercise price	35,000	1.75	20,000	3.25
Weighted average fair value	35,000	1.25	20,000	2.27

</TABLE>
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The following table summarizes information about options under the plan outstanding at December 31, 1996:

	Options Outstanding		
Description and Range of Exercise Price	Number Outstanding at Dec. 31, 1996	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
<S>	<C>	<C>	<C>
Performance Equity Plan:			
1991/1992 Awards ($3.02)	190,226	5.3 years	$3.02
1993 Awards ($5.25)	16,000	6.8 years	5.25

1996 Awards ($1.00)	110,000	9.4 years	1.00
	316,226		2.43
Nonqualified Stock Option Plan:			
1994 Awards ($4.75)	40,395	7.7 years	$4.75
1995 Awards ($2.88)	90,000	8.0 years	2.88
1996 Awards ($1.00)	345,000	9.4 years	1.00
	475,395		1.68
Outside Directors Stock Option Plan:			
1993 Awards ($3.02)	45,000	5.5 years	$3.02
1994 Awards ($3.00-$3.22)	45,000	7.5 years	3.07
1995 Awards ($3.25)	20,000	8.0 years	3.25
1996 Awards ($1.75)	35,000	9.9 years	1.75
	145,000		2.76

</TABLE>
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<CAPTION>

Options Exercisable	
Number Exercisable at Dec. 31, 1996	Weighted Average Exercise Price
<S>	<C>
174,009	$3.02
9,600	5.25
-	-
183,609	3.14
16,158	$4.75
18,000	2.88
-	1.00
34,158	3.77
45,000	$3.02
45,000	3.07
20,000	3.25
-	
110,000	3.08

</TABLE>

Warrants

The Company has issued various warrants pursuant to acquisitions, private placements, debt and debt conversion and to facilitate certain financing arrangements. The warrants principally are for a term of five years and entitle the holder to purchase one share of common stock for each warrant at the stated exercise price. Also, the Company had issued certain Redeemable Warrants (Class A) which entitled the holder to purchase one-quarter share of common

stock at an exercise price of $1.50 per quarter share ($6 per whole share) commencing on December 8, 1993, all of which expired on December 7, 1996. During 1996, pursuant to the issuance of the Series 3 Class C Convertible Preferred Stock, as further discussed in Note 4, the Company 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 at $3.50 per share. In connection with the preferred stock issuance as discussed fully in Note 4, the Company issued additional warrants during 1996 for the purchase of 1,420,000 shares of common stock which are included in other financing warrants. Certain of the warrant agreements contain antidilution provisions which have been triggered by the various stock and warrant transactions as entered into by the Company since the issuance of such warrants by the Company. The impact of these antidilution provisions was the reduction of certain warrant exercise prices and the increase in the total number of underlying shares for all warrants issued prior to 1996 from their initial amount of 5,902,060 as of December 31, 1995, to an amended total of 6,893,697, of which 1,126,579 expired during 1996.

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The following details the warrants currently outstanding as of December 31, 1996, after giving effect to antidilution provisions:

Warrant Series	Number of Underlying Shares	Exercise Price	Expiration Date
<S>	<C>	<C>	<C>
Class A Warrants	291,316	$4.12	12/97
Class B Warrants	3,963,258	$3.53	6/99
Acquisition Warrants	487,814	$2.15	2/97
Debt Conversion Warrants	219,684	$3.56	8/99
Financing Warrants (Preferred Stock)	1,000,000	$2.00	7/01
Financing Warrants (Preferred Stock)	1,000,000	$3.50	7/01
Other Financing Warrants	2,225,046	$.73-$3.63	6/99-9/00
	9,187,118		

</TABLE>

The above noted acquisition warrants, which were originally set to expire in February of 1997, were amended and subsequently exercised in their entirety. See Note 15 for further discussion of these amended warrants.

Shares Reserved

At December 31, 1996, the Company has reserved approximately 14,300,000 shares of common stock for future issuance under all of the above arrangements and the convertible Series 3 Preferred Stock using the maximum conversion price (see Note 4).

Deferred Compensation

The stock grants issued in 1992 in connection with the IWM acquisition have been accounted for as deferred compensation and were amortized over three years, the period over which the respective employees must earn their respective grant. Compensation expense was $5,000 and $40,000 for 1995 and 1994, respectively, related to these grants.

During 1993, 25,000 shares of the Company's common stock were granted to a key employee of the Company at no cost as deferred compensation. Upon issuance, 8,000 shares vested immediately, 9,000 shares vested on January 1, 1994, and 8,000 shares vested on January 1, 1995. Compensation expense was $25,000 and $6,000 for 1995 and 1994, respectively, related to this grant.

NOTE 10
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

During September 1994, PFM, formerly American Resource Recovery Corporation ("ARR"), was sued by Community First Bank ("Community First") to collect a note in the principal sum of $341,000 that was allegedly made by ARR to CTC Industrial Services, Inc. ("CTC") in February 1987 (the "Note"), and which was allegedly pledged by CTC to Community First in December 1988 to secure certain loans to CTC. This lawsuit, styled Community First Bank v. American Resource Recovery Corporation, was instituted on September 14, 1994, and is pending in the Circuit Court, Shelby County, Tennessee. The Company was not aware of either the Note or its pledge to Community First at the time of the Company's acquisition of PFM in December 1993. The Company intends to vigorously defend itself in connection therewith. PFM has filed a third party complaint against Billie Kay Dowdy, who was the sole shareholder of PFM immediately prior to the acquisition of PFM by the Company, alleging that Ms. Dowdy is required to defend and indemnify the Company and PFM from and against this action under the terms of the agreement relating to the Company's acquisition of PFM. Ms. Dowdy has stated in her answer to the third party complaint that if the Note is determined to be an obligation enforceable against PFM, she would be liable to PFM, assuming no legal or equitable defenses. Management believes that the final outcome of these proceedings will not have a material adverse effect on the Company's financial position, liquidity or results of operations.

In May 1995, Perma-Fix of Memphis, Inc. ("PFM"), a subsidiary of the Company, became aware that the U.S. District Attorney for the Western District of Tennessee and the Department of Justice were investigating certain prior activities of W. R. Drum Company, its successor, First Southern Container Company, and any other facility owned or operated, in whole or in part, by Johnnie Williams. PFM used W. R. Drum Company to dispose of certain of its used drums. In May 1995, PFM received a Grand Jury Subpoena which demanded the production of any documents in the possession of PFM pertaining to W. R. Drum Company, First Southern Container Company, or any other facility owned or operated, and holder in part, by Johnnie Williams. PFM complied with the Grand Jury Subpoena. Thereafter, in September of 1995, PFM received another Grand Jury Subpoena for documents from the Grand Jury investigating W. R. Drum Company, First Southern Container Company and/or Johnnie Williams. PFM complied with the Grand Jury Subpoena. In December 1995, representatives of the Department of Justice advised PFM that it was also currently a subject of the investigation involving W. R. Drum Company, First Southern Container Company, and/or Johnnie Williams. Since that

time, however, PFM has had no contact with representatives of either the United States District Attorney's office for the Western District of Tennessee or the Department of Justice, and is not aware of why it is also a subject of such investigation. In accordance with certain provisions of the Agreement and the Plan of Merger relating to the prior acquisition of PFM, on or about January 2, 1996, PFM notified Ms. Billie K. Dowdy of the foregoing, and advised Ms. Dowdy that the Company and PFM would look to Ms. Dowdy to indemnify, defend and hold the Company and PFM harmless from any liability, loss, damage or expense incurred or suffered as a result of, or in connection with, this matter. Management believes that the final outcome of these proceedings will not have a material adverse effect on the Company's financial position, liquidity or results of operations.

In addition to the above matters and in the normal course of conducting its business, the Company is involved in various other 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 its 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. As discussed in Note 7, 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 pollution control coverage.

The Company also carries specific pollution liability insurance for operations involved in the Waste Management Services segment. The Company believes that this coverage, combined with its various other insurance policies, is adequate to insure the Company against the various types of risks encountered.

Operating Leases

The Company leases certain facilities and equipment under operating leases. Future minimum rental payments as of December 31, 1996 required under these leases are $941,000 in 1997, $848,000 in 1998, $504,000 in 1999, $308,000 in 2000 and $95,000 in 2001.

Net rent expense relating to the Company's operating leases was $1,657,000, $1,982,000 and $1,349,000 for 1996, 1995 and 1994, respectively.

NOTE 11
PROFIT SHARING PLAN

The Company adopted the Perma-Fix Environmental Services, Inc. 401(k) Plan (the "401(k) Plan") in 1992, which is intended to comply under Section 401 of the Internal Revenue Code and the provisions of the Employee Retirement Income Security Act of 1974. All full-time employees of the Company and its subsidiaries who have attained the age of 21 are eligible to participate in the 401(k) Plan. Participating employees may make annual pre-tax contributions to their accounts up to 15% of their compensation, up to a maximum amount as limited by law. The Company, at its discretion, may make matching contributions based on the employee's elective contributions. Company contributions vest over a period of six years. The Company elected not to provide any matching contributions for the years ended December 31, 1996, 1995 and 1994.

NOTE 12
BUSINESS SEGMENT INFORMATION

The Company provides services through two business segments. The Waste Management Services segment, which provides off-site waste treatment, recycling and disposal services through its five treatment, storage and disposal facilities (TSD facilities); Perma-Fix Treatment Services, Inc., Perma-Fix of Dayton, Inc., Perma-Fix of Memphis, Inc., Perma-Fix of Ft. Lauderdale, Inc. and Perma-Fix of Florida, Inc. The Company also provides through this segment: (i) on-site waste treatment services to convert certain types of characteristic hazardous wastes into non-hazardous waste, through its Perma-Fix, Inc. subsidiary; and (ii) the supply and management of non-hazardous and hazardous waste to be used by cement plants as a substitute fuel or raw material source. Effective June 30, 1994, the Company acquired Perma-Fix of Dayton, Inc., Perma-Fix of Ft. Lauderdale, Inc. and Perma-Fix of Florida, Inc., which are included in the results during 1994.

The Company also provides services through the Consulting Engineering Services segment. The Company provides environmental engineering and regulatory compliance consulting services through Schreiber, Grana & Yonley, Inc. in St. Louis, Missouri, and Mintech, Inc. in Tulsa, Oklahoma. These engineering groups provide 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.

The table below shows certain financial information by business segment for 1996, 1995 and 1994. Income (loss) from operations includes revenues less operating costs and expenses. Marketing, general and administrative expenses of the corporate headquarters have not been allocated to the segments. Identifiable assets are those used in the operations of each business segment, including intangible assets. Corporate assets are principally cash, cash equivalents and certain other assets.

<TABLE>
<CAPTION>

Dollars in Thousands	Waste Management Services	Consulting Engineering Services	Corporate and Other	Consolidated
<S>	<C>	<C>	<C>	<C>
1996				
Net revenues	$ 25,493	$ 5,544	$ -	$ 31,037
Depreciation and amortization	2,075	156	21	2,252
Income (loss) from operations	722	505	(1,298)	(71)
Identifiable assets	26,403	2,565	68	29,036
Capital expenditures, net	1,301	(5)	-	1,296
1995				
Net revenues	$ 28,843	$ 6,048	$ -	$ 34,891
Depreciation and amortization	2,242	169	20	2,431
Permit write-down	4,712	-	-	4,712
Nonrecurring charges	762	-	225	987
Income (loss) from operations	(6,260)	$ 350	(2,025)	(7,935)
Identifiable assets	25,524	2,884	465	28,873
Capital expenditures, net (exclusive of acquisitions)	2,765	69	97	2,931
1994				
Net revenues	$ 21,031	$ 7,044	$ -	$ 28,075
Depreciation and amortization	1,518	186	14	1,718
Income (loss) from operations	172	283	(1,524)	(1,069)
Identifiable assets	31,295	3,237	535	35,067
Capital expenditures, net (exclusive of acquisitions)	1,499	105	300	1,904

</TABLE>

NOTE 13
PERMIT WRITE-DOWN

During December 1995, the Company recognized a permit impairment charge of $4,712,000, related to the December 1993 acquisition of Perma-Fix of Memphis, Inc. ("PFM")(f/k/a American Resource Recovery, Inc.). The acquisition was accounted for under the purchase method of accounting and the related intangible permit represents the excess of the purchase price over the fair value of the net assets of the acquired company and the intrinsic value related to the Resource Conservation and Recovery Act ("RCRA") permits maintained by the facility. Subsequent to the acquisition, PFM, as reported under the waste management services segment of the Company, has consistently reflected operating losses. As a result, during late 1994 and the first six (6) months of 1995, PFM had undergone a series of restructuring programs aimed at the reduction of operating and overhead costs, and increased gross margin and revenues. However, PFM continued to experience intense competition for its services, and a decline in market share and operating losses. Therefore, as a result of the continued decline in operating results, the detailed strategic and operational review, and the application of the Company's objective measurement tests, an evaluation of the permit for possible impairment was completed in December 1995.

The evaluation of such impairment included the development of the Company's best estimate of the related undiscounted operating income over the remaining life of the intangible permit. Consequently, the results of the Company's best estimate of forecasted future operations, given the consistent prior losses and

uncertainty of the impact of the restructuring programs, was that they do not support the recoverability of this permit. As a result of these estimates and related uncertainties, the permit was deemed to be impaired and a charge was recorded to write-down the full value of the intangible permit of approximately $5,235,000, net of the accumulated amortization totaling approximately $523,000. This net charge of $4,712,000 was recorded through the consolidated statement of operations in December 1995 as "Permit write-down".

NOTE 14
NONRECURRING CHARGES

During 1995, the Company recorded several nonrecurring charges totalling $987,000, for certain unrelated events. Of this amount, $450,000 represents a divestiture reserve as related to the sale of a wholly-owned subsidiary and $537,000 are one-time charges resulting from restructuring programs.

As previously disclosed, the Company decided in 1994 to divest its wholly-owned subsidiary, Re-Tech Systems, Inc., which is engaged in post-consumer plastics recycling. 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 $595,000 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. The Company recorded during 1995 a nonrecurring charge of $450,000 (recorded as an asset reduction) for the estimated loss on the sale of this subsidiary, which, based upon the 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.

The Company also executed restructuring programs within the waste management services segment. A one-time charge of $237,000 was recorded 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 related closing of seven (7) of the nine (9) offices. A one-time charge of $75,000 was also recorded during the second quarter of 1995 to provide for consolidation costs, principally severance, associated with the restructuring of the Southeast Region, which is comprised of Perma-Fix of Florida and Perma-Fix of Ft. Lauderdale. These restructuring costs were principally incurred and funded during 1995.

In December of 1995, in conjunction with the above referenced restructuring program, the Company and Mr. Robert W. Foster, Jr. ("Foster") agreed to Foster's resignation as President, Chief Executive Officer and Director of the Company, thereby terminating his employment agreement with the Company effective March 15, 1996. The Company agreed to severance benefits of $30,000 in cash, the continuation of certain employee benefits for a period of time and the issuance of $171,000 in the form of common stock, par value $.001, of the Company. Pursuant to the above, the Company recorded a nonrecurring charge at December 31, 1995 of $215,000. In addition, severance costs of approximately $10,000 were incurred

upon the termination of several corporate executives. These restructuring costs were principally incurred and funded during the first six months of 1996.

NOTE 15
SUBSEQUENT EVENTS

Effective February 7, 1997, the Company amended five (5) warrants with an original issuance date of February 10, 1992 to purchase an aggregate of 487,814 shares of the Company's common stock ("Acquisition Warrants"). The Acquisition Warrants were amended to (i) reduce the exercise price from $2.1475 per share of common stock to $1.00 per share of common stock, and (ii) extend the expiration date of the warrants from February 10, 1997 to March 3, 1997. All Acquisition Warrants were subsequently exercised prior to this March 3, 1997 date, which resulted in $487,814 of additional capital/equity.

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, located in Memphis, Tennessee, which resulted in damage to certain hazardous waste storage tanks located on the facility and caused certain limited contamination at the facility. From the date of the fire through the date of this report, this facility has not been operational. However, PFM has accepted and will continue to accept waste for processing and disposal, but has arranged for other facilities owned by the Company or subsidiaries of the Company or others not affiliated with the Company to process such waste. The utilization of other facilities to process such waste results in higher costs to PFM than if PFM were able to store and process such waste at its Memphis, Tennessee, TSD facility, along with the additional handling and transportation costs associated with these activities. PFM is in the process of repairing and/or removing the damaged storage tanks and any contamination resulting from the occurrence, and, as of the date of this report, anticipates that PFM will be able to begin certain limited operations at the facility by the end of April 1997. The extent of PFM's activities at the facility, once operations are renewed, are presently being evaluated by the Company. The company and PFM have property and business interruption insurance and have provided notice to its carriers of such loss. Although there are no assurances, the Company presently believes that its property insurance will cover any property loss suffered by PFM at the facility as a result of such occurrence. The Company is in the process of determining the amount of business interruption insurance that may be recoverable by PFM as a result thereof, if any.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Since information relating to changes in accountants and engagement of new accountants by the Company during the Company's two most recent fiscal years or any subsequent interim period have been previously reported (as that term is defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended) and there were no disagreements or reportable events required to be reported under paragraph (b) of Item 304 of Regulation S-K, the information called for under this Item 9 is not required to be provided pursuant to Item 304 of Regulation S-K.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

<TABLE>
<CAPTION>

The following table sets forth, as of the date hereof, information concerning the directors and executive officers of the Company:

Directors and Executive Officers	Principal Occupation and Other Information
<S>	<C>
Dr. Louis F. Centofanti Director since 1991, Chairman of the Board, President and Chief Executive Officer Age: 53	See Item 4A -- "Executive Officers of the Company" of this report for a discussion of the principal occupation and other information regarding Dr. Centofanti
Mr. Mark A. Zwecker(1)(2) Director since 1990 Age: 46	Mr. Zwecker has served as a Director of the Company since its inception in December 1990. Mr. Zwecker resigned his position as Secretary of the Company in June 1996, at which time Richard T. Kelecy was appointed to this position. Mr. Zwecker also resigned his position as Treasurer and Chief Financial Officer of the Company in July 1994 and is currently Vice President of Finance and Administration for American Combustion, Inc., a position he previously held from 1986 to 1990. In 1983, Mr. Zwecker participated as a founder with Dr. Centofanti in the start up of PPM, Inc. He remained with PPM, Inc. until its acquisition in 1985 by USPCI. Mr. Zwecker has an M.B.A. from Harvard University and a B.S. in Industrial and Systems Engineering from the Georgia Institute of Technology.
Mr. Steve Gorlin(1) Director since 1992 Age: 59	Mr. Gorlin has served as a Director of the Company since October 1992. Mr. Gorlin is a private investor working with several technology-based companies. He was formerly Chairman of the Board of Directors of EntreMed, Inc. and currently is a member of the Board of Directors of Advanced Aerodynamics & Structures, Inc. Mr. Gorlin is a co-founder and served as President and Chairman of the Board of Directors of CytRx Corporation until 1990.
Mr. Jon Colin(2) Director since 1996 Age: 41	Mr. Colin was elected as a Director of the Company on December 12, 1996. He is a financial consultant for a variety of technology-based companies. From 1990 to 1996, Mr. Colin served as President and

	Chief Executive Officer for Environmental Services of America, Inc., an environmental services company traded on the NASDAQ. Mr. Colin has a B.S. degree in Accounting from the University of Maryland.
Mr. Richard T. Kelecy Chief Financial Officer Age: 41	See Item 4A -- "Executive Officers of the Coompany" of this report for a discussion of the principal occupation and other information regarding Mr. Kelecy.

<FN>
(1) Member of Compensation and Stock Option Committee
(2) Member of Audit Committee
</FN>
</TABLE>

Directors of the Company are elected to serve for a term of one year or until their successors are elected and qualify, or until their earlier death, resignation or removal. There are presently four (4) members serving as directors. Pursuant to the By-Laws of the Company, the Board of Directors has set the number of directors at a minimum of three. No family or contractual relationship exist between or among any directors or officers of the Company. The Company has agreed that for five years after the effective date of its Registration Statement on Form S-1 (December 8, 1992), if requested by A.S. Goldmen & Co., Inc., the managing underwriter of the Company's initial public offering (the "Underwriter"), it will use its best efforts to cause one individual designated by the Underwriter to be elected to the Company's Board of Directors, which individual may be an officer, director, employee or affiliate of the Underwriter. At this time the Underwriter has not requested to have one individual designated to be elected to the Company's Board of Directors.

In conjunction with the Company's restructuring program, the Company and Mr. Robert W. Foster, Jr. ("Foster") agreed to Foster's resignation as President, Chief Executive Officer and Director of the Company effective March 15, 1996. The Company paid severance benefits of $30,000 in cash, continued certain employee benefits, and issued approximately $171,000 in the form of common stock, par value $.001, of the Company. See "Executive Compensation." In addition to his position of Chairman of the Board of the Company, Dr. Louis F. Centofanti was elected as President and Chief Executive Officer of the Company to replace Mr. Foster. See "Executive Officers of the Company."

The Company's officers are elected annually by, and serve at the pleasure of, the Board of Directors, subject to the terms of any employment agreements. See "Employment Contracts, Termination of Employment and Change in Control Arrangements."

Certain Relationships

There are no family relationships between any existing director, executive officer, or person nominated or chosen by the Company to become a director or executive officer. Dr. Centofanti is the only director who is an employee of the Company.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as

amended (the "Exchange Act"), and the regulations promulgated thereunder require the Company's executive officers and directors and beneficial owners of more than ten percent (10%) of any equity security of the Company registered pursuant to Section 12 of the Exchange Act to file reports of ownership and changes of ownership of the Company's equity securities with the Securities and Exchange Commission, and to furnish the Company with copies of all such reports. Based solely on a review of the copies of such reports furnished to the Company and information provided to the Company, the Company believes that during 1996 none of the executive officers and directors of the Company failed to timely file reports under Section 16(a).

RBB Bank Aktiengesellschaft ("RBB Bank"), which may have become a beneficial owner (as that term is defined under Rule 13d-3 as promulgated under the Exchange Act) of more than ten percent (10%) of the Company's common stock on February 9, 1996, as a result of its acquisition of 1,100 shares of Series 1 Preferred (as defined in "Certain Relationships and Related Transactions") that were convertible into a maximum of 1,282,798 shares of common stock of the Company commencing 45 days after issuance of the Series 1 Preferred, failed to file a Form 3 to report such transaction, if required. RBB Bank has advised the Company that it acquired such preferred stock on behalf of numerous clients and no one client is the beneficial owner of more than 250 shares of such preferred stock, and thus, RBB Bank believes it was not required to file reports under Section 16(a).

If RBB Bank became a beneficial owner of more than ten percent (10%) of the Company's common stock on February 9, 1996 and thereby required to file reports under Section 16(a) of the Exchange Act, then RBB Bank may have also failed to file (i) a Form 4 for single transaction which occurred on February 22, 1996; (ii) a Form 4 for four transactions which occurred in July 1996; (iii) a Form 4 for a single transaction which occurred in September 1996; (iv) a Form 4 for a single transaction which occurred in January 1997; and (v) a Form 5 for 1996 as a result of not filing the above referenced reports.

For further discussion of the RBB Bank transactions, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources of the Company," "Security Ownership of Certain Beneficial Owners and Management--Security Ownership of Certain Beneficial Owners," and "--Potential Change of Control."

ITEM 11. EXECUTIVE COMPENSATION

<TABLE>
<CAPTION>
Summary Compensation Table

The following table sets forth the aggregate cash compensation paid to the Chairman and Chief Executive Officers of the Company. No executive officer of the Company or its subsidiaries received a total salary and bonus for 1996 in excess of $100,000.

		Annual Compensation		
Name and Principal Position	Year	Salary($)	Bonus ($)	Other Annual Compen-sation($)
<S>	<C>	<C>	<C>	<C>

Dr. Louis F. Centofanti(1)	1996	65,000	-	66,666(3)
Chairman of the Board	1995	120,000	-	-
and Chief Executive	1994	86,000	-	-
Officer				
Robert W. Foster, Jr.(2)	1996	34,000	-	30,000
President and	1995	130,000	5,000	-
Chief Executive Officer				

</TABLE>
<TABLE>
<CAPTION>

Long Term Compensation		
Restricted Stock Award(s) ($)	Options SARs (#)	All Other Compen-sation ($)
<S>	<C>	<C>
-	-	-
-	20,000	-
-	-	-
-	-	171,000
-	78,000	-

<FN>
(1) Dr. Centofanti, the Company's Chairman of the Board, received compensation pursuant to an employment agreement, which provided for annual compensation to Dr. Centofanti of $75,000 beginning June 1992 and expiring in June 1995. Under the expired contract, Dr. Centofanti received an annual salary of $75,000, which was increased to $125,000 in October, 1994, and continued until December, 1995, when Dr. Centofanti's salary was reduced to $65,000. Dr. Centofanti's current annual salary is $65,000. Dr. Centofanti also served as President and Chief Executive Officer of the Company during 1994 and until September 1995, when Robert W. Foster was elected as President and Chief Executive Officer of the Company. At such time, Dr. Centofanti continued to serve as Chairman of the Board of the Company. Upon Mr. Foster's resignation, Dr. Centofanti resumed the positions of President and Chief Executive Officer effective March 15, 1996, and continued as Chairman of the Board.

(2) Mr. Foster resigned his positions of President and Chief Executive Officer effective March 15, 1996, and the parties agreed to terminate his employment agreement effective as of the date of such termination. The Company agreed to severance benefits of $30,000 in cash plus continuation of certain employee benefits. In addition, concurrently with Mr. Foster's termination, the Company and Mr. Foster entered into a consulting agreement with a term of three (3) months and compensation of $171,000, which was paid in the form of common stock, par value $.001, of the Company. See "Employment Contracts, Termination of Employment and Change in Control Arrangements" in Item 11.

(3) The Company entered into two Stock Purchase Agreements with Dr. Centofanti whereby the Company sold, and Dr. Centofanti purchased, 133,333 shares and 76,190 shares, in March 1996, and in June 1996, respectively, of the Company's common stock for 75% of the closing bid price of such common stock as quoted on the NASDAQ on the date that Dr. Centofanti notified the Company of his desire to purchase such stock, as authorized by the Board of Directors of the company.

The closing bid price as quoted on the NASDAQ for the Company's common stock on the dates that Dr. Centofanti notified the Company of his desire to purchase the shares was $1.00 per share for the march sale and $1.75 per share for the June sale. As a result, the difference between the price paid by Dr. Centofanti for such stock and the fair market value thereof was approximately $33,333 for each transaction. See "Certain Relationships and Related Transactions."
</FN>
</TABLE>
Options/SAR Grants in Last Fiscal Year

During 1996, there were no individual grants of stock options or SAR's made to any of the executive officers named in the summary compensation table.

Aggregated Option Exercises in 1996 and Fiscal Year-End Option Values
<TABLE>
<CAPTION>

The following table sets forth information concerning each exercise of stock options during the last completed fiscal year by each of the executive officers named in the Summary Compensation Table and the fiscal year-end value of unexercised options:

	Shares Acquired on Exercise (#)(1)	Value Realized ($)(1)
<S>	<C>	<C>
Dr. Louis F. Centofanti	0	$0
Robert W. Foster, Jr.(3)	0	$0

	Number of Unexercised Options at Fiscal Year-End (#)	
	Exercisable	Unexercisable
	33,763	16,000
	0	0(3)

	Value of Unexercised in-the-Money Options at Fiscal Year End ($)(2)	
	Exercisable	Unexercisable
	$0	$0
	$0	$0

<FN>
(1) No options were exercised during 1996.

(2) Values have been calculated based on the closing bid price of the Company's common stock reported on the National Association of Securities Dealers Automated Quotation System ("NASDAQ") on December 31, 1996, which was $1.375 per share. The actual value realized by a named executive officer on the exercise of these options depends on the market value of the Company's common stock

on the date of exercise. As of December 31, 1996, the unexercised options were not in the money since the fair market value of the underlying securities was less than the exercise price of such options.

(3) Mr. Foster resigned his position of President and Chief Executive Officer effective March 15, 1996 and, simultaneous with such resignation, all unexercised options totaling 155,000 were forfeited.
</FN>
</TABLE>

401(k) Plan

The Company has adopted the Perma-Fix Environmental Services, Inc. 401(k) Plan which is intended to comply under Section 401 of the Internal Revenue Code and the provisions of the Employee Retirement Security Act of 1974 (the "401(k) Plan"). All full-time employees of the Company and its subsidiaries who have attained the age of twenty-one (21) are eligible to participate in the 401(k) Plan. Participating employees may make annual pre-tax contributions to their accounts up to fifteen percent (15%) of their compensation, up to a maximum amount as limited by law. The Company, at its discretion, may make matching contributions based on full-time employees' elective contributions. Company contributions vest twenty percent (20%) after two (2) years, forty percent (40%) after three (3) years, sixty percent (60%) after four (4) years, eighty percent (80%) after five (5) years, and are one hundred percent (100%) vested thereafter. As of December 31, 1996, the Company has elected not to provide any matching contributions. Distributions generally are payable in lump sums after termination, retirement, death or disability.

Compensation of Directors

In 1996, the two outside directors of the Company, which number was subsequently increased to three pursuant to the Annual Meeting in December of 1996, received annual director's fees in the aggregate amount of $28,000, with each director's fee payable in shares of common stock of the Company, subject to the election of each director, based on the fair market value of such stock determined on the business day immediately preceding the date that the fee is due and the balance payable in cash. Reimbursement of expenses for attending meetings of the Board are paid in cash at the time of occurrence. The director fees in 1996 were based on monthly payments of $1,000 for each month of service. These directors do not receive additional compensation for committee participation or special assignments except for reimbursement of expenses. The Company does not compensate the directors that also serve as officers or employees of the Company or its subsidiaries for their service as directors.

The Company believes that it is important for directors to have a personal interest in the success and growth of the Company and for their interests to be aligned with those of its stockholders. Therefore, under the Company's 1992 Outside Directors Stock Option and Incentive Plan ("Outside Directors Plan"), each outside director is granted an option to purchase up to 15,000 shares of common stock on the date such director is initially elected to the Board of Directors and receives on an annual basis an option to purchase up to another 5,000 shares of common stock, with the exercise price being the fair market value of the common stock on the date that the option is granted. No option granted under the Outside Directors Plan is exercisable until after the expiration of six months from the date the option was granted and no option shall be exercisable after the expiration of ten (10) years from the date the option is

granted. As of December 31, 1995, options to purchase 110,000 shares of common stock have been granted under the Outside Directors Plan. During 1996, the Company granted options to purchase 35,000 shares of common stock under the Outside Directors Plan. In addition, under the second amendment to the Outside Directors Plan, approved at the Annual Meeting of Shareholders held in December 1994, beginning January 1995, each outside director was, in lieu of 65% of the fees payable to the outside director, issued a number of shares of common stock having a value equal to 65% of the fee payable to each such director based on the fair market value of such stock determined on the business day immediately preceding the date that the fee was due, with the remaining 35% paid in cash. The Third Amendment to the Outside Directors Plan, as approved at the December 1996 Annual Meeting, provided that each eligible director shall receive, at such eligible director's option, either sixty-five percent (65%) or one hundred percent (100%) of the fee payable to such director for services rendered to the Company as a member of the Board in common stock. In either case, the number of shares of common stock of the Company issuable to the eligible director shall be determined by valuing the common stock of the Company at seventy-five percent (75%) of its fair market value as defined by the Outside Directors Plan. The number of shares of common stock which may be issued in the aggregate under the Outside Directors Plan, either under options or stock awards, is 250,000 shares, subject to adjustment.

Robert W. Foster, Jr., formerly President, Chief Executive Officer and a director of the Company until March 15, 1996, was compensated pursuant to an employment agreement during 1994, 1995 and 1996, and a consulting agreement during 1996. See "--Employment Contracts, Termination of Employment and Change in Control Arrangements" and "EXECUTIVE COMPENSATION--Summary Compensation Table."

Although Dr. Centofanti is not compensated for his services provided as a director of the Company, Dr. Centofanti is compensated for his services rendered to the Company as an officer of the Company. See "Employment Contracts, Termination of Employment and Change in Control Arrangements."

Employment Contracts, Termination of Employment and Change in Control Arrangements

In June 1994, the Company entered into a three (3) year employment agreement with Robert W. Foster, Jr. Under the Agreement, Mr. Foster was to receive an annual salary of $110,000, which was subsequently increased to $135,000 during 1995, as determined by the Compensation and Stock Option Committee. However, in conjunction with the Company's restructuring program, the Company and Mr. Robert W. Foster, Jr. ("Foster") agreed to Foster's resignation as President, Chief Executive Officer and Director of the Company, thereby terminating his employment agreement with the Company effective March 15, 1996. The Company agreed to severance benefits of $30,000 in cash plus continuation of certain employee benefits. In addition, the Company and Foster entered into a consulting agreement with a term of three (3) months and compensation of a minimum of approximately $171,000 payable in the form of common stock, par value $.001, of the Company. Based upon a stock price at the close of business on April 1, 1996, the Company issued approximately 152,000 shares of common stock to Mr. Foster relative to this agreement. The fair market value of the 152,000 shares exceeded $171,000 on the 90th day after March 15, 1996 and, as a result, Mr. Foster reimbursed to the Company approximately $41,000 of such excess proceeds. Foster is engaged as an independent, outside consultant to the Company and agrees to certain

non-competition conditions for a period of one (1) year following the date of this agreement.

The Company's 1991 Performance Equity Plan and the 1993 Nonqualified Stock Option Plan (collectively, the "Plans") provide that in the event of a change in control (as defined in the Plans) of the Company, each outstanding option and award granted under the Plans shall immediately become exercisable in full notwithstanding the vesting or exercise provisions contained in the stock option agreement. As a result, all outstanding stock options and awards granted under the Plans to the executive officers of the Company shall immediately become exercisable upon such a change in control of the Company.

Compensation Committee Interlocks and Insider Participation

During 1996, the Compensation and Stock Option Committee for the Company's Board of Directors was composed of Steve Gorlin and Mark Zwecker. Neither Mr. Gorlin nor Mr. Zwecker is or was, during the year, an officer or employee of the Company.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

<TABLE>
<CAPTION>
Security Ownership of Certain Beneficial Owners

The following table sets forth information as to the shares of voting securities beneficially owned as of March 14, 1997 by each person known by the Company to be the beneficial owner of more than five percent (5%) of any class of the Company's voting securities. Beneficial ownership by the Company's stockholders has been determined in accordance with the rules promulgated under Section 13(d) of the Securities Exchange Act of 1934, as amended. A person is deemed to be a beneficial owner of any securities of which that person has the right to acquire beneficial ownership of such securities within 60 days from March 14, 1997.

Name of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class(1)
<S>	<C>	<C>	<C>
Dr. Louis F. Centofanti(2)	Common	674,438(2)	6.62%
American Ecology Corporation(3)	Common	795,000(3)	7.87%
RBB Bank Aktiengesellschaft(4)	Common	6,823,728(4)	42.32%
	Preferred	5,500(4)	100.00%

<FN>
(1) In computing the number of shares and the percentage of outstanding common stock "beneficially owned" by a person, the calculations are based upon 10,095,948 shares of common stock issued and outstanding on March 14, 1997, plus the number of shares of common stock which such person has the right to acquire beneficial ownership of within (60) days.

(2) These shares include (i) 571,744 shares held of record by Dr. Centofanti; (ii) 61,618 shares receivable upon exercise of warrants to purchase common stock; and (iii) options to purchase 33,763 shares granted pursuant to the 1991 Performance Equity Plan and the 1993 Nonqualified Stock Option Plan, which are immediately exercisable. This amount does not

include options to purchase 16,000 shares granted pursuant to the above referenced plans which are not exercisable within sixty (60) days. Dr. Centofanti has sole voting and investment power of these shares, except the following shares for which Dr. Centofanti shares voting and investment power: 4,000 shares and 500 shares receivable upon the exercise of warrants to purchase common stock held by the wife of Dr. Centofanti and 2,500 shares and 313 shares receivable upon the exercise of warrants to purchase common stock held by the son of Dr. Centofanti's wife. The business address of Dr. Centofanti, for the purposes hereof, is c/o Perma-Fix Environmental Services, Inc., 1940 N.W. 67th Place, Gainesville, Florida 32653.

(3) American Ecology Corporation ("AEC") has sole voting and investment power over these shares. The address for AEC is 805 West Idaho, Suite 200, Boise, Idaho 83702-8916.

(4) The outstanding shares of Preferred Stock consist of the Series 3 Preferred that RBB Bank acquired from the Company pursuant to the Subscription Agreement. The holders of the Series 3 Preferred have no voting rights, except as required by law. The shares of common stock included as beneficially owned by RBB Bank in this table are shares that RBB Bank would be entitled to receive upon conversion of all of the Series 3 Preferred Stock held by RBB Bank (assuming that the average of the closing bid prices of the common stock for the five (5) trading days prior to conversion equals or exceeds $2.00 per share), and the number of shares of common stock noted is based on the assumption that RBB Bank converted such shares of Series 3 Preferred into the maximum number possible. The above calculation does include 2,000,000 shares of common stock that RBB Bank has the right to acquire upon exercise of the RBB Warrants, which entitle RBB Bank to purchase 2,000,000 shares of common stock after December 31, 1996, at an exercise price of $2.00 per share for 1,000,000 shares, and $3.50 a share for 1,000,000 shares. However, the above calculation does include approximately 300,000 shares of common stock that RBB Bank may receive in payment of the accrued dividends on the Series 3 Preferred. RBB Bank has advised the Company that it is holding the Preferred Stock on behalf of 43 clients of RBB Bank and that no client is the beneficial owner of more than 250 shares of such Preferred Stock. RBB Bank may be considered to be the beneficial owner of these shares with its clients. See "Certain Relationships and Related Transactions." RBB Bank's address is Burgring 16, 8010 Graz, Austria.

</FN>
</TABLE>

Security Ownership of Management

<TABLE>
<CAPTION>

The following table sets forth information as to the shares of voting securities beneficially owned as of March 14, 1997 by each Director and Named Executive Officers of the Company listed in the Summary Compensation table and all Directors and executive officers of the Company as a group. Beneficial ownership by the Company's stockholders has been determined in accordance with the rules promulgated under Section 13(d) of the Exchange Act. A person is deemed to be a beneficial owner of any voting securities for which that person has the right to acquire beneficial ownership within sixty (60) days. All voting securities are owned both of record and beneficially unless otherwise indicated.

Name of Beneficial Owner	Number of Shares of Common Stock Benefically Owned	Percentage of Common Stock(1)
<S>	<C>	<C>
Dr. Louis F. Centofanti(2)(3)	674,438(3)	6.62%
Richard T. Kelecy(2)(4)	6,000(4)	*
Mark A. Zwecker(2)(5)	176,628(5)	1.74%
Steve Gorlin(2)(6)	393,793(6)	3.89%
Jon Colin(7)	-	-
Directors and Executive Officers as a Group (5 persons)	1,250,859(8)	12.19%

*Indicates beneficial ownership of less than one percent (1%).

<FN>

(1) See footnote (1) of the table under "Security Ownership of Certain Beneficial Owners."

(2) The business address of such person, for the purposes hereof, is c/o Perma-Fix Environmental Services, Inc., 1940 N.W. 67th Place, Gainesville, Florida 32653.

(3) See footnote (2) of the table under "Security Ownership of Certain Beneficial Owners."

(4) Does not include options to purchase 84,000 shares of common stock granted pursuant to the 1993 Nonqualified Stock Option Plan which are not exercisable within sixty (60) days.

(5) Mr. Zwecker has sole voting and investment power over these shares which include (i) 145,746 shares of common stock held of record by Mr. Zwecker; (ii) 14,882 options to purchase common stock granted pursuant to the 1991 Performance Equity Plan; (iii) 1,000 options to purchase common stock pursuant to the 1993 Nonqualified Stock Option Plan, which are immediately exercisable; and (iv) options to purchase 15,000 shares granted pursuant to the 1992 Outside Directors Stock Option and Incentive Plan which are immediately exercisable. Does not include options to purchase 4,000 shares of common stock granted pursuant to the 1993 Nonqualified Stock Option Plan which are not exercisable within sixty (60) days.

(6) Mr. Gorlin has sole voting and investment power over these shares which include: (i) 363,793 shares held of record by Mr. Gorlin; and (ii) options to purchase 30,000 shares granted pursuant to the 1992 Outside Directors Stock Option and Incentive Plan which are immediately exercisable. Does not include 200,000 shares which Mr. Gorlin has the right to acquire on and after January 1, 1997, until September 15, 1999, under the terms of a warrant granted by the Company to Mr. Gorlin in September 1996. See "Certain Relationships and Related Transactions."

(7) As of March 14, 1997, Mr. Colin did not beneficially own any

voting securities of the Company. Does not include the 15,000 options issued to Mr. Colin upon his election as an outside director of the Company, pursuant to the terms of the 1992 Outside Directors Stock Option and Incentive Plan, which are not exercisable until six (6) months after his election. His address is 13 Meadow Lane, Old Bridge, New Jersey 08857.

(8) Includes 62,431 shares receivable upon exercise of warrants to purchase common stock and options and warrants to purchase 107,145 shares of common stock which are immediately exercisable. Does not include 319,000 shares of common stock covered by options and warrants which are not exercisable within sixty (60) days from the Record Date.

</FN>
</TABLE>

Potential Change in Control

If RBB Bank were to acquire approximately 7,300,000 shares of common stock upon conversion of the Series 3 Preferred, which is the maximum number of shares of common stock that RBB Bank could acquire upon conversion of the Series 3 Preferred assuming the conversion price is based on the minimum conversion price of $.75 a share and as a result of the average of fair market value of the common stock being $1.00 or less within five (5) trading days immediately preceding the conversion date and assuming such minimum conversion price is not reduced pursuant to the terms of the Series 3 Preferred and it exercised all of the RBB Warrants, RBB Bank would own approximately 10,100,000 shares of common stock, or approximately fifty percent (50%) of the outstanding shares of common stock of the Company, assuming no other shares of common stock are issued by the Company, no other warrants or options issued by the Company are exercised, the Company does not acquire additional shares of common stock as treasury shares and RBB Bank does not dispose of any such shares. In such event, RBB Bank would have a sufficient number of voting shares of the Company to result in a change in control of the Company. See "--Security Ownership of Certain Beneficial Owners" and "Certain Relationships and Related Transactions."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During 1994, the Company made a private offering to accredited investors (the "Private Placement") of units ("Units"), each Unit consisting of 10,000 shares of common stock and 20,000 Class B Warrants to Purchase common stock (the "Class B Warrants"). The Class B Warrants are for a term of five (5) years from June 17, 1994. Each Class B Warrant entitles the holder thereof to purchase one (1) share of common stock for $5.00. The Class B Warrants are subject to certain antidilution provisions. Under certain conditions, the Class B Warrants are redeemable by the Company at a redemption price of $0.05 per Class B Warrant, provided that the market price of the common stock shall exceed an average price of $8.00 per share. In connection with the Private Placement, Dr. Louis F. Centofanti, Chairman of the Board and Chief Executive Officer of the Company, purchased two Units from the Company, which consisted of 20,000 shares of common stock and Class B Warrants to purchase up to 40,000 shares of common stock. The purchase price paid for the two Units was $60,000.

In September 1996, the Company issued a warrant ("Gorlin Warrant") to Steve Gorlin, a Director of the Company, for services rendered, other than those rendered as a Director, to the Company. The Gorlin Warrant allows the holder to purchase 200,000 shares of common stock of the Company for $1.75 per share from January 1, 1997, until September 15, 1999. The Gorlin Warrant is subject to certain antidilution provisions.

In March 1996, the Company entered into a Stock Purchase Agreement with Dr. Centofanti, currently the President, Chief Executive Officer, Chairman of the Board, and Director of the Company, whereby the Company sold, and Dr. Centofanti purchased, 133,333 shares of the Company's common stock for 75% of the closing bid price of such common stock as quoted on the NASDAQ on the date that Dr. Centofanti notified the Company of his desire to purchase such stock, as authorized by the Board of Directors of the Company. During February 1996, Dr. Centofanti tendered to the Company $100,000 for such 133,333 shares by delivering to the Company $86,028.51 and forgiving $13,971.49 that was owing to Dr. Centofanti by the Company for expenses incurred by Dr. Centofanti on behalf of the Company. On the date that Dr. Centofanti notified the Company of his desire to purchase such shares, the closing bid price as quoted on the NASDAQ for the Company's common stock was $1.00 per share.

In June 1996, the Company entered into a second Stock Purchase Agreement with Dr. Centofanti, whereby the Company sold, and Dr. Centofanti purchased, 76,190 shares of the Company's common stock for 75% of the closing bid price of such common stock as quoted on the NASDAQ on the date that Dr. Centofanti notified the Company of his desire to purchase such stock (closing bid of $1.75 on June 11, 1996), as previously authorized by the Board of Directors of the Company. Dr. Centofanti tendered to the Company $100,000 for such 76,190 shares of common stock.

In March 1996, Robert W. Foster, Jr. resigned as President, Chief Executive Officer and a Director of the Company, and as an officer and Director of the Company's subsidiaries and terminated his employment agreement with the Company pursuant to the terms of a Termination and Severance Agreement (the "Termination Agreement") between the Company and Mr. Foster, and effective as of the date of such termination, the Company and Mr. Foster entered into a consulting agreement dated March 15, 1996. See "Executive Compensation--Employment Contracts, Termination of Employment and Change in Control Arrangements" for further discussion.

During February 1996, the Company entered into two (2) different offshore transactions with RBB Bank Aktiengesellschaft ("RBB Bank"). In the first transaction, the Company sold to RBB Bank 1,100 shares of a newly created Series 1 Class A Preferred Stock, par value $.001 ("Series 1 Preferred"), for $1,000 per share, for an aggregate purchase price of $1,100,000, pursuant to an Offshore Securities Subscription Agreement, dated February 9, 1996. In the second transaction, the Company sold to RBB Bank 330 shares of a newly created Series 2 Class B Preferred Stock, par value $.001 ("Series 2 Preferred"), for $1,000 per share for an aggregate sales price of $330,000, pursuant to an Offshore Securities Subscription Agreement, dated February 22, 1996. The Series 1 Preferred and the Series 2 Preferred are collectively referred to herein as "RBB Preferred Stock." In connection with both transactions, the Company paid placement fees totaling $209,000. The RBB Preferred Stock was convertible at any time, commencing forty-five (45) days after issuance, into shares of the Company's common stock at a conversion price equal to the aggregate value of the shares of the RBB Preferred Stock being converted, together with all accrued but unpaid dividends thereon, divided by the "Average Stock Price" per share (the "Conversion Price"). The Average Stock Price was defined as the lesser of (i) seventy percent (70%) of the average daily closing bid prices of the common stock for the period of five (5) consecutive trading days immediately preceding the date of

subscription by the holder or (ii) seventy percent (70%) of the average daily closing bid prices of the common stock for a period of five (5) consecutive trading days immediately preceding the date of conversion of the RBB Preferred Stock. The RBB Preferred Stock entitled the holder thereof to receive dividends accruing at the rate per share of five percent (5%) per annum of consideration paid for each share of the RBB Preferred Stock, or $50.00 per annum, payable in arrears at the rate of $12.50 for each full calendar quarter. Dividends on the RBB Preferred Stock were paid at the election of the Company by the issuance of shares of common stock. During 1996, all outstanding shares of the RBB Preferred Stock were converted into approximately 1,970,000 shares of common stock of the Company, which includes approximately 17,000 shares issued by the Company in satisfaction of accrued dividends. Pursuant to the Subscription Agreement for the issuance of Series 3 Class C Convertible Preferred Stock, as discussed below, 920,000 of these shares of converted common stock were purchased by the Company at a purchase price of $1,770,000. As a result of such conversions, the RBB Preferred Stock is no longer outstanding.

During July 1996, the Company issued 5,500 shares of newly-created Series 3 Class C Convertible Preferred Stock, par value $.001 per share ("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 $586,000. The transaction was pursuant to a Subscription and Purchase Agreement ("Subscription Agreement") between the Company and RBB Bank and included the Company granting to RBB Bank two Warrants to purchase up to 2,000,000 shares of the Company's common stock, with 1,000,000 shares of common stock exercisable at $2.00 per share and 1,000,000 shares of common stock exercisable at $3.50 per share (collectively, the "RBB Warrants"). The RBB Warrants are for a term of five (5) years and may be exercised at any time after December 31, 1996, and until the end of the term of such Warrants. The Series 3 Preferred is not entitled to any voting rights, except as required by law. Dividends on the Series 3 Preferred accrue at a rate of six percent (6%) per annum, payable semi-annually as and when declared by the Board of Directors, and such dividends are cumulative. Dividends shall be paid, at the option of the Company, in the form of cash or common stock of the Company. If the Dividends are paid in common stock, each share of outstanding Series 3 Preferred shall receive shares of common stock equal to the quotient of (i) six percent (6%) of $1,000 divided by (ii) the average closing bid quotation of the common stock as reported on the over-the-counter market, or the closing sale price if listed on a national securities exchange, for the five (5) trading days immediately prior to the applicable dividend declaration date. The Company issued 100,387 shares during January 1997 in payment of accrued dividends for the period July through December 1996.

RBB Bank may convert the Series 3 Preferred into common stock of the Company as follows: (i) up to 1,833 shares on or after October 1, 1996; (ii) an additional 1,833 shares on or after November 1, 1996; and (iii) the balance on or 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 ("Minimum Conversion Price Reduction"). For the purpose of determining whether the Company has

had a net loss 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. Subject to the closing bid price of the Company's common stock at the time of conversion and the other conditions which could increase the number of shares to be issued upon conversion, the Series 3 Preferred, if all of the shares of Series 3 Preferred were converted, such could be converted into between approximately 3,700,000 and approximately 7,300,000 shares of common stock, or more pursuant to the Minimum Conversion Price Reduction. The common stock issuable on the conversion of the Series 3 Preferred is subject to certain registration rights pursuant to the Subscription Agreement, pursuant to which a Form S-3 Registration Statement was filed by the Company with the Securities and Exchange Commission on October 21, 1996.

Under the terms of the Subscription Agreement, from the net proceeds of the sale of the Series 3 Preferred (approximately $4,900,000) received by the Company after payment of placement fees to brokers, legal fees and other expenses, the Company purchased from RBB Bank 920,000 shares of common stock of the Company acquired by RBB Bank upon conversion of the Company's Series 1 Preferred and Series 2 Preferred for $1,770,000.

In June 1995, the Company entered into a consulting agreement ("Zwecker Consulting Agreement") with Mark A. Zwecker, a Director, to provide certain financial consulting services to the Company. Under this arrangement, the Company paid to Mr. Zwecker a consulting fee of $1,500 per month. Mr. Zwecker agreed to accept, in lieu of 65% of the consulting fee due at any time, to be issued a number of shares of common stock having a value equal to 65% of the fee based on the fair market value of such stock determined on the business day immediately preceding that date such fee is due. The consulting agreement was terminated effective June 30, 1996, pursuant to Mr. Zwecker's resignation as Secretary and the corresponding appointment of Richard Kelecy as the Company's Secretary. As a result of the above, Mr. Zwecker will receive compensation consistent with all other outside Directors. From January 1995, through September 30, 1996, Mr. Zwecker received, or is to receive, from the Company approximately $19,000 under the Zwecker Consulting Agreement and subject to the above-described arrangements.

The Company acquired Perma-Fix of Memphis, Inc., a subsidiary of the Company (f/k/a American Resource Recovery Corporation ["ARR"]), located in Memphis, Tennessee ("PFM"), in December 1993, from Billie Kay Dowdy ("Dowdy"), who was the sole stockholder of PFM immediately prior to such acquisition, and, in connection therewith, issued to Dowdy 601,500 shares of common stock, which represented more than five percent (5%) of the Company's outstanding shares of common stock. During 1996, Dowdy ceased being the beneficial owner of more than five percent (5%) of the Company's outstanding shares of common stock. In connection with such acquisition, Ms. Dowdy agreed to defend, indemnify and hold harmless the Company and PFM under certain conditions. During September 1994, PFM was sued by Community First Bank ("Community First") to collect a note in the principal sum of $341,000 that was allegedly made by ARR to CTC Industrial Services, Inc. ("CTC") in February 1987 (the "Note"), and which was allegedly pledged by CTC to Community First in December 1988, to secure certain loans to CTC. This lawsuit, styled Community First Bank v. American Resource Recovery Corporation, was instituted on September 14, 1994, and is pending in the Circuit Court, Shelby County, Tennessee. The Company was not aware of the Note nor its pledge to Community First at the time of the Company's

acquisition of PFM in December 1993. The Company has filed a third party complaint against Dowdy in the lawsuit to defend and indemnify the Company and PFM from and against this action under the terms of the agreement relating to the Company's acquisition of PFM. Dowdy has agreed to indemnify and defend the Company and PFM under certain conditions. The Company intends to vigorously defend itself in connection with this lawsuit.

In May 1995, PFM became aware that the U.S. District Attorney for the Western District of Tennessee and the Department of Justice were investigating certain prior activities of W. R. Drum Company, its successor, First Southern Container Company, and any other facility owned or operated, in whole or in part, by Johnnie Williams, which activities were generally prior to the time the Company acquired PFM. PFM used W. R. Drum Company to dispose of certain of its used drums. In May 1995, PFM received a Grand Jury Subpoena which demanded the production of any documents in the possession of PFM pertaining to W. R. Drum Company, First Southern Container Company, or any other facility owned or operated, or held in part, by Johnnie Williams. PFM complied with the Grand Jury Subpoena. Thereafter, in September of 1995, PFM received another Grand Jury Subpoena for documents from the Grand Jury investigating W. R. Drum Company, First Southern Container Company and/or Johnnie Williams. PFM complied with the Grand Jury Subpoena. In December 1995, representatives of the Department of Justice advised PFM that it was also currently a subject of the investigation involving W. R. Drum Company, First Southern Container Company, and/or Johnnie Williams. Since that time, however, PFM has had no contact with representatives of either the United States District Attorney's office for the Western District of Tennessee or the Department of Justice, and is not aware of why it is also a subject of such investigation. In accordance with certain provisions of the Agreement and the Plan of Merger relating to the prior acquisition of PFM, on or about January 2, 1996, PFM notified Ms. Billie K. Dowdy of the foregoing, and advised Ms. Dowdy that the Company and PFM would look to Ms. Dowdy to indemnify, defend and hold the Company and PFM harmless from any liability, loss, damage or expense incurred or suffered as a result of, or in connection with, this matter.

The Company believes that each of the transactions set forth above involving affiliates, officers or Directors of the Company was or is on terms at least as favorable to the Company as could have been obtained from an unaffiliated third party. The Company has adopted a policy that any transactions or loans between the Company and its Directors, principal stockholders or affiliates must be approved by a majority of the disinterested Directors of the Company and must be on terms no less favorable to the Company than those obtainable from unaffiliated third parties.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

The following documents are filed as a part of this report:

(a)(1) Consolidated Financial Statements

See Item 8 for the Index to Consolidated Financial Statements.

(a)(2) Financial Statement Schedules

See Item 8 for the Index to Consolidated Financial Statements (which includes the Index to Financial Statement Schedules)

(a)(3) Exhibits

The Exhibits listed in the Exhibit Index on page 102 are filed or incorporated by reference as a part of this report.

(b) Reports on Form 8-K

A current report on Form 8-K (Item 4 -- Changes in Registrant's Certifying Accountant) was filed on November 21, 1996 reporting that on November 15, 1996 Arthur Andersen LLP, the outside independent auditors of the Registrant, notified the Registrant that it was resigning, effective immediately, as the Registrant's independent auditors.

A current report on Form 8-K (Item 4 -- Changes in Registrant's Certifying Accountant) was filed on December 20, 1996 reporting that on December 18, 1996 the Registrant's Board of Directors approved the employment of BDO Seidman, LLP as the Registrant's new independent auditors.

SIGNATURES

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

Perma-Fix Environmental Services, Inc.

By: /s/ Dr. Louis F. Centofanti Date: April 14, 1997

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

By: /s/ Richard T. Kelecy Date: April 14, 1997

Richard T. Kelecy
Chief Financial Officer

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

/s/ Mark A. Zwecker Date: April 14, 1997

Mark A. Zwecker, Director

/s/ Steve Gorlin Date: April 14, 1997

Steve Gorlin, Director

/s/ Jon Colin Date: April 14, 1997

Jon Colin, Director

/s/ Louis F. Centofanti Date: April 14, 1997

Dr. Louis F. Centofanti, Director

SCHEDULE II

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

<TABLE>
<CAPTION>

VALUATION AND QUALIFYING ACCOUNTS
For the years ended December 31, 1996, 1995 and 1994
(Dollars in thousands)

Description	Balance at Beginning of Year	Additions Charged to Costs, Expenses and Other	Deductions	Balance at End of Year
<S>	<C>	<C>	<C>	<C>
Year ended December 31, 1996:				
Allowance for doubtful accounts	$ 392	$ 17	$ 26	$ 383
Divestiture reserve	450	-	450	-
Restructuring reserve	257	-	257	-
Year ended December 31, 1995:				
Allowance for doubtful accounts	$ 689	$ 610(1)	$ 907	$ 392
Divestiture reserve	-	450(2)	-	450
Restructuring reserve	-	537(3)	280	257
Year ended December 31, 1994:				
Allowance for doubtful accounts	$ 414	$ 311(4)	$ 36	$ 689

<FN>
(1) Includes $26 recorded in conjunction with the asset purchase of Industrial Compliance and Safety, Inc. on June 1, 1995.

(2) Reflects the divestiture reserve for the Company's wholly-owned subsidiary Re-Tech Systems, Inc., recorded as a reduction to the asset value in the second quarter of 1995. The sale transaction was completed in the first quarter of 1996.

(3) Includes one-time charges resulting from restructuring charges within the waste management services segment.

(4) Includes $197 acquired in the acquisition of Perma-Fix of

Florida, Inc., Perma-Fix of Dayton, Inc. and Perma-Fix of Ft. Lauderdale, Inc. on June 30, 1994.
</FN>
</TABLE>

<TABLE>
<CAPTION>
EXHIBIT INDEX

Exhibit No.	Description
<S>	<C>
3(i)	Restated Certificate of Incorporation, as amended, and all Certificates of Designations.
3(ii)	Bylaws, as incorporated by reference from Exhibit 3.2 to the Company's Registration Statement, No. 33-51874.
4.1	Warrant Agreement, dated May 15, 1994, between the Company and Continental Stock Transfer & Trust Company, as Warrant Agent, as incorporated by reference from Exhibit 4.2 to the Company's Form 10-Q for the quarter ended June 30, 1994.
4.2	Specimen Warrant Certificate relating to Class B Warrants, as incorporated by reference from Exhibit 4.9 to the Company's Registration Statement, No. 33-85118.
4.3	Specimen Common Stock Certificate as incorporated by reference from Exhibit 4.3 to the Company's Registration Statement, No. 33-51874.
4.4	Loan and Security Agreement, dated January 31, 1995, between the Company, subsidiaries of the Company, and Heller Financial, Inc., as incorporated by reference from Exhibit 4.4 to the Company's Form 10-K for the year ended December 31, 1994. The Loan and Security Agreement contains a list briefly identifying the schedules and exhibits included therein, all of which are omitted from this filing, and the Company agrees to furnish supplementally a copy of any omitted schedule and exhibit to the Commission upon request.
4.5	First Amendment to Loan and Security Agreement with Heller Financial, Inc. and forbearance letter dated March 31, 1996 from Heller Financial, Inc., as incorporated by reference from Exhibit 4.5 to the Company's Form 10-K for the year ended December 31, 1995.
4.6	Second Amendment to Loan and Security Agreement with Heller Financial, Inc. and forbearance letter, dated May 10, 1996, from Heller Financial, Inc., as incorporated by reference from Exhibit 4.1 and Exhibit 4.2, respectively, to the Company's Form 10-Q for the quarter ended March 31, 1996.
4.7	Third Amendment to Loan and Security Agreement with Heller Financial, Inc. and Letter Agreement with Heller Financial, Inc., dated June 19, 1996, as incorporated by reference from Exhibit 4.1 and Exhibit 4.2, respectively,

to the Company's Form 10-Q for the quarter ended June 30, 1996.

4.8 Fourth Amendment to Loan and Security Agreement with Heller Financial, Inc., as incorporated by reference from Exhibit 4.4 to the Company's Form 10-Q for the quarter ended September 30, 1996.

4.9 Fifth Amendment to Loan and Security Agreement with Heller Financial, Inc., dated December 5, 1996.

4.10 Letter Agreement with Heller Financial, Inc., dated February 25, 1997.

4.11 Sixth Amendment to Loan and Security Agreement with Heller Financial, Inc., dated April 14, 1997.

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

4.13 Amendment to Ally Capital Corporation Lease Agreement dated November 14, 1996, as incorporated by reference from Exhibit 4.5 to the Company's Form 10-Q for the quarter ended September 30, 1996.

4.14 Amendment to Ally Capital Corporation Lease Agreement dated April 14, 1997.

4.15 Warrant Agreement between the Company and the Warrant Agent, dated December 8, 1992, as incorporated by reference from Exhibit 4.2 to the Company's Registration Statement, No. 33-51874.

4.16 Form of Subscription Agreement, as incorporated by reference from Exhibit 4.1 to the Company's Form 10-Q for the quarter ended June 30, 1994.

4.17 Offshore Securities Subscription Agreement, dated February 9, 1996, between the Company and RBB Bank Aktiengesellschaft, as incorporated by reference from Exhibit 4.10 to the Company's Form 10-K for the year ended December 31, 1995.

4.18 Offshore Securities Subscription Agreement, dated February 22, 1996, between the Company and RBB Bank Aktiengesellschaft, as incorporated by reference from Exhibit 4.11 to the Company's Form 10-K for the year ended December 31, 1995.

4.19 Subscription and Purchase Agreement dated July 17, 1996, between the Company and RBB Bank Aktiengesellschaft, as incorporated by reference from Exhibit 4.4 to the Company's Form 10-Q for the quarter ended June 30, 1996.

4.20 Form of Certificate for Series 3 Preferred, as incorporated by reference from Exhibit 4.6 to the Company's Form 10-Q for the quarter ended June 30, 1996.

10.1 Note and Warrant Purchase Agreement, dated February 10, 1992, between the Company and Al Warrington, Productivity Fund II, L.P. ("Productivity Fund"), Environmental

Venture Fund, L.P. ("Environmental Venture Fund"), and Steve Gorlin, as incorporated by reference from Exhibit 4.1 of the Company's Registration Statement, No. 33-85118.

10.2 Investors' Rights Agreement, dated February 10, 1992, between the Company and Al Warrington, Productivity Fund, Environmental Venture Fund, and Steve Gorlin, as incorporated by reference from Exhibit 4.2 of the Company's Registration Statement, No. 33-85118.

10.3 Warrant to Purchase Common Stock, dated February 10, 1992, issued by the Company to Al Warrington, as incorporated by reference from Exhibit 4.3 of the Company's Registration Statement, No. 33-85118.

10.4 Warrant to Purchase Common Stock, dated February 10, 1992, issued by the Company to Productivity Fund, as incorporated by reference from Exhibit 4.4 of the Company's Registration Statement, No. 33-85118.

10.5 Warrant to Purchase Common Stock, dated February 10, 1992, issued by the Company to Environmental Venture Fund, as incorporated by reference from Exhibit 4.5 of the Company's Registration Statement, No. 33-85118.

10.6 Warrant to Purchase Common Stock, dated February 10, 1992, issued by the Company to Steve Gorlin, as incorporated by reference from Exhibit 4.6 to the Company's Registration Statement, No. 33-85118.

10.7 Warrant to Purchase Common Stock, dated February 10, 1992, issued by the Company to D.H. Blair Investment Banking Corporation, as incorporated by reference from Exhibit 4.1 to the Company's Form 8-K dated February 7, 1997.

10.8 Amendments, dated February 7, 1997, to Common Stock Warrants for the Purchase of Shares of Common Stock, dated February 10, 1992, between the Company and each of Alfred C. Warrington, IV, Productivity Fund II, L.P., Environmental Venture Fund II, L.P., Steve Gorlin, and D.H. Blair Investment Banking Corporation, as incorporated by reference from, respectively, Exhibits 4.2, 4.3, 4.4, 4.5 and 4.6 to the Company's Form 8-K dated February 7, 1997.

10.9 1991 Performance Equity Plan of the Company, as incorporated herein by reference from Exhibit 10.3 to the Company's Registration Statement, No. 33-51874.

10.10 Warrant, dated September 1, 1994, granted by the Company to Productivity Fund, as incorporated herein by reference from Exhibit 4.12 to the Company's Registration Statement No. 33-85118.

10.11 Warrant, dated September 1, 1994, for the Purchase of Common Stock granted by the Company to Environmental Venture Fund, as incorporated by reference from Exhibit 4.14 to the Company's Registration Statement No. 33-85118.

10.12 Warrant, dated September 1, 1994, for the Purchase of

Common Stock granted by the Company to Warrington, as incorporated by reference from Exhibit 4.16 to the Company's Registration Statement No. 33-85118.

10.13 Warrant, dated September 1, 1994, for the Purchase of Common Stock granted by the Company to Joseph Stevens & Company, L.P. ("Stevens"), as incorporated by reference from Exhibit 4.17 to the Company's Registration Statement No. 33-85118.

10.14 Warrant, dated October 6, 1994, for the Purchase of Common Stock granted by the Company to Stevens, as incorporated by reference from Exhibit 4.20 to the Company's Registration Statement No. 33-85118.

10.15 Agreement, dated September 30, 1994, between AEC, Quadrex, QEC, and the Company, as incorporated by reference from Exhibit 4.21 to the Company's Registration Statement No. 33-85118.

10.16 Restricted Stock Award between the Company and Dominic Grana, as incorporated by reference from Exhibit 4.23 to the Company's Registration Statement No. 33-85118.

10.17 Restricted Stock Award between the Company and Robert Schreiber, as incorporated by reference from Exhibit 4.25 to the Company's Registration Statement No. 33-85118.

10.18 Restricted Stock Award between the Company and Carolyn Yonley, as incorporated by reference from Exhibit 4.26 to the Company's Registration Statement No. 33-85118.

10.19 Warrant, dated September 30, 1994, for the Purchase of Shares of Common Stock granted by the Company to Ally Capital Management, Inc., as incorporated by reference from Exhibit 4.27 to the Company's Registration Statement No. 33-85118.

10.20 Warrant, dated June 17, 1994, for the purchase of Common Stock granted by the Company to Sun Bank, National Association, as incorporated by reference from Exhibit 4.2 to the Company's Form 8-K dated June 17, 1994.

10.21 Warrant, dated September 1, 1994, for the Purchase of Shares of Common Stock granted by the Company to D. H. Blair Investment Banking Corporation, as incorporated by reference from Exhibit 10.24 to the Company's Form 10-K for the year ended December 31, 1994. Blair assigned a portion of its initial warrant to certain officers and directors of Blair. The warrants issued to such officers and directors are substantially similar to the warrant issued to Blair, except as to name of the warrant holder and the number of shares covered by each such warrant, as follows:

J. Morton Davis	9,775 shares
Martin A. Bell	8,000 shares
Alan Stahler	39,100 shares
Kalman Renov	39,100 shares
Richard Molinsky	25,125 shares
Jeff Berns	25,500 shares
Nick DiFalco	21,000 shares
Richard Molinsky	50,250 shares

and the Company agrees to file copies of the omitted documents to the Commission upon the Commission's request.

10.22 1992 Outside Directors' Stock Option Plan of the Company, as incorporated by reference from Exhibit 10.4 to the Company's Registration Statement, No. 33-51874.

10.23 First Amendment to the Company's 1992 Outside Directors' Stock Option Plan, as incorporated by reference from Exhibit 10.29 to the Company's Form 10-K for the year ended December 31, 1994.

10.24 Second Amendment to the Company's 1992 Outside Directors' Stock Option Plan, as incorporated by reference from the Company's Proxy Statement, dated November 4, 1994.

10.25 Third Amendment to the Company's 1992 Outside Directors' Stock Option Plan, as incorporated by reference from the Company's Proxy Statement, dated November 8, 1996.

10.26 1993 Nonqualified Stock Option Plan, as incorporated by reference from the Company's Proxy Statement, dated October 12, 1993.

10.27 401(K) Profit Sharing Plan and Trust of the Company, as incorporated by reference from Exhibit 10.5 to the Company's Registration Statement, No. 33-51874.

10.28 Stock Purchase Agreement between the Company and Dr. Louis F. Centofanti, dated March 1, 1996, as incorporated by reference from Exhibit 10.30 to the Company's Form 10-K for the year ended December 31, 1995.

10.29 Stock Purchase Agreement between the Company and Dr. Louis F. Centofanti, dated June 11, 1996.

10.30 Termination and Severance Agreement, dated March 15, 1996, between the Company and Robert W. Foster, Jr., as incorporated by reference from Exhibit 10.31 to the Company's Form 10-K for the year ended December 31, 1995.

10.31 Consulting Agreement, dated March 15, 1996, between the Company and Robert W. Foster, Jr., as incorporated by reference from Exhibit 10.32 to the Company's Form 10-K for the year ended December 31, 1995.

10.32 Consulting Agreement with Bobby Meeks, as incorporated by reference from Exhibit 99.2 to the Company's Registration Statement No. 333-3664.

10.33 Consulting Agreement with Gary Myers, as incorporated by reference from Exhibit 99.3 to the Company's Registration Statement No. 333-3664.

10.34 Consulting Agreement with David Cowherd, as incorporated by reference from Exhibit 99.4 to the Company's Registration Statement No. 333-3664.

10.35 Common Stock Purchase Warrant Certificate, dated July 19, 1996, granted to RBB Bank Aktiengesellschaft, as incorporated by reference from Exhibit 10.1 to the

Company's Form 10-Q for the quarter ended June 30, 1996.

10.36 Common Stock Purchase Warrant Certificate, dated July 19, 1996, between the Company and RBB Bank Aktiengesellschaft, as incorporated by reference from Exhibit 10.2 to the Company's Form 10-Q for the quarter ended June 30, 1996.

10.37 Common Stock Purchase Warrant Certificate No. 1-9-96, dated September 16, 1996, between the Company and J. P. Carey Enterprises, Inc., as incorporated by reference from Exhibit 4.8 to the Company's Registration Statement, No. 333-14513.

10.38 Common Stock Purchase Warrant Certificate No. 2-9-96, dated September 16, 1996, between the Company and J. P. Carey Enterprises, Inc., as incorporated by reference from Exhibit 4.9 to the Company's Registration Statement, No. 333-14513.

10.39 Common Stock Purchase Warrant Certificate No. 3-9-96, dated September 16, 1996, between the Company and J W Charles Financial Services, Inc., as incorporated by reference from Exhibit 4.10 to the Company's Registration Statement, No. 333-14513.

10.40 Common Stock Purchase Warrant Certificate No. 4-9-96, dated September 16, 1996, between the Company and Search Group Capital, Inc., as incorporated by reference from Exhibit 4.11 to the Company's Registration Statement, No. 333-14513.

10.41 Common Stock Purchase Warrant Certificate No. 5-9-96, dated September 16, 1996, between the Company and Search Group Capital, Inc., as incorporated by reference from Exhibit 4.12 to the Company's Registration Statement, No. 333-14513.

10.42 Common Stock Purchase Warrant Certificate No. 6-9-96, dated September 16, 1996, between the Company and Search Group Capital, Inc., as incorporated by reference from Exhibit 4.13 to the Company's Registration Statement, No. 333-14513.

10.43 Common Stock Purchase Warrant Certificate No. 7-9-96, dated September 16, 1996, between the Company and Marvin S. Rosen, as incorporated by reference from Exhibit 4.14 to the Company's Registration Statement, No. 333-14513.

10.44 Common Stock Purchase Warrant Certificate No. 8-9-96, dated September 16, 1996, between the Company and D. H. Blair Investment Banking Corporation, as incorporated by reference from Exhibit 4.15 to the Company's Registration Statement, No. 333-14513.

10.45 Common Stock Purchase Warrant Certificate No. 9-9-96, dated September 16, 1996, between the Company and Steve Gorlin, as incorporated by reference from Exhibit 4.16 to the Company's Registration Statement, No. 333-14513.

10.46 Consulting Agreement with C. Lee Daniel, Jr., as incorporated by reference from Exhibit 99.1 to the Company's Registration Statement No. 333-17899.

10.47 Consulting Agreement with Rita D. Durocher, as incorporated by reference from Exhibit 99.2 to the Company's Registration Statement No. 333-17899.

10.48 Consulting Agreement with Sam Elam, as incorporated by reference from Exhibit 99.3 to the Company's Registration Statement No. 333-17899.

10.49 Consulting Agreement with R. Keith Fetter, as incorporated by reference from Exhibit 99.4 to the Company's Registration Statement No. 333-17899.

10.50 Consulting Agreement with John Henderson, as incorporated by reference from Exhibit 99.5 to the Company's Registration Statement No. 333-17899.

10.51 Consulting Agreement with Robert Hicks, as incorporated by reference from Exhibit 99.6 to the Company's Registration Statement No. 333-17899.

10.52 Consulting Agreement with Dr. Jeffrey Sherman, as incorporated by reference from Exhibit 99.7 to the Company's Registration Statement No. 333-17899.

10.53 Consulting Agreement with Gary Thomas, as incorporated by reference from Exhibit 99.8 to the Company's Registration Statement No. 333-17899.

22.1 List of Subsidiaries.

23.1 Consent of BDO Seidman, LLP.

23.2 Consent of Arthur Andersen LLP

27.1 Financial Data Schedule.
</TABLE>

I, WILLIAM T. QUILLEN, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF RESTATED CERTIFICATE OF INCORPORATION OF "NATIONAL ENVIRONMENTAL INDUSTRIES, LTD." FILED IN THIS OFFICE ON THE TWENTY-SIXTH DAY OF NOVEMBER, A.D. 1991 AT 10 O'CLOCK A.M.

* * * * * * * *

/s/ William T. Quillen

William T. Quillen,
Secretary of State

Authentication: 3909777
Date: 05/24/1993

931445217

RESTATED CERTIFICATE OF INCORPORATION
OF
NATIONAL ENVIRONMENTAL INDUSTRIES, LTD.

1. The present name of the corporation (hereinafter called the "Corporation") is National Environmental Industries, Ltd., and the date of filing the original certificate of incorporation of the Corporation with the Secretary of State of the State of Delaware is December 19, 1990.

2. The certificate of incorporation of the Corporation is hereby amended by striking out Articles FOURTH through NINTH thereof and by substituting in lieu thereof new Articles FOURTH through NINTH as set forth in the Restated Certificate of Incorporation hereinafter provided for.

3. The provisions of the certificate of incorporation as heretofore amended and/or supplemented, and as herein amended, are hereby restated and integrated into the single instrument which is hereinafter set forth, and which is entitled Restated Certificate of Incorporation of National Environmental Industries, Ltd. without any further amendment other than the amendment certified herein and without any discrepancy between the provisions of the certificate of incorporation as heretofore amended and supplemented and the provisions of the said single instrument hereinafter set forth.

4. The amendment and restatement of the certificate of incorporation herein certified have been duly adopted by the stockholders in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware. Prompt written notice of the adoption of the amendment and of the restatement of the certificate of incorporation herein certified

has been given to those stockholders who have not consented in writing thereto, as provided in Section 228 of the General Corporation Law of the State of Delaware.

5. The certificate of incorporation of the Corporation, as amended and restated herein, shall at the effective time of this Restated Certificate of Incorporation, read as follows:

"Restated Certificate of Incorporation
of
National Environmental Industries, Ltd.

FIRST: The name of the Corporation is National Environmental Industries, Ltd.

SECOND: The address of the Corporation's registered office in the State of Delaware is 32 Loockerman Square, Suite L-100, City of Dover, County of Dover. The name of its registered agent at such address is The Prentice-Hall Corporation System, Inc.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the laws of the General Corproation Law of the State of Delaware.

FOURTH: The total number of shares of capital stock which the Corporation shall have authority to issue is Twenty-Two Million (22,000,000) shares, of which Twenty Million (20,000,000) shares shall be Common Stock, par value $.001 per share, and Two Million (2,000,000) shares shall be Preferred Stock, $.001 par value per share.

The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby expressly authorized to provide, by resolution or resolutions duly adopted by it prior to issuance, for the creation of each such series and to fix the designation and the powers, preferences, rights, qualifications, limitations and restrictions relating to the shares of each such series. The authority of the Board of Directors with respect to each such series of Preferred Stock shall include, but not be limited to, determining the following:

(a) the designation of such series, the number of shares to constitute such series and the stated value if different from the par value thereof;

(b) whether the shares of such series shall have voting rights, in addition to any voting rights provided by law, and, if so, the terms of such voting rights, which may be general or limited;

(c) the dividends, if any, payable on such series, whether any such dividends shall be cumulative, and, if so, from what dates, the conditions and dates upon which such dividends shall be payable, and the preference or relation which such dividends shall bear to the dividends payable on any shares of stock of any other class or any other series of Preferred Stock;

(d) whether the shares of such series shall be subject to redemption by the Corporation, and, if so, the times, prices and other conditions of such redemption;

(e) the amount or amounts payable upon shares of such series upon, and the rights of the holders of such series in,

the voluntary or involuntary liquidation, dissolution or winding up, or upon any distribution of the assets of the Corporation;

(f) whether the shares of such series shall be subject to the operation of a retirement or sinking fund and, if so, the extent to and manner in which any such retirement or sinking fund shall be applied to the purchase or redemption of the shares of such series for retirement or other corporate purposes and the terms and provisions relating to the operation thereof;

(g) whether the shares of such series shall be convertible into, or exchangeable for, shares of stock of any other class or any other series of Preferred Stock or any other securities and, if so, the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same, and any other terms and conditions of conversion or exchange;

(h) the limitations and restrictions, if any, to be effective while any shares of such series are outstanding upon the payment of dividends or the making of other distributions on, and upon the purchase, redemption or other acquisition by the Corporation of, the Common Stock or shares of stock of any other class or any other series of Preferred Stock;

(i) the conditions or restrictions, if any, upon the creation of indebtedness of the Corporation or upon the issue of any additional stock, including additional shares of such series or of any other series of Preferred Stock or of any other class; and

(j) any other powers, preferences and relative participating, optional and other special rights, and any qualifications, limitations and restrictions thereof.

The powers, preferences and relative, participating, optional and other special rights of each series of Preferred Stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding. All shares of any one series of Preferred Stock shall be identical in all respects with all other shares of such series, except that shares of any one series issued at different times may differ as to the dates from which dividends thereof shall be cumulative.

FIFTH: Unless required by law or determined by the chairman of the meeting to be advisable, the vote by stockholders on any matter, including the election of directors, need not be by written ballot.

SIXTH: The Corporation reserves the right to increase or decrease its authorized capital stock, or any class or series thereof, and to reclassify the same, and to amend, alter, change or repeal any provision contained in the Certificate of Incorporation under which the Corporation is organized or in any amendment thereto, in the manner now or hereafter prescribed by law, and all rights conferred upon stockholders in said Certificate of Incorporation or any amendment thereto are granted subject to the aforementioned reservation.

SEVENTH: The Board of Directors shall have the power at any time, and from time to time, to adopt, amend and repeal any and

all By-Laws of the Corporation.

EIGHTH: All persons who the Corporation is empowered to indemnify pursuant to the provisions of Section 145 of the General Corporation Law of the State of Delaware (or any similar provision or provisions of applicable law at the time in effect), shall be indemnified by the Corporation to the full extent permitted thereby. The foregoing right of indemnification shall not be deemed to be exclusive of any other rights to which those seeking indemnification maybe entitled under any by-law, agreement, vote of stockholders or disinterested directors, or otherwise. No repeal or amendment of this Article EIGHTH shall adversely affect any rights of any person pursuant to this Article Eighth which existed at the time of such repeal or amendment with respect to acts or omissions occurring prior to such repeal or amendment.

NINTH: No director of the Corporation shall be personally liable to the Corporation or its stockholders for any monetary damages for breaches of fiduciary duty as a director, provided that this provisions shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) under Section 174 of the General Corporation Law of the State of Delaware; or (iv) for any transaction from which the director derived an improper personal benefit. No repeal or amendment of this Article NINTH shall adversely affect any rights of any person pursuant to this Article NINTH which existed at the time of such repeal or amendment with respect to acts or omissions occurring prior to such repeal or amendment."

IN WITNESS WHEREOF, we have signed this Certificate this 22nd day of November, 1991.

/s/ Louis Centofanti

ATTEST:

/s/ Carol A. Dixon

Secretary

State of Delaware
Office of the Secretary of State

I, WILLIAM T. QUILLEN, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "NATIONAL ENVIRONMENTAL INDUSTRIES, LTD." FILED IN THIS OFFICE ON THE SEVENTEENTH DAY OF DECEMBER, A.D. 1991, AT 4:30 O'CLOCK P.M.

* * * * * * * *

/s/ William T. Quillen

William T. Quillen,
Secretary of State

Authentication: 3909774
Date: 05/24/1993

931445217

CERTIFICATE OF AMENDMENT
TO THE
RESTATED CERTIFICATE OF INCORPORATION
OF
NATIONAL ENVIRONMENTAL INDUSTRIES, LTD.

It is hereby certified that:

1. The name of the corporation (hereinafter called the "Corporation") is National Environmental Industries, Ltd.

2. The Restated Certificate of Incorporation is hereby amended by striking out Article FIRST thereof and by substituting in lieu of said Article FIRST the following new Article:

"FIRST: The name of the Corporation is Perma-Fix Environmental Services, Inc."

3. The amendment of the Certificate of Incorporation herein certified has been duly adopted in accordance with the provisions of Sections 228 and 242 of the General Corporation Law of the State of Delaware. Prompt written notice of the adoption of the amendment herein certified has been given to those stockholders who have not consented in writing thereto, as provided in Section 228 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, we have signed this Certificate this 16th day of December, 1991.

/s/ Louis Centofanti

Louis Centofanti, President

ATTEST:

/s/ Mark Zwecker

Mark Zwecker, Secretary

State of Delaware
Office of the Secretary of State

I, WILLIAM T. QUILLEN, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "PERMA-FIX ENVIRONMENTAL SERVICES, INC." FILED IN THIS OFFICE ON THE FOURTH DAY OF SEPTEMBER, A.D. 1992, AT 11:30 O'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO KENT COUNTY RECORDER OF DEEDS FOR RECORDING.

* * * * * * * *

/s/ William T. Quillen

William T. Quillen,
Secretary of State

Authentication: 3909773
Date: 05/24/1993

931445217

CERTIFICATE OF AMENDMENT
TO
RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED
OF
PERMA-FIX ENVIRONMENTAL SERVICES, INC.

Perma-Fix Environmental Services, Inc., a Delaware corporation (the "Corporation"), does hereby certify:

That the amendment set forth below to the Corporation's Restated Certificate of Incorporation, as amended, was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware and written notice thereof has been given as provided in Section 228 thereof:

I) The first paragraph of Article FOURTH of the Corporation's Restated Certificate of Incorporation, as amended, is hereby deleted and replaced in its entirety by the following:

> Fourth: The total number of shares of capital stock that the Corporation shall have authority to issue is 22,000,000 shares of which 20,000,000 shares of the par value of $.001 per share shall be designated Common Stock ("Common Stock"), and 2,000,000 shares of the par value of $.001 per share shall be designated Preferred Stock.
>
> As of September 4, 1992 (the "Effective Time"), each share of Common Stock issued and outstanding immediately prior to the Effective Time shall automatically be changed and converted, without any action on the part of the holder thereof, into 1/3.0236956 of a share of Common Stock and, in connection with fractional interests in shares of Common Stock of the Corporation, each holder whose aggregate holdings of shares of Common stock prior to the Effective Time amounted to less than 3.0236956, or to a number not evenly divisible by 3.0236956 shares of Common Stock shall be entitled to receive for such fractional interest, and at such time, any such fractional interest in shares of Common Stock of the Corporation shall be converted into the right to receive, upon surrender of the stock certificates formerly representing shares of Common Stock of the Corporation, one whole share of Common Stock.

IN WITNESS whereof, Perma-Fix Environmental Services, Inc. has caused this Certificate to be signed and attested to by its duly authorized officers as of this first day of September, 1992.

Perma-Fix Environmental Services, Inc.

By: /s/ Louis Centofanti

ATTEST:

By: /s/ Mark Zwecker

State of Delaware
Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "PERMA-FIX ENVIRONMENTAL SERVICES, INC." FILED IN THIS OFFICE ON THE SIXTH DAY OF FEBRUARY, A.D. 1996 AT 4 O'CLOCK P.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

/s/ Edward J. Freel

Edward J. Freel,
Secretary of State

Authentication: 7818327
Date: 02/07/1996

960035778

CERTIFICATE OF DESIGNATIONS
OF SERIES I CLASS A PREFERRED STOCK
OF
PERMA-FIX ENVIRONMENTAL SERVICES, INC.

Perma-Fix Environmental Services, Inc. (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify:

That, pursuant to authority conferred upon by the Board of Directors by the Corporation's Certificate of Incorporation, as amended, and pursuant to the provisions of Section 151 of the Delaware Corporation Law, said Board of Directors, acting by unanimous written consent in lieu of a meeting dated February 2,

1996, hereby adopted the terms of the Series I Class A Preferred Stock, which resolutions are set forth on the attached page.

Dated: February 2, 1996

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

By /s/ Louis F. Centofanti
_____
Dr. Louis F. Centofanti
Chairman of the Board

ATTEST:

/s/ Mark A. Zwecker
_____
Mark A. Zwecker, Secretary

ISTE:\N-P\PESI\CERT.DES

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
(the "Corporation")

RESOLUTION OF THE BOARD OF DIRECTORS

FIXING THE NUMBER AND DESIGNATING THE RIGHTS, PRIVILEGES, RESTRICTIONS AND CONDITIONS ATTACHING TO THE SERIES I CLASS A PREFERRED STOCK

WHEREAS,

A. The Corporation's share capital includes Preferred Stock, par value $.001 per share ("Preferred Stock"), which Preferred Stock may be issued in one or more series with the directors of the Corporation (the "Board") being entitled by resolution to fix the number of shares in each series and to designate the rights, designations, preferences, and relative, participating, optional or other special rights, privileges, restrictions and conditions attaching to the shares of each such series; and

B. It is in the best interests of the Corporation for the Board to create a new series from the Preferred Stock designated as the Series I Class A Preferred Stock, par value $.001.

NOW, THEREFORE, BE IT RESOLVED, THAT:

The Series I Class A Preferred Stock, par value $.001 (the

"Series I Class A Preferred Stock") of the Corporation shall consist of 1,100 shares and no more and shall be designated as the Series I Class A Preferred Stock and in addition to the preferences, rights, privileges, restrictions and conditions attaching to all the Series I Class A Preferred Stock as a series, the rights, privileges, restrictions and conditions attaching to the Series I Class A Preferred Stock shall be as follows:

Part 1 - Voting and Preemptive Rights.

1.1 Except as otherwise provided herein, in the Certificate of Incorporation (the "Articles") or the General Corporation Law of the State of Delaware (the "GCL"), each holder of Series I Class A Preferred Stock, by virtue of his ownership thereof, shall be entitled to cast that number of votes per share thereof on each matter submitted to the Corporation's shareholders for voting which equals the number of votes which could be cast by such holder of the number of shares of the Corporation's Common Stock, par value $.001 per share (the "Common Shares") into which such shares of Series I Class A Preferred Stock would be converted into pursuant to Part 5 hereof immediately prior to the record date of such vote. The outstanding Series I Class A Preferred Stock and the Common Shares of the Corporation shall vote together as a single class, except as otherwise expressly required by the GCL or Part 7 hereof. The Series I Class A Preferred Stock shall not have cumulative voting rights.

1.2 The Series I Class A Preferred Stock shall not give its holders any preemptive rights to acquire any other securities issued by the Corporation at any time in the future.

Part 2 - Liquidation Rights.

2.1 If the Corporation shall be voluntarily or involuntarily liquidated, dissolved or wound up at any time when any Series I Class A Preferred Stock shall be outstanding, the holders of the then outstanding Series I Class A Preferred Stock shall have a preference in distribution of the Corporation's property available for distribution to the holders of the Common Shares equal to $1,000 consideration per outstanding share of Series I Class A Preferred Stock, together with an amount equal to all unpaid dividends accrued thereon, if any, to the date of payment of such distribution, whether or not declared by the Board; provided, however, that the merger of the Corporation with any corporation or corporations in which the Corporation is not the survivor, or the sale or transfer by the Corporation of all or substantially all of its property, or any reduction by at least seventy percent (70%) of the then issued and outstanding Common Shares of the Corporation, shall be deemed to be a liquidation of the Corporation within the meaning of any of the provisions of this Part 2.

2.2 Subject to the provisions of Part 6 hereof, all amounts to be paid as preferential distributions to the holders of Series I Class A Preferred Stock, as provided in this Part 2, shall be paid or set apart for payment before the payment or setting apart for payment of any amount for, or the distribution of any of the Corporation's property to the holders of Common Shares, whether now or hereafter authorized, in connection with such liquidation, dissolution or winding up.

Part 3 - Dividends.

3.1 Holders of record of Series I Class A Preferred Stock, out of funds legally available therefor and to the extent permitted by law, shall be entitled to receive dividends on their Series I Class A Preferred Stock, which dividends shall accrue at the rate per share of five percent (5%) per annum of consideration paid for each share of Series I Class A Preferred Stock ($50.00 per share per year for each full year) commencing on the date of the issuance thereof, payable, at the option of the Corporation, (i) in cash, or (ii) by the issuance of that number of whole Common Shares computed by dividing the amount of the dividend by the market price applicable to such dividend.

3.2 For the purposes of this Part 3 and Part 4 hereof, "market price" means the average of the daily closing prices of Common Shares for a period of five (5) consecutive trading days ending on the date on which any dividend becomes payable or of any notice of redemption as the case may be. The closing price for each trading day shall be (i) for any period during which the Common Shares shall be listed for trading on a national securities exchange, the last reported bid price per share of Common Shares as reported by the primary stock exchange, or the Nasdaq Stock Market, if the Common Shares are quoted on the Nasdaq Stock Market, or (ii) if last sales price information is not available, the average closing bid price of Common Shares as reported by the Nasdaq Stock Market, or if not so listed or reported, then as reported by National Quotation Bureau, Incorporated, or (iii) in the event neither clause (i) nor (ii) is applicable, the average of the closing bid and asked prices as furnished by any member of the National Association of Securities Dealers, Inc., selected from time to time by the Corporation for that purpose.

3.3 Dividends on Series I Class A Preferred Stock shall be cumulative, and no dividends or other distributions shall be paid or declared and set aside for payment on the Common Shares until full cumulative dividends on all outstanding Series I Class A Preferred Stock shall have been paid or declared and set aside for payment.

3.4 Dividends shall be payable in arrears, at the rate of $12.50 per share for each full calendar quarter on each February 28, May 31, August 31, and November 30 of each calendar year, to the holders of record of the Series I Class A Preferred Stock as they appear in the securities register of the Corporation on such record dates not more than sixty (60) nor less than ten (10) days preceding the payment date thereof, as shall be fixed by the Board; provided, however, that the initial dividend for the Series I Class A Preferred Stock shall accrue for the period commencing on the date of the issuance thereof to and including December 31, 1995.

3.5 If, in any quarter, insufficient funds are available to pay such dividends as are then due and payable with respect to the Series I Class A Preferred Stock and all other classes and series of the capital stock of the Corporation ranking in parity therewith (or such payment is otherwise prohibited by provisions of the GCL, such funds as are legally available to pay such dividends shall be paid or Common Shares will be issued as stock dividends to the holders of Series I Class A Preferred Stock and to the holders of any other series of Class A Preferred Stock then outstanding as provided in Part 6 hereof, in accordance with the rights of each such holder, and the balance of accrued but undeclared and/or unpaid dividends, if any, shall be declared and paid on the next succeeding dividend date to the extent that funds are then legally available for such purpose.

Part 4 - Redemption.

4.1 At any time, and from time to time, on and after one hundred twenty (120) days from the date of the issuance of any Series I Class A Preferred Stock, if the average of the closing bid prices for the Common Shares for five (5) consecutive trading days shall be in excess of $1.50, the Corporation may, at its sole option, but shall not be obligated to, redeem, in whole or in part, the then outstanding Series I Class A Preferred Stock at a price per share of U. S. $1,000 each (the "Redemption Price") (such price to be adjusted proportionately in the event of any change of the Series I Class A Shares into a different number of Shares).

4.2 Thirty (30) days prior to any date stipulated by the Corporation for the redemption of Series I Class A Preferred Stock (the "Redemption Date"), written notice (the "Redemption Notice") shall be mailed to each holder of record on such notice date of the Series I Class A Preferred Stock. The Redemption Notice shall state: (i) the Redemption Date of such Shares, (ii) the number of Series I Class A Preferred Stock to be redeemed from the holder to whom the Redemption Notice is addressed, (iii) instructions for surrender to the Corporation, in the manner and at the place designated of a share certificate or share certificates representing the number of Series I Class A Preferred Stock to be redeemed from such holder, and (iv) instructions as to how to specify to the Corporation the number of Series I Class A Preferred Stock to be redeemed as provided in this Part 4, and the number of shares to be converted into Common Shares as provided in Part 5 hereof.

4.3 Upon receipt of the Redemption Notice, any Eligible Holder (as defined in Section 5.2 hereof) shall have the option, at its sole election, to specify what portion of its Series I Class A Preferred Stock called for redemption in the Redemption Notice shall be redeemed as provided in this Part 4 or converted into Common Shares in the manner provided in Part 5 hereof, except that, notwithstanding any provision of such Part 5 to the contrary, any Eligible Holder shall have the right to convert into Common Shares that number of Series I Class A Preferred Stock called for redemption in the Redemption Notice.

4.4 On or before the Redemption Date in respect of any Series I Class A Preferred Stock, each holder of such shares shall surrender the required certificate or certificates representing such shares to the Corporation in the manner and at the place designated in the Redemption Notice, and upon the Redemption Date, the Redemption Price for such shares shall be made payable, in the manner provided in Section 5.5 hereof, to the order of the person whose name appears on such certificate or certificates as the owner thereof, and each surrendered share certificate shall be canceled and retired. If a share certificate is surrendered and all the shares evidenced thereby are not being redeemed (as described below), the Corporation shall cause the Series I Class A Shares which are not being redeemed to be registered in the names of the persons whose names appear as the owners on the respective surrendered share certificates and deliver such certificate to such person.

4.5 On the Redemption Date in respect of any Series I Class A Shares or prior thereto, the Corporation shall deposit with any bank or trust company having a capital and surplus of at least U.S. $50,000,000, as a trust fund, a sum equal to the aggregate Redemption Price of all such shares called from redemption (less the aggregate Redemption Price for those Series I Class A Shares in

respect of which the Corporation has received notice from the Eligible Holder thereof of its election to convert Series I Class A Shares in to Common Shares), with irrevocable instructions and authority to the bank or trust company to pay, on or after the Redemption Date, the Redemption Price to the respective holders upon the surrender of their share certificates. The deposit shall constitute full payment for the shares to their holders, and from and after the date of the deposit the redeemed share shall be deemed to be no longer outstanding, and holders thereof shall cease to be shareholders with respect to such shares and shall have no rights with respect thereto except the rights to receive from the bank or trust company payments of the Redemption price of the shares, without interest, upon surrender of their certificates thereof. Any funds so deposited and unclaimed at the end of one year following the Redemption Date shall be released or repaid to the Corporation, after which the former holders of shares called for redemption shall be entitled to receive payment of the Redemption Price in respect of their shares only from the Corporation.

Part 5 - Conversion.

5.1 For the purposes of conversion of the Series I Class A Preferred Stock shall be valued at $1,000 per share ("Value"), and, if converted, the Series I Class A Preferred Stock shall be converted into such number of Common Shares (the "Conversion Shares") as is obtained by dividing the aggregate Value of the shares of Series I Class A Preferred Stock being so converted, together with all accrued but unpaid dividends thereon, by the "Average Stock Price" per share of the Conversion Shares (the "Conversion Price"), subject to adjustment pursuant to the provisions of this Part 5. For purposes of this Part 5, the "Average Stock Price" means the lesser of (x) seventy percent (70%) of the average daily closing bid prices of the Common Shares for the period of five (5) consecutive trading days immediately preceding the date of subscription by the Holder or (y) seventy percent (70%) of the daily average closing bid prices of Common Shares for the period of five (5) consecutive trading days immediately preceding the date of the conversion of the Series I Class A Preferred Stock in respect of which such Average Stock Price is determined. The closing price for each trading day shall be determined as provided in the last sentence of Section 3.2.

5.2 Any holder of Series I Class A Preferred Stock (an "Eligible Holder") may at any time commencing forty-five (45) days after the issuance of any Series I Class A Preferred Stock convert up to one hundred percent (100%) of his holdings of Series I Class A Preferred Stock in accordance with this Part 5.

5.3 The conversion right granted by Section 5.2 hereof may be exercised only by an Eligible Holder of Series I Class A Preferred Stock, in whole or in part, by the surrender of the share certificate or share certificates representing the Series I Class A Preferred Stock to be converted at the principal office of the Corporation (or at such other place as the Corporation may designate in a written notice sent to the holder by first class mail, postage prepaid, at its address shown on the books of the Corporation) against delivery of that number of whole Common Shares as shall be computed by dividing (1) the aggregate Value of the Series I Class A Preferred Stock so surrendered for conversion plus any accrued but unpaid dividends thereon, if any, by (2) the Conversion Price in effect at the date of the conversion. At the time of conversion of a share of the Series I Class A Preferred Stock, the Corporation shall pay in cash to the holder thereof an

amount equal to all unpaid dividends, if any, accrued thereon to the date of conversion, or, at the Corporation's option, issue that number of whole Common Shares which is equal to the product of dividing the amount of such unpaid dividends by the Average Stock Price whether or not declared by the Board. Each Series I Class A Preferred Stock share certificate surrendered for conversion shall be endorsed by its holder. In the event of any exercise of the conversion right of the Series I Class A Preferred Stock granted herein (i) share certificate representing the Common Shares purchased by virtue of such exercise shall be delivered to such holder within three (3) days of notice of conversion, and (ii) unless the Series I Class A Preferred Stock has been fully converted, a new share certificate representing the Series I Class A Preferred Stock not so converted, if any, shall also be delivered to such holder within three (3) days of notice of conversion. Any Eligible Holder may exercise its right to convert the Series I Class A Preferred Stock by telecopying an executed and completed Notice of Conversion to the Corporation, and within seventy-two (72) hours thereafter, delivering the original Notice of Conversion and the certificate representing the Series I Class A Preferred Stock to the Corporation by express courier. Each date on which a Notice of Conversion is telecopied to and received by the Corporation in accordance with the provisions hereof shall be deemed a conversion date. The Corporation will transmit the Common Shares certificates issuable upon conversion of any Series I Class A Preferred Stock (together with the certificates representing the Series I Class A Preferred Stock not so converted) to the Eligible Holder via express courier within three (3) business days after the conversion date if the Corporation has received the original Notice of Conversion and the Series I Class A Shares certificates being so converted by such date.

5.4 All Common Shares which may be issued upon conversion of Series I Class A Preferred Stock will, upon issuance, be duly issued, fully paid and nonassessable and free from all taxes, liens, and charges with respect to the issue thereof. At all times that any Series I Class A Preferred Stock is outstanding, the Corporation shall have authorized, and shall have reserved for the purpose of issuance upon such conversion, a sufficient number of Common Shares to provide for the conversion into Common Shares of all Series I Class A Preferred Stock then outstanding at the then effective Conversion Price. Without limiting the generality of the foregoing, if, at any time, the Conversion Price is decreased, the number of Common Shares authorized and reserved for issuance upon the conversion of the Series I Class A Preferred Stock shall be proportionately increased.

5.5 The number of Common Shares issued upon conversion of Series I Class A Preferred Stock and the Conversion Price shall be subject to adjustment from time to time upon the happening of certain events, as follows:

5.5.1 Change of Designation of the Common Shares or the rights, privileges, restrictions and conditions in respect of the Common Shares or division of the Common Shares into series. In the case of any amendment to the Articles to change the designation of the Common Shares or the rights, privileges, restrictions or conditions in respect of the Common Shares or division of the Common Shares into series the rights of the holders of the Series I Class A Preferred Stock shall be adjusted so as to provide that upon conversion thereof, the holder of the Series I Class A Preferred Stock being converted shall procure, in lieu of each Common Share

theretofore issuable upon such conversion, the kind and amount of shares, other securities, money and property receivable upon such designation, change or division by the holder of one Common Share issuable upon such conversion had conversion occurred immediately prior to such designation, change or division. The Series I Class A Preferred Stock shall be deemed thereafter to provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Part 5. The provisions of this subsection 5.5.1 shall apply in the same manner to successive reclassifications, changes, consolidations, and mergers.

5.5.2 If the Corporation, at any time while any of the Series I Class A Preferred Stock is outstanding, shall amend the Articles so as to change the Common Shares into a different number of shares, the Conversion Price shall be proportionately reduced, in case of such change increasing the number of Common Shares, as of the effective date of such increase, or if the Corporation shall take a record of holders of its Common Shares for the purpose of such increase, as of such record date, whichever is earlier, or the Conversion Price shall be proportionately increased, in the case of such change decreasing the number of Common Shares, as of the effective date of such decrease or, if the Corporation shall take a record of holders of its Common Stock for the purpose of such decrease, as of such record date, whichever is earlier.

5.5.3 If the Corporation, at any time while any of the Series I Class A Preferred Stock is outstanding, shall pay a dividend payable in Common Shares (except for any dividends of Common Shares payable pursuant to Part 3 hereof), the Conversion Price shall be adjusted, as of the date the Corporation shall take a record of the holders of its Common Shares for the purposes of receiving such dividend (or if no such record is taken, as of the date of payment of such dividend), to that price determined by multiplying the Conversion Price therefor in effect by a fraction (1) the numerator of which shall be the total number of Common Shares outstanding immediately prior to such dividend, and (2) the denominator of which shall be the total number of Common Shares outstanding immediately after such dividend (plus in the event that the Corporation paid cash for fractional shares, the number of additional shares which would have been outstanding had the Corporation issued fractional shares in connection with said dividend).

5.6 Whenever the Conversion Price shall be adjusted pursuant to Section 5.5 hereof, the Corporation shall make a certificate signed by its President, or a Vice President and by its Treasurer, Assistant Treasurer, Secretary or Assistant Secretary, setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated (including a description of the basis on which the Board of Directors made any determination hereunder), and the Conversion Price after giving effect to such adjustment, and shall cause copies of such certificates to be mailed (by first class mail, postage prepaid) to each holder of the Series I Class A Preferred Stock at its address shown on the books of the Corporation. The Corporation shall make such certificate and mail it to each such holder promptly after each adjustment.

5.7 No fractional Common Shares shall be issued in connection with any conversion of Series I Class A Preferred Stock, but in lieu of

such fractional shares, the Corporation shall make a cash payment therefor equal in amount to the product of the applicable fraction multiplied by the Conversion Price then in effect.

5.8 No Series I Class A Preferred Stock which has been converted into Common Shares shall be reissued by the Corporation; provided, however, that each such share shall be restored to the status of authorized but unissued Preferred Stock without designation as to series and may thereafter be issued as a series of Preferred Stock not designated as Series I Class A Preferred Stock.

Part 6 - Parity with Other Shares of Class A Preferred Shares.

6.1 If any cumulative dividends or accounts payable or return of capital in respect of Series I Class A Preferred Stock are not paid in full, the owners of all series of outstanding Preferred Stock shall participate rateably in respect of accumulated dividends and return of capital.

Part 7 - Amendment.

7.1 In addition to any requirement for a series vote pursuant to the GCL in respect of any amendment to the Corporation's Certificate of Incorporation that adversely affects the rights, privileges, restrictions and conditions of the Series I Class A Preferred Stock, the rights, privileges, restrictions and conditions attaching to the Series I Class A Preferred Stock may be amended by an amendment to the Corporation's Certificate of Incorporation so as to affect such adversely only if the Corporation has obtained the affirmative vote at a duly called and held series meeting of the holders of the Series I Class A Preferred Stock or written consent by the holders of a majority of the Series I Class A Preferred Stock then outstanding. Notwithstanding the above, the number of authorized shares of such class or classes of stock may be increased or decreased (but not below the number of shares thereof outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote thereon, voting as a single class, irrespective of this Section 7.1.

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY

OF THE CERTIFICATE OF DESIGNATION OF "PERMA-FIX ENVIRONMENTAL SERVICES, INC." FILED IN THIS OFFICE ON THE TWENTIETH DAY OF FEBRUARY, A.D. 1996, AT 10:45 O'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

/s/ Edward J. Freel

Edward J. Freel,
Secretary of State

Authentication: 7832562
Date: 02/20/1996

960047351

CERTIFICATE OF DESIGNATIONS
OF SERIES 2 CLASS B CONVERTIBLE PREFERRED STOCK
OF
PERMA-FIX ENVIRONMENTAL SERVICES, INC.

Perma-Fix Environmental Services, Inc. (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify:

That, pursuant to authority conferred upon by the Board of Directors by the Corporation's Restated Certificate of Incorporation, as amended, and pursuant to the provisions of Section 151 of the Delaware Corporation Law, the Board of Directors of the Corporation has adopted resolutions, a copy of which is attached hereto, establishing and providing for the issuance of a series of Preferred Stock designated as Series 2 Class B Convertible Preferred Stock and has established and fixed the voting powers, designations, preferences and relative participating, optional and other special rights and qualifications, limitations and restrictions of such Series 2 Class B Convertible Preferred Stock as set forth in the attached resolutions.

Dated: February 16, 1996

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

By /s/ Louis F. Centofanti

Dr. Louis F. Centofanti
Chairman of the Board

ATTEST:

/s/ Mark A. Zwecker

Mark A. Zwecker, Secretary

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
(the "Corporation")

RESOLUTION OF THE BOARD OF DIRECTORS

FIXING THE NUMBER AND DESIGNATING THE RIGHTS, PRIVILEGES, RESTRICTIONS AND CONDITIONS ATTACHING TO THE SERIES 2 CLASS B CONVERTIBLE PREFERRED STOCK

WHEREAS,

A. The Corporation's share capital includes Preferred Stock, par value $.001 per share ("Preferred Stock"), which Preferred Stock may be issued in one or more series with the directors of the Corporation (the "Board") being entitled by resolution to fix the number of shares in each series and to designate the rights, designations, preferences, and relative, participating, optional or other special rights, privileges, restrictions and conditions attaching to the shares of each such series; and

B. It is in the best interests of the Corporation for the Board to create a new series from the Preferred Stock designated as the Series 2 Class B Convertible Preferred Stock, par value $.001.

NOW, THEREFORE, BE IT RESOLVED, THAT:

The Series 2 Class B Convertible Preferred Stock, par value $.001 (the "Series 2 Class B Preferred Stock") of the Corporation shall consist of 2,500 shares and no more and shall be designated as the Series 2 Class B Preferred Stock and in addition to the preferences, rights, privileges, restrictions and conditions attaching to all the Series 2 Class B Preferred Stock as a series, the rights, privileges, restrictions and conditions attaching to the Series 2 Class B Preferred Stock shall be as follows:

Part 1 - Voting and Preemptive Rights.

1.1 Except as otherwise provided herein, in the Corporation's Certificate of Incorporation (the "Articles") or the General Corporation Law of the State of Delaware (the "GCL"), each holder of Series 2 Class B Preferred Stock, by virtue of his ownership thereof, shall be entitled to cast that number of votes per share thereof on each matter submitted to the Corporation's shareholders for voting which equals the number of votes which could be cast by such holder of the number of shares of the Corporation's Common Stock, par value $.001 per share (the "Common Shares") into which such shares of Series 2 Class B Preferred Stock would be entitled

to be converted into pursuant to Part 5 hereof on the record date of such vote. The outstanding Series 2 Class B Preferred Stock, the Common Shares of the Corporation and any other series of Preferred Stock of the Corporation having voting rights shall vote together as a single class, except as otherwise expressly required by the GCL or Part 7 hereof. The Series 2 Class B Preferred Stock shall not have cumulative voting rights.

1.2 The Series 2 Class B Preferred Stock shall not give its holders any preemptive rights to acquire any other securities issued by the Corporation at any time in the future.

Part 2 - Liquidation Rights.

2.1 If the Corporation shall be voluntarily or involuntarily liquidated, dissolved or wound up at any time when any Series 2 Class B Preferred Stock shall be outstanding, the holders of the then outstanding Series 2 Class B Preferred Stock shall have a preference in distribution of the Corporation's property available for distribution to the holders of the Common Shares equal to $1,000 consideration per outstanding share of Series 2 Class B Preferred Stock, together with an amount equal to all unpaid dividends accrued thereon, if any, to the date of payment of such distribution, whether or not declared by the Board; provided, however, that the merger of the Corporation with any corporation or corporations in which the Corporation is not the survivor, or the sale or transfer by the Corporation of all or substantially all of its property, or a reduction by at least seventy percent (70%) of the then issued and outstanding Common Shares of the Corporation, shall be deemed to be a liquidation of the Corporation within the meaning of any of the provisions of this Part 2.

2.2 Subject to the provisions of Part 6 hereof, all amounts to be paid as preferential distributions to the holders of Series 2 Class B Preferred Stock, as provided in this Part 2, shall be paid or set apart for payment before the payment or setting apart for payment of any amount for, or the distribution of any of the Corporation's property to the holders of Common Shares, whether now or hereafter authorized, in connection with such liquidation, dissolution or winding up.

2.3 After the payment to the holders of the shares of the Series 2 Class B Preferred Stock of the full preferential amounts provided for in this Part 2, the holders of the Series 2 Class B Preferred Stock as such shall have no right or claim to any of the remaining assets of the Corporation.

2.4 In the event that the assets of the Corporation available for distribution to the holders of shares of the Series 2 Class B Preferred Stock upon any dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to this Part 2, no such distribution shall be made on account of any shares of any other class or series of Preferred Stock ranking on a parity with the shares of this Series 2 Class B Preferred Stock upon such dissolution, liquidation or winding up unless proportionate distributive amounts shall be paid on account of the shares of this Series 2 Class B Preferred Stock and shares of such other class or series ranking on a parity with the shares of this Series 2 Class B Preferred Stock, ratably, in proportion to the full distributable amounts for which holders of all such parity shares are respectively entitled upon such dissolution, liquidation or winding up.

Part 3 - Dividends.

3.1 Holders of record of Series 2 Class B Preferred Stock, out of funds legally available therefor and to the extent permitted by law, shall be entitled to receive dividends on their Series 2 Class B Preferred Stock, which dividends shall accrue at the rate per share of five percent (5%) per annum of consideration paid for each share of Series 2 Class B Preferred Stock ($50.00 per share per year for each full year) commencing on the date of the issuance thereof, payable, at the option of the Corporation, (i) in cash, or (ii) by the issuance of that number of whole Common Shares computed by dividing the amount of the dividend by the market price applicable to such dividend.

3.2 For the purposes of this Part 3 and Part 4 hereof, "market price" means the average of the daily closing prices of Common Shares for a period of five (5) consecutive trading days ending on the date on which any dividend becomes payable or of any notice of redemption as the case may be. The closing price for each trading day shall be (i) for any period during which the Common Shares shall be listed for trading on a national securities exchange, the last reported bid price per share of Common Shares as reported by the primary stock exchange, or the Nasdaq Stock Market, if the Common Shares are quoted on the Nasdaq Stock Market, or (ii) if last sales price information is not available, the average closing bid price of Common Shares as reported by the Nasdaq Stock Market, or if not so listed or reported, then as reported by National Quotation Bureau, Incorporated, or (iii) in the event neither clause (i) nor (ii) is applicable, the average of the closing bid and asked prices as furnished by any member of the National Association of Securities Dealers, Inc., selected from time to time by the Corporation for that purpose.

3.3 Dividends on Series 2 Class B Preferred Stock shall be cumulative, and no dividends or other distributions shall be paid or declared and set aside for payment on the Common Shares until full cumulative dividends on all outstanding Series 2 Class B Preferred Stock shall have been paid or declared and set aside for payment.

3.4 Dividends shall be payable in arrears, at the rate of $12.50 per share for each full calendar quarter on each February 28, May 31, August 31, and November 30 of each calendar year, to the holders of record of the Series 2 Class B Preferred Stock as they appear in the securities register of the Corporation on such record dates not more than sixty (60) nor less than ten (10) days preceding the payment date thereof, as shall be fixed by the Board; provided, however, that the initial dividend for the Series 2 Class B Preferred Stock shall accrue for the period commencing on the date of the issuance thereof.

3.5 If, in any quarter, insufficient funds are available to pay such dividends as are then due and payable with respect to the Series 2 Class B Preferred Stock and all other classes and series of the capital stock of the Corporation ranking in parity therewith (or such payment is otherwise prohibited by provisions of the GCL, such funds as are legally available to pay such dividends shall be paid or Common Shares will be issued as stock dividends to the holders of Series 2 Class B Preferred Stock and to the holders of any other series of Class B Preferred Stock then outstanding as provided in Part 6 hereof, in accordance with the rights of each such holder, and the balance of accrued but undeclared and/or unpaid dividends, if any, shall be declared and paid on the next

succeeding dividend date to the extent that funds are then legally available for such purpose.

Part 4 - Redemption.

4.1 At any time, and from time to time, on and after one hundred twenty (120) days from the date of the issuance of any Series 2 Class B Preferred Stock, if the average of the closing bid prices for the Common Shares for five (5) consecutive trading days shall be in excess of $1.50 per share, the Corporation may, at its sole option, but shall not be obligated to, redeem, in whole or in part, the then outstanding Series 2 Class B Preferred Stock at a price per share of U. S. $1,000 each (the "Redemption Price") (such price to be adjusted proportionately in the event of any change of the Series 2 Class B Preferred Stock into a different number of shares of Series 2 Class B Preferred Stock).

4.2 Thirty (30) days prior to any date stipulated by the Corporation for the redemption of Series 2 Class B Preferred Stock (the "Redemption Date"), written notice (the "Redemption Notice") shall be mailed to each holder of record on such notice date of the Series 2 Class B Preferred Stock. The Redemption Notice shall state: (i) the Redemption Date of such shares, (ii) the number of Series 2 Class B Preferred Stock to be redeemed from the holder to whom the Redemption Notice is addressed, (iii) instructions for surrender to the Corporation, in the manner and at the place designated of a share certificate or share certificates representing the number of Series 2 Class B Preferred Stock to be redeemed from such holder, and (iv) instructions as to how to specify to the Corporation the number of Series 2 Class B Preferred Stock to be redeemed as provided in this Part 4, and the number of shares to be converted into Common Shares as provided in Part 5 hereof.

4.3 Upon receipt of the Redemption Notice, any Eligible Holder (as defined in Section 5.2 hereof) shall have the option, at its sole election, to specify what portion of its Series 2 Class B Preferred Stock called for redemption in the Redemption Notice shall be redeemed as provided in this Part 4 or converted into Common Shares in the manner provided in Part 5 hereof, except that, notwithstanding any provision of such Part 5 to the contrary, any Eligible Holder shall have the right to convert into Common Shares that number of Series 2 Class B Preferred Stock called for redemption in the Redemption Notice.

4.4 On or before the Redemption Date in respect of any Series 2 Class B Preferred Stock, each holder of such shares shall surrender the required certificate or certificates representing such shares to the Corporation in the manner and at the place designated in the Redemption Notice, and upon the Redemption Date, the Redemption Price for such shares shall be made payable, in the manner provided in Section 4.5 hereof, to the order of the person whose name appears on such certificate or certificates as the owner thereof, and each surrendered share certificate shall be canceled and retired. If a share certificate is surrendered and all the shares evidenced thereby are not being redeemed (as described below), the Corporation shall cause the Series 2 Class B Preferred Stock which are not being redeemed to be registered in the names of the persons whose names appear as the owners on the respective surrendered share certificates and deliver such certificate to such person.

4.5 On the Redemption Date in respect of any Series 2 Class B Preferred Stock or prior thereto, the Corporation shall deposit with any bank or trust company having a capital and surplus of at

least U. S. $50,000,000, as a trust fund, a sum equal to the aggregate Redemption Price of all such shares called from redemption (less the aggregate Redemption Price for those Series 2 Class B Preferred Stock in respect of which the Corporation has received notice from the Eligible Holder thereof of its election to convert Series 2 Class B Preferred Stock in to Common Shares), with irrevocable instructions and authority to the bank or trust company to pay, on or after the Redemption Date, the Redemption Price to the respective holders upon the surrender of their share certificates. The deposit shall constitute full payment for the shares to their holders, and from and after the date of the deposit the redeemed share shall be deemed to be no longer outstanding, and holders thereof shall cease to be shareholders with respect to such shares and shall have no rights with respect thereto except the rights to receive from the bank or trust company payments of the Redemption price of the shares, without interest, upon surrender of their certificates thereof. Any funds so deposited and unclaimed at the end of one year following the Redemption Date shall be released or repaid to the Corporation, after which the former holders of shares called for redemption shall be entitled to receive payment of the Redemption Price in respect of their shares only from the Corporation.

Part 5 - Conversion.

5.1 For the purposes of conversion of the Series 2 Class B Preferred Stock shall be valued at $1,000 per share ("Value"), and, if converted, the Series 2 Class B Preferred Stock shall be converted into such number of Common Shares (the "Conversion Shares") as is obtained by dividing the aggregate Value of the shares of Series 2 Class B Preferred Stock being so converted, together with all accrued but unpaid dividends thereon, by the "Average Stock Price" per share of the Conversion Shares (the "Conversion Price"), subject to adjustment pursuant to the provisions of this Part 5. For purposes of this Part 5, the "Average Stock Price" means the lesser of (x) seventy percent (70%) of the average daily closing bid prices of the Common Shares for a period of five (5) consecutive trading days immediately preceding the date of subscription by the Holder or (y) seventy percent (70%) of the average daily closing bid prices of Common Shares for the period of five (5) consecutive trading days immediately preceding the date of the conversion of the Series 2 Class B Preferred Stock in respect of which such Average Stock Price is determined. The closing price for each trading day shall be determined as provided in the last sentence of Section 3.2.

5.2 Any holder of Series 2 Class B Preferred Stock (an "Eligible Holder") may at any time commencing forty-five (45) days after the issuance of any Series 2 Class B Preferred Stock convert up to one hundred percent (100%) of his holdings of Series 2 Class B Preferred Stock in accordance with this Part 5.

5.3 The conversion right granted by Section 5.2 hereof may be exercised only by an Eligible Holder of Series 2 Class B Preferred Stock, in whole or in part, by the surrender of the share certificate or share certificates representing the Series 2 Class B Preferred Stock to be converted at the principal office of the Corporation (or at such other place as the Corporation may designate in a written notice sent to the holder by first class mail, postage prepaid, at its address shown on the books of the Corporation) against delivery of that number of whole Common Shares as shall be computed by dividing (1) the aggregate Value of the Series 2 Class B Preferred Stock so surrendered for conversion plus

any accrued but unpaid dividends thereon, if any, by (2) the Conversion Price in effect at the date of the conversion. At the time of conversion of a share of the Series 2 Class B Preferred Stock, the Corporation shall pay in cash to the holder thereof an amount equal to all unpaid dividends, if any, accrued thereon to the date of conversion, or, at the Corporation's option, issue that number of whole Common Shares which is equal to the product of dividing the amount of such unpaid dividends by the Average Stock Price whether or not declared by the Board. Each Series 2 Class B Preferred Stock share certificate surrendered for conversion shall be endorsed by its holder. In the event of any exercise of the conversion right of the Series 2 Class B Preferred Stock granted herein (i) share certificate representing the Common Shares purchased by virtue of such exercise shall be delivered to such holder within three (3) days of notice of conversion, and (ii) unless the Series 2 Class B Preferred Stock has been fully converted, a new share certificate representing the Series 2 Class B Preferred Stock not so converted, if any, shall also be delivered to such holder within three (3) days of notice of conversion. Any Eligible Holder may exercise its right to convert the Series 2 Class B Preferred Stock by telecopying an executed and completed Notice of Conversion to the Corporation, and within seventy-two (72) hours thereafter, delivering the original Notice of Conversion and the certificate representing the Series 2 Class B Preferred Stock to the Corporation by express courier. Each date on which a Notice of Conversion is telecopied to and received by the Corporation in accordance with the provisions hereof shall be deemed a conversion date. The Corporation will transmit the Common Shares certificates issuable upon conversion of any Series 2 Class B Preferred Stock (together with the certificates representing the Series 2 Class B Preferred Stock not so converted) to the Eligible Holder via express courier within three (3) business days after the conversion date if the Corporation has received the original Notice of Conversion and the Series 2 Class B Shares certificates being so converted by such date.

5.4 All Common Shares which may be issued upon conversion of Series 2 Class B Preferred Stock will, upon issuance, be duly issued, fully paid and nonassessable and free from all taxes, liens, and charges with respect to the issue thereof. At all times that any Series 2 Class B Preferred Stock is outstanding, the Corporation shall have authorized, and shall have reserved for the purpose of issuance upon such conversion, a sufficient number of Common Shares to provide for the conversion into Common Shares of all Series 2 Class B Preferred Stock then outstanding at the then effective Conversion Price. Without limiting the generality of the foregoing, if, at any time, the Conversion Price is decreased, the number of Common Shares authorized and reserved for issuance upon the conversion of the Series 2 Class B Preferred Stock shall be proportionately increased.

5.5 The number of Common Shares issued upon conversion of Series 2 Class B Preferred Stock and the Conversion Price shall be subject to adjustment from time to time upon the happening of certain events, as follows:

5.5.1 In the case of any amendment to the Articles to change the designation of the Common Shares or the rights, privileges, restrictions or conditions in respect of the Common Shares or division of the Common Shares into series the rights of the holders of the Series 2 Class B Preferred Stock shall be adjusted so as to provide that upon conversion thereof, the holder of the Series 2 Class B Preferred Stock being converted shall procure, in lieu of each Common Share

theretofore issuable upon such conversion, the kind and amount of shares, other securities, money and property receivable upon such designation, change or division by the holder of one Common Share issuable upon such conversion had conversion occurred immediately prior to such designation, change or division. The Series 2 Class B Preferred Stock shall be deemed thereafter to provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Part 5. The provisions of this subsection 5.5.1 shall apply in the same manner to successive reclassifications, changes, consolidations, and mergers.

5.5.2 If the Corporation, at any time while any of the Series 2 Class B Preferred Stock is outstanding, shall amend the Articles so as to change the Common Shares into a different number of shares, the Conversion Price shall be proportionately reduced, in case of such change increasing the number of Common Shares, as of the effective date of such increase, or if the Corporation shall take a record of holders of its Common Shares for the purpose of such increase, as of such record date, whichever is earlier, or the Conversion Price shall be proportionately increased, in the case of such change decreasing the number of Common Shares, as of the effective date of such decrease or, if the Corporation shall take a record of holders of its Common Stock for the purpose of such decrease, as of such record date, whichever is earlier.

5.5.3 If the Corporation, at any time while any of the Series 2 Class B Preferred Stock is outstanding, shall pay a dividend payable in Common Shares (except for any dividends of Common Shares payable pursuant to Part 3 hereof), the Conversion Price shall be adjusted, as of the date the Corporation shall take a record of the holders of its Common Shares for the purposes of receiving such dividend (or if no such record is taken, as of the date of payment of such dividend), to that price determined by multiplying the Conversion Price therefor in effect by a fraction (1) the numerator of which shall be the total number of Common Shares outstanding immediately prior to such dividend, and (2) the denominator of which shall be the total number of Common Shares outstanding immediately after such dividend (plus in the event that the Corporation paid cash for fractional shares, the number of additional shares which would have been outstanding had the Corporation issued fractional shares in connection with said dividend).

5.6 Whenever the Conversion Price shall be adjusted pursuant to Section 5.5 hereof, the Corporation shall make a certificate signed by its President, or a Vice President and by its Treasurer, Assistant Treasurer, Secretary or Assistant Secretary, setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated (including a description of the basis on which the Board of Directors made any determination hereunder), and the Conversion Price after giving effect to such adjustment, and shall cause copies of such certificates to be mailed (by first class mail, postage prepaid) to each holder of the Series 2 Class B Preferred Stock at its address shown on the books of the Corporation. The Corporation shall make such certificate and mail it to each such holder promptly after each adjustment.

5.7 No fractional Common Shares shall be issued in connection with any conversion of Series 2 Class B Preferred Stock, but in lieu of

such fractional shares, the Corporation shall make a cash payment therefor equal in amount to the product of the applicable fraction multiplied by the Conversion Price then in effect.

5.8 No Series 2 Class B Preferred Stock which has been converted into Common Shares shall be reissued by the Corporation; provided, however, that each such share shall be restored to the status of authorized but unissued Preferred Stock without designation as to series and may thereafter be issued as a series of Preferred Stock not designated as Series 2 Class B Preferred Stock.

Part 6 - Parity with Other Shares of Series 2 Class B Preferred Stock and Priority.

6.1 If any cumulative dividends or accounts payable or return of capital in respect of Series 2 Class B Preferred Stock are not paid in full, the owners of all series of outstanding Preferred Stock shall participate rateably in respect of accumulated dividends and return of capital.

6.2 For purposes of this resolution, any stock of any class or series of the Corporation shall be deemed to rank:

6.2.1 Prior or senior to the shares of this Series 2 Class B Preferred Stock either as to dividends or upon liquidation, if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, as the case may be, in preference or priority to the holders of shares of this Series 2 Class B Preferred Stock;

6.2.2 On a parity with, or equal to, shares of this Series 2 Class B Preferred Stock, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates, or redemption or liquidation prices per share or sinking fund provisions, if any, are different from those of this Series 2 Class B Preferred Stock, if the holders of such stock are entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, in proportion to their respective dividend rates or liquidation prices, without preference or priority, one over the other, as between the holders of such stock and over the other, as between the holders of such stock and the holders of shares of this Series 2 Class B Preferred Stock; and,

6.2.3 Junior to shares of this Series 2 Class B Preferred Stock, either as to dividends or upon liquidation, if such class or series shall be Common Shares or if the holders of shares of this Series 2 Class B Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, as the case may be, in preference or priority to the holders of shares of such class or series.

Part 7 - Amendment.

7.1 In addition to any requirement for a series vote pursuant to the GCL in respect of any amendment to the Articles that adversely affects the rights, privileges, restrictions and conditions of the Series 2 Class B Preferred Stock, the rights, privileges, restrictions and conditions attaching to the Series 2 Class B

Preferred Stock may be amended by an amendment to the Corporation's Certificate of Incorporation so as to affect such adversely only if the Corporation has obtained the affirmative vote at a duly called and held series meeting of the holders of the Series 2 Class B Preferred Stock or written consent by the holders of a majority of the Series 2 Class B Preferred Stock then outstanding. Notwithstanding the above, the number of authorized shares of such class or classes of stock may be increased or decreased (but not below the number of shares thereof outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote thereon, voting together as a single class, irrespective of this Section 7.1.

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State of Delaware
Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "PERMA-FIX ENVIRONMENTAL SERVICES, INC." FILED IN THIS OFFICE ON THE NINETEENTH DAY OF JULY, A.D. 1996, AT 12:30 O'CLOCK P.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

/s/ Edward J. Freel

Edward J. Freel,
Secretary of State

Authentication: 8033738

2249849 8100 Date: 07-19-96

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CERTIFICATE OF DESIGNATIONS
OF SERIES 3 CLASS C CONVERTIBLE PREFERRED STOCK
OF
PERMA-FIX ENVIRONMENTAL SERVICES, INC.

Perma-Fix Environmental Services, Inc. (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify:

That, pursuant to authority conferred upon by the Board of Directors by the Corporation's Restated Certificate of Incorporation, as amended, and pursuant to the provisions of Section 151 of the Delaware Corporation Law, the Board of Directors of the Corporation has adopted resolutions, a copy of which is attached hereto, establishing and providing for the issuance of a series of Preferred Stock designated as Series 3 Class C Convertible Preferred Stock and has established and fixed the voting powers, designations, preferences and relative participating, optional and other special rights and qualifications, limitations and restrictions of such Series 3 Class C Convertible Preferred Stock as set forth in the attached resolutions.

Dated: July 17, 1996

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

By /s/ Louis F. Centofanti

Dr. Louis F. Centofanti
Chairman of the Board

ATTEST:

/s/ Richard T. Kelecy

Richard T. Kelecy, Secretary

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
(the "Corporation")

RESOLUTION OF THE BOARD OF DIRECTORS

FIXING THE NUMBER AND DESIGNATING THE RIGHTS, PRIVILEGES, RESTRICTIONS AND CONDITIONS ATTACHING TO THE SERIES 3 CLASS C CONVERTIBLE PREFERRED STOCK

WHEREAS,

A. The Corporation's share capital includes Preferred Stock, par value $.001 per share ("Preferred Stock"), which Preferred Stock may be issued in one or more series by the Board of Directors of the Corporation (the "Board") being entitled by resolution to fix the number of shares in each series and to designate the rights, designations, preferences, and relative, participating, optional or other special rights, privileges, restrictions and conditions attaching to the shares of each such series; and

B. It is in the best interests of the Corporation for the Board to create a new series from the Preferred Stock designated as the Series 3 Class C Convertible Preferred Stock, par value $.001.

NOW, THEREFORE, BE IT RESOLVED, THAT:

The Series 3 Class C Convertible Preferred Stock, par value $.001 (the "Series 3 Class C Preferred Stock") of the Corporation shall consist of 5,500 shares and no more and shall be designated as the Series 3 Class C Convertible Preferred Stock, and the preferences, rights, privileges, restrictions and conditions attaching to the Series 3 Class C Preferred Stock shall be as follows:

Part 1 - Voting and Preemptive Rights.

1.1 Voting Rights. Except as otherwise provided herein, in the Corporation's Certificate of Incorporation (the "Articles") or the General Corporation Law of the State of Delaware (the "GCL"), the holders of the Series 3 Class C Preferred Stock shall have no voting rights whatsoever. To the extent that under the GCL the vote of the holders of the Series 3 Class C Preferred Stock, voting separately as a class or series as applicable, is required to authorize a given action of the Corporation, the affirmative vote or consent of the holders of at least a majority of the shares of the Series 3 Class C Preferred Stock represented at a duly held meeting at which a quorum is present or by written consent of a majority of the shares of Series 3 Class C Preferred Stock (except as otherwise may be required under the GCL) shall constitute the approval of such action by the series. To the extent that under the GCL the holders of the Series 3 Class C Preferred Stock are entitled to vote on a matter with holders of Corporation's Common Stock and/or any other class or series of the Corporation's voting securities, the Series 3 Class C Preferred Stock, the Corporation's Common Stock and all other classes or series of the Corporation's voting securities shall vote together as one class, with each share of Series 3 Class C Preferred Stock entitled to a number of votes equal to the number of shares of the Corporation's Common Stock into which it is then convertible using the record date for the taking of such vote of stockholders as the date as of which the

Conversion Price (as defined in Section 4.2 hereof) is calculated and conversion is effected. Holders of the Series 3 Class C Preferred Stock shall be entitled to notice of (and copies of proxy materials and other information sent to stockholders) for all shareholder meetings or written consents with respect to which they would be entitled to vote, which notice would be provided pursuant to the Corporation's bylaws and applicable statutes.

1.2 No Preemptive Rights. The Series 3 Class C Preferred Stock shall not give its holders any preemptive rights to acquire any other securities issued by the Corporation at any time in the future.

Part 2 - Liquidation Rights.

2.1 Liquidation. If the Corporation shall be voluntarily or involuntarily liquidated, dissolved or wound up at any time when any shares of the Series 3 Class C Preferred Stock shall be outstanding, the holders of the then outstanding Series 3 Class C Preferred Stock shall have a preference in distribution of the Corporation's property available for distribution to the holders of the Corporation's Common Stock equal to $1,000 consideration per outstanding share of Series 3 Class C Preferred Stock, plus an amount equal to all unpaid dividends accrued thereon to the date of payment of such distribution ("Liquidation Preference"), whether or not declared by the Board.

2.2 Payment of Liquidation Preferences. Subject to the provisions of Part 6 hereof, all amounts to be paid as Liquidation Preference to the holders of Series 3 Class C Preferred Stock, as provided in this Part 2, shall be paid or set apart for payment before the payment or setting apart for payment of any amount for, or the distribution of any of the Corporation's property to the holders of the Corporation's Common Stock, whether now or hereafter authorized, in connection with such liquidation, dissolution or winding up.

2.3 No Rights After Payment. After the payment to the holders of the shares of the Series 3 Class C Preferred Stock of the full Liquidation Preference amounts provided for in this Part 2, the holders of the Series 3 Class C Preferred Stock as such shall have no right or claim to any of the remaining assets of the Corporation.

2.4 Assets Insufficient to Pay Full Liquidation Preference. In the event that the assets of the Corporation available for distribution to the holders of shares of the Series 3 Class C Preferred Stock upon any dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to this Part 2, no such distribution shall be made on account of any shares of any other class or series of Preferred Stock ranking on a parity with the shares of this Series 3 Class C Preferred Stock upon such dissolution, liquidation or winding up unless proportionate distributive amounts shall be paid on account of the shares of this Series 3 Class C Preferred Stock and shares of such other class or series ranking on a parity with the shares of this Series 3 Class C Preferred Stock, ratably, in proportion to the full distributable amounts for which holders of all such parity shares are respectively entitled upon such dissolution, liquidation or winding up.

Part 3 - Dividends.

3.1 The holders of the Series 3 Class C Preferred Stock are

entitled to receive if, when and as declared by the Board out of funds legally available therefor, cumulative dividends, payable in cash or Common Stock of the Corporation, par value $.001 per share (the "Common Stock"), at the Corporation's election, at the rate of six percent (6%) per annum of the Liquidation Value of the Series 3 Class C Preferred Stock. The Liquidation Value of the Series 3 Class C Preferred Stock shall be $1,000.00 per share (the "Dividend Rate"). The dividend is payable semi-annually within seven (7) business days after each of December 31 and June 30 of each year, commencing December 31, 1996 (each, a "Dividend Declaration Date"). Dividends shall be paid only with respect to shares of Series 3 Class C Preferred Stock actually issued and outstanding on a Dividend Declaration Date and to holders of record as of the Dividend Declaration Date. Dividends shall accrue from the first day of the semi-annual period in which such dividend may be payable, except with respect to the first semi-annual dividend which shall accrue from the date of issuance of the Series 3 Class C Preferred Stock. In the event that the Corporation elects to pay dividends in Common Stock of the Corporation, each holder of the Series 3 Class C Preferred Stock shall receive shares of Common Stock of the Corporation equal to the quotient of (i) the Dividend Rate in effect on the applicable Dividend Declaration Date dividend by (ii) the average of the closing bid quotation of the Common Stock as reported on the over-the-counter market, or the closing sale price if listed on a national securities exchange, for the five (5) trading days immediately prior to the Dividend Declaration Date (the "Stock Dividend Price"). Dividends on the Series 3 Class C Preferred Stock shall be cumulative, and no dividends or other distributions shall be paid or declared or set aside for payment on the Common Stock until all accrued and unpaid dividends on all outstanding shares of Series 3 Class C Preferred Stock shall have been paid or declared and set aside for payment.

Part 4 - Conversion. The holders of the Series 3 Class C Preferred Stock shall have rights to convert the shares of Series 3 Class C Preferred Stock into shares of the Corporation's Common Stock, par value $.001 per share ("Common Stock"), as follows (the "Conversion Rights"):

4.1 Right to Convert. The Series 3 Class C Preferred Stock shall be convertible into shares of Common Stock, as follows:

4.1.1 Up to one thousand eight hundred thirty-three (1,833) shares of Series 3 Class C Preferred Stock may be converted at the Conversion Price (as that term is defined in Section 4.2 below) at any time on or after October 1, 1996;

4.1.2 Up to one thousand eight hundred thirty-three (1,833) shares of Series 3 Class C Preferred Stock may be converted at the Conversion Price at any time on or after November 1, 1996; and,

4.1.3 Up to one thousand eight hundred thirty-four (1,834) shares of Series 3 Class C Preferred Stock may be converted at the Conversion Price on or after December 1, 1996.

4.2 Conversion Price. As used herein, the term Conversion Price shall be the product of (i) the average closing bid quotation of the Common Stock as reported on the over-the-counter market, or the closing sale price if listed on a national securities exchange, for the five (5) trading days immediately preceding the date of the Conversion Notice referred to in Section 4.3 below multiplied by

(ii) seventy-five percent (75%). Notwithstanding the foregoing, the Conversion Price shall not be (i) less than a minimum of $.75 per share ("Minimum Conversion Price") or (ii) more than a maximum of $1.50 per share ("Maximum Conversion Price"). If, after July 1, 1996, the Corporation sustains a net loss, on a consolidated basis, in each of two (2) consecutive quarters, as determined under generally accepted accounting principles, the Minimum Conversion Price shall be reduced $.25 a share, but there shall be no change to, or reduction of, the Maximum Conversion Price. For the purpose of determining whether the Corporation has had a net loss 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 (as an example the third quarter of 1996 in which there is a net profit and the fourth quarter of 1996 in which there is a net loss shall be considered as two consecutive quarters, and, as a result, the fourth quarter of 1996 shall not be considered along with the first quarter of 1997 as two (2) consecutive quarters, but the first quarter of 1997 must be considered with the second quarter of 1997 for the purposes of such determination). For the purposes of this Section 4.2, a "quarter" is a three (3) month period ending on March 31, June 30, September 30, and December 31. If any of the outstanding shares of Series 3 Class C Preferred Stock are converted, in whole or in part, into Common Stock pursuant to the terms of this Part 4, the number of shares of whole Common Stock to be issued to the holder as a result of such conversion shall be determined by dividing (a) the aggregate Liquidation Value of the Series 3 Class C Preferred Stock so surrendered for conversion by (b) the Conversion Price in effect at the date of the conversion. At the time of conversion of shares of the Series 3 Class C Preferred Stock, the Corporation shall pay in cash to the holder thereof an amount equal to all unpaid and accrued dividends, if any, accrued thereon to the date of conversion, or, at the Corporation's option, in lieu of paying cash for the accrued and unpaid dividends, issue that number of shares of whole Common Stock which is equal to the product of dividing the amount of such unpaid and accrued dividends to the date of conversion on the shares of Series 3 Class C Preferred Stock so converted by the Conversion Price in effect at the date of conversion.

4.3 Mechanics of Conversion. Any holder of the Series 3 Class C Preferred Stock who wishes to exercise its Conversion Rights pursuant to Section 4.1 of this Part 4 must, if such shares are not being held in escrow by the Corporation's attorneys, surrender the certificate therefor at the principal executive office of the Corporation, and give written notice, which may be via facsimile transmission, to the Corporation at such office that it elects to convert the same (the "Conversion Notice"). In the event that the shares of Series 3 Class C Preferred Stock are being held in escrow by the Corporation's attorneys, no delivery of the certificates shall be required. No Conversion Notice with respect to any shares of Series 3 Class C Preferred Stock can be given prior to the time such shares of Series 3 Class C Preferred Stock are eligible for conversion in accordance with the provision of Section 4.1 above. Any such premature Conversion Notice shall automatically be null and void. The Corporation shall, within five (5) business days after receipt of an appropriate and timely Conversion Notice (and certificate, if necessary), issue to such holder of Series 3 Class C Preferred Stock or its agent a certificate for the number of shares of Common Stock to which he shall be entitled; it being expressly agreed that until and unless the holder delivers written notice to the Corporation to the contrary, all shares of Common Stock issuable upon conversion of the Series 3 Class C Preferred Stock hereunder are to be delivered by the Corporation to a party

designated in writing by the holder in the Conversion Notice for the account of the holder and such shall be deemed valid delivery to the holder of such shares of Common Stock. Such conversion shall be deemed to have been made only after both the certificate for the shares of Series 3 Class C Preferred Stock to be converted have been surrendered and the Conversion Notice is received by the Corporation (or in the event that no surrender of the Certificate is required, then only upon the receipt by the Corporation of the Conversion Notice) (the "Conversion Documents"), and the person or entity whose name is noted on the certificate evidencing such shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Common Stock at and after such time. In the event that the Conversion Notice is sent via facsimile transmission, the Corporation shall be deemed to have received such Conversion Notice on the first business day on which such facsimile Conversion Notice is actually received. If the Corporation fails to deliver to the holder or its agent the certificate representing the shares of Common Stock that the holder is entitled to receive as a result of such conversion within five (5) business days after receipt by the Corporation from the holder of an appropriate and timely Conversion Notice and certificates pursuant to the terms of this Section 4.3, the Corporation shall pay to the holder U.S. $1,000 for each day that the Corporation is late in delivering such certificate to the holder or its agent.

4.4 Adjustments to Conversion Price for Stock Dividends and for Combinations or Subdivisions of Common Stock. If the Corporation at any time or from time to time while shares of Series 3 Class C Preferred Stock are issued and outstanding shall declare or pay, without consideration, any dividend on the Common Stock payable in Common Stock, or shall effect a subdivision of the outstanding shares of Common Stock into a greater number of shares of Common Stock (by stock split, reclassification or otherwise than by payment of a dividend in Common Stock or in any right to acquire Common Stock), or if the outstanding shares of Common Stock shall be combined or consolidated, by reclassification or otherwise, into a lesser number of shares of Common Stock, then the Conversion Price in effect immediately before such event shall, concurrently with the effectiveness of such event, be proportionately decreased or increased, as appropriate. If the Corporation shall declare or pay, without consideration, any dividend on the Common Stock payable in any right to acquire Common stock for no consideration, then the Corporation shall be deemed to have made a dividend payable in Common Stock in an amount of shares equal to the maximum number of shares issuable upon exercise of such rights to acquire Common Stock.

4.5. Adjustments for Reclassification and Reorganization. If the Common Stock issuable upon conversion of the Series 3 Class C Preferred Stock shall be changed into the same or a different number of shares of any other class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares provided for in Section 4.4 hereof), the Conversion Price then in effect shall, concurrently with the effectiveness of such reorganization or reclassification, be proportionately adjusted so that the Series 3 Class C Preferred Stock shall be convertible into, in lieu of the number of shares of Common Stock which the holders of Series 3 Class C Preferred Stock would otherwise have been entitled to receive, a number of shares of such other class or classes of stock equivalent to the number of shares of Common Stock that would have been subject to receipt by the holders upon conversion of the Series 3 Class C Preferred Stock

immediately before that change.

4.6 Common Stock Duly Issued. All Common Stock which may be issued upon conversion of Series 3 Class C Preferred Stock will, upon issuance, be duly issued, fully paid and nonassessable and free from all taxes, liens, and charges with respect to the issue thereof.

4.7 Notice of Adjustments. Upon the occurrence of each adjustment or readjustment of any Conversion Price pursuant to this Part 4, the Corporation, at its expense, within a reasonable period of time, shall compute such adjustment or readjustment in accordance with the terms hereof and prepare and furnish to each holder of Series 3 Class C Preferred Stock a notice setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment is based.

4.8 Issue Taxes. The Corporation shall pay any and all issue and other taxes that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of the Series 3 Class C Preferred Stock pursuant thereto; provided, however, that the Corporation shall not be obligated to pay any transfer taxes resulting from any transfer requested by any holder of Series 3 Class C Preferred Stock in connection with such conversion.

4.9 Reservation of Stock Issuable Upon Conversion. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Series 3 Class C Preferred Stock, such number of its shares of Common Stock as shall, from time to time, be sufficient to effect the conversion of all outstanding shares of the Series 3 Class C Preferred stock, and, if at any time, the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Series 3 Class C Preferred Stock, the Corporation will take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in reasonable efforts to obtain the requisite stockholder approval of any necessary amendment to its Certificate of Incorporation.

4.10 Fractional Shares. No fractional share shall be issued upon the conversion of any share or shares of Series 3 Class C Preferred Stock. All shares of Common Stock (including fractions thereof) issuable upon conversion of more than one share of Series 3 Class C Preferred Stock by a holder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of any fractional share. If, after the aforementioned aggregation, the conversion would result in the issuance of a fractional share of Common Stock, such fractional share shall be rounded up to the nearest whole share.

4.11 Notices. Any notices required by the provisions of this Part 4 to be given to the holders of shares of Series 3 Class C Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder of record at his address appearing on the books of the Corporation.
4.12 Business Day. As used herein, the term "business day" shall mean any day other than a Saturday, Sunday or a day when the federal and state banks located in the State of New York are required or permitted to close.

Part 5 - Redemption.

5.1 Redemption During First 180 Days. At any time, and from time to time, during the first one hundred eighty (180) days from the date of issuance of the Series 3 Class C Preferred Stock, the Corporation may, at its sole option, but shall not be obligated to, redeem, in whole or in part, the then outstanding Series 3 Class C Preferred Stock at a price per share of U. S. $1,300.00 each ("First Six Months Redemption Price"). The Company may exercise such redemption by giving the holder of the Series 3 Class C Preferred Stock written notice of such redemption at any time during such 180-day period.

5.2 Other Rights of Redemption by the Corporation. At any time, and from time to time, after one hundred eighty (180) days from the date of the issuance of any Series 3 Class C Preferred Stock, if the average of the closing bid price of the Common Stock for ten (10) consecutive days shall be in excess of $2.50 per share, the Corporation may, at its sole option, but shall not be obligated to, redeem, in whole or in part, the then outstanding Series 3 Class C Preferred Stock at a price per share of U. S. $1,000 each (the "Redemption Price") (such price to be adjusted proportionately in the event of any change of the Series 3 Class C Preferred Stock into a different number of shares of Series 3 Class C Preferred Stock).

5.3 Mechanics of Redemption. Thirty (30) days prior to any date stipulated by the Corporation for the redemption of Series 3 Class C Preferred Stock (the "Redemption Date"), written notice (the "Redemption Notice") shall be mailed to each holder of record on such notice date of the Series 3 Class C Preferred Stock. The Redemption Notice shall state: (i) the Redemption Date of such shares, (ii) the number of Series 3 Class C Preferred Stock to be redeemed from the holder to whom the Redemption Notice is addressed, (iii) instructions for surrender to the Corporation, in the manner and at the place designated, of a share certificate or share certificates representing the number of Series 3 Class C Preferred Stock to be redeemed from such holder, and (iv) instructions as to how to specify to the Corporation the number of Series 3 Class C Preferred Stock to be redeemed as provided in this Part 5 and, if the Redemption Notice is mailed to the Holder after the first one hundred eighty (180) days from the date of issuance of the Series 3 Class C Preferred Stock, the number of shares to be converted into Common Stock as provided in Part 4 hereof.

5.4 Rights of Conversion Upon Redemption. If the redemption occurs pursuant to Section 5.1 hereof, the Holder of the Series 3 Class C Preferred Stock shall not have the right to convert those outstanding shares of Series 3 Class C Preferred Stock that the Company is redeeming after receipt of the Redemption Notice. If the redemption occurs pursuant to Section 5.2 hereof, then, upon receipt of the Redemption Notice, any holder of Series 3 Class C Preferred Stock shall have the option, at its sole election, to specify what portion of its Series 3 Class C Preferred Stock called for redemption in the Redemption Notice shall be redeemed as provided in this Part 5 or converted into Common Stock in the manner provided in Part 4 hereof, except that, notwithstanding any provision of such Part 4 to the contrary, such holder shall have the right to convert into Common Stock that number of Series 3 Class C Preferred Stock called for redemption in the Redemption Notice.

5.5 Surrender of Certificates. On or before the Redemption Date in respect of any Series 3 Class C Preferred Stock, each holder of

such shares shall surrender the required certificate or certificates representing such shares to the Corporation in the manner and at the place designated in the Redemption Notice, and upon the Redemption Date, the Redemption Price for such shares shall be made payable, in the manner provided in Section 5.5 hereof, to the order of the person whose name appears on such certificate or certificates as the owner thereof, and each surrendered share certificate shall be canceled and retired. If a share certificate is surrendered and all the shares evidenced thereby are not being redeemed (as described below), the Corporation shall cause the Series 3 Class C Preferred Stock which are not being redeemed to be registered in the names of the persons or entity whose names appear as the owners on the respective surrendered share certificates and deliver such certificate to such person.

5.6 Payment. On the Redemption Date in respect of any Series 3 Class C Preferred Stock or prior thereto, the Corporation shall deposit with any bank or trust company having a capital and surplus of at least U. S. $50,000,000, as a trust fund, a sum equal to the aggregate First Six Months Redemption Price or the Redemption Price, whichever is applicable, of all such shares called from redemption (less the aggregate Redemption Price for those Series 3 Class C Preferred Stock in respect of which the Corporation has received notice from the holder thereof of its election to convert Series 3 Class C Preferred Stock into Common Stock), with irrevocable instructions and authority to the bank or trust company to pay, on or after the Redemption Date, the First Six Months Redemption Price or the Redemption Price, whichever is applicable, to the respective holders upon the surrender of their share certificates. The deposit shall constitute full payment for the shares to their holders, and from and after the date of the deposit the redeemed shares shall be deemed to be no longer outstanding, and holders thereof shall cease to be shareholders with respect to such shares and shall have no rights with respect thereto except the rights to receive from the bank or trust company payments of the First Six Months Redemption Price or the Redemption Price, whichever is applicable, of the shares, without interest, upon surrender of their certificates thereof. Any funds so deposited and unclaimed at the end of one year following the Redemption Date shall be released or repaid to the Corporation, after which the former holders of shares called for redemption shall be entitled to receive payment of the First Six Months Redemption Price or the Redemption Price, whichever is applicable, in respect of their shares only from the Corporation.

Part 6 - Parity with Other Shares of Series 3 Class C Preferred Stock and Priority.

6.1 Rateable Participation. If any cumulative dividends or return of capital in respect of Series 3 Class C Preferred Stock are not paid in full, the owners of all series of outstanding Preferred Stock shall participate rateably in respect of accumulated dividends and return of capital.

6.2 Ranking. For purposes of this resolution, any stock of any class or series of the Corporation shall be deemed to rank:

6.2.1 Prior or senior to the shares of this Series 3 Class C Preferred Stock either as to dividends or upon liquidation, if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, as the case may be, in

preference or priority to the holders of shares of this Series 3 Class C Preferred Stock;

6.2.2 On a parity with, or equal to, shares of this Series 3 Class C Preferred Stock, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates, or redemption or liquidation prices per share or sinking fund provisions, if any, are different from those of this Series 3 Class C Preferred Stock, if the holders of such stock are entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, in proportion to their respective dividend rates or liquidation prices, without preference or priority, one over the other, as between the holders of such stock and over the other, as between the holders of such stock and the holders of shares of this Series 3 Class C Preferred Stock; and,

6.2.3 Junior to shares of this Series 3 Class C Preferred Stock, either as to dividends or upon liquidation, if such class or series shall be Common Stock or if the holders of shares of this Series 3 Class C Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, as the case may be, in preference or priority to the holders of shares of such class or series.

Part 7 - Amendment and Reissue.

7.1 Amendment. If any proposed amendment to the Corporation's Certificate of Incorporation would alter or change the powers, preferences or special rights of the Series 3 Class C Preferred Stock so as to affect such adversely, then the Corporation must obtain the affirmative vote of such amendment to the Certificate of Incorporation at a duly called and held series meeting of the holders of the Series 3 Class C Preferred Stock or written consent by the holders of a majority of the Series 3 Class C Preferred Stock then outstanding. Notwithstanding the above, the number of authorized shares of any class or classes of stock may be increased or decreased (but not below the number of shares thereof outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote thereon, voting together as a single class, irrespective of this Section 7.1 or the requirements of Section 242 of the GCL.

7.2 Authorized. Any shares of Series 3 Class C Preferred Stock acquired by the Corporation by reason of purchase, conversion, redemption or otherwise shall be retired and shall become authorized but unissued shares of Preferred Stock, which may be reissued as part of a new series of Preferred Stock hereafter created.

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "PERMA-FIX ENVIRONMENTAL SERVICES, INC.," FILED IN THIS OFFICE ON THE SIXTHTEENTH DAY OF DECEMBER, A.D. 1996, AT 4:30 O'CLOCK P.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

* * * * * * * *

/s/ Edward J. Freel

Edward J. Freel,
Secretary of State

Authentication: 8244552
Date: 12/17/96

960370787

CERTIFICATE OF ELIMINATION
OF
SERIES I CLASS A PREFERRED STOCK
AND
SERIES 2 CLASS B CONVERTIBLE PREFERRED STOCK
OF
PERMA-FIX ENVIRONMENTAL SERVICES, INC.

PERMA-FIX ENVIRONMENTAL SERVICES, INC., a corporation organized and existing under the General Corporation Law of the State of Delaware (hereinafter called the "Corporation"), hereby certifies the following:

1. That the Certificate of Designations of Series I Class A Preferred Stock of the Corporation (the "Series I Preferred") was filed on February 6, 1996 (the "Series I Certificate of Designations").

2. That all outstanding shares of the Series I Preferred have been converted into shares of common stock of the Company pursuant to the terms and conditions of the Series I Certificate of Designations.

3. That no shares of Series I Preferred remain outstanding.

4. That all shares of the Series I Preferred which have been converted have the status of authorized and unissued shares of the Preferred Stock of the Corporation without designation as to series, until such shares are once more designated as part of a particular series by the Board of Directors.

5. That on September 19, 1996, the Board of Directors of the Company duly adopted the following resolution:

> RESOLVED, that no authorized shares of Series I Class A Preferred Stock remain outstanding and no shares of Series I Class A Preferred Stock will be issued subject to the Certificate of Designation previously filed with respect to the Series I Class A Preferred Stock.

6. That the Certificate of Designations of the Series 2 Class B Convertible Preferred Stock of the Corporation (the "Series 2 Preferred") was filed on February 20, 1996 (the "Series 2 Certificate of Designations").

7. That all outstanding shares of the Series 2 Preferred have been converted into shares of common stock of the Company pursuant to the terms and conditions of the Series 2 Certificate of Designations.

8. That no shares of Series 2 Preferred remain outstanding.

9. That all shares of the Series 2 Preferred which have been converted have the status of authorized and unissued shares of the Preferred Stock of the Corporation without designation as to series, until such shares are once more designated as part of a particular series by the Board of Directors.

10. That on September 19, 1996, the Board of Directors of the Company duly adopted the following resolution:

> RESOLVED, that no authorized shares of Series 2 Class B Convertible Preferred Stock remain outstanding and no shares of Series 2 Class B Convertible Preferred Stock will be issued subject to the Certificate of Designation previously filed with respect to the Series 2 Class B Convertible Preferred Stock.

11. That pursuant to the provisions of Section 151(g) of the Delaware General Corporation Law, upon the effective date of the filing of this Certificate, this Certificate will have the effect of eliminating from the Restated Certificate of Incorporation only those matters set forth in the Restated Certificate of Incorporation with respect to the Series I Class A Preferred Stock and the Series 2 Class B Convertible Preferred Stock.

IN WITNESS WHEREOF, this Certificate of Elimination has been executed this 4th day of December, 1996, by the President of the Company.

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

ATTEST:

/s/ Richard T. Kelecy
Richard T. Kelecy, Secretary

By /s/ Louis F. Centofanti
Dr. Louis F. Centofanti, President

(SEAL)

State of Delaware
Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "PERMA-FIX ENVIRONMENTAL SERVICES, INC.," FILED IN THIS OFFICE ON THE SIXTH DAY OF JANUARY, A.D. 1997, AT 4:30 O'CLOCK P.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

* * * * * * * *

/s/ Edward J. Freel

Edward J. Freel,
Secretary of State

Authentication: 8274371
Date: 01/07/97

971005393

CERTIFICATE OF AMENDMENT
OF
RESTATED CERTIFICATE OF INCORPORATION
OF
PERMA-FIX ENVIRONMENTAL SERVICES, INC.

Perma-Fix Environmental Services, Inc., a Delaware corporation (the "Corporation"), for purposes of amending its Restated Certificate of Incorporation, as amended ("Restated Certificate of Incorporation"), as provided by Section 242 of the Delaware General Corporation Law, does hereby certify:

1. The amendment set forth below to the Corporation's Restated Certificate of Incorporation was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware:

The first paragraph of Article Fourth of the Corporation's Restated Certificate of Incorporation is hereby deleted and replaced in its entirety by the following:

> The total number of shares of capital stock that the Corporation shall have authority to issue is 52,000,000, of which 50,000,000 shall be designated as common stock of the par value of $.001 per share ("Common Stock") and 2,000,000 shall be designated as preferred stock of the par value of $.001 per share ("Preferred Stock").

2. Only the first paragraph of Article Fourth is amended by this Amendment, and the remainder of Article Fourth shall remain in full force and effect. No other provision, paragraph or article of the Restated Certificate of Incorporation is amended or changed by this Amendment. The Restated Certificate of Incorporation, as expressly amended by paragraph 1 of this Amendment, shall be in full force and effect.

3. At a meeting of the Board of Directors held on the 19th day of September, 1996, a resolution was duly adopted setting forth the foregoing proposed amendment to the first paragraph of Article Fourth of the Restated Certificate of Incorporation, declaring such amendment to be advisable and setting the next Annual Meeting of

Stockholders for consideration thereof.

4. Thereafter, pursuant to said resolution of its Board of Directors, the Annual Meeting of Stockholders was duly called and held on December 12, 1996, at which meeting the necessary number of shares as required by statute were voted in favor of such amendment.

IN WITNESS whereof, Perma-Fix Environmental Services, Inc. has caused this Certificate to be signed and attested to by its duly authorized officers as of this 16th day of December, 1996.

Perma-Fix Environmental
Services, Inc.,
a Delaware corporation

By: /s/ Louis F. Centofanti
_____
Dr. Louis F. Centofanti
President and
Chief Executive Officer

ATTEST:

/s/ Richard T. Kelecy
_____
Richard T. Kelecy,
Secretary

AMENDMENT TO LEASE AGREEMENT

DATED April 14, 1997

This Amendment becomes a part of the Equipment Lease Agreement dated as of October 12, 1994, and the accompanied Rider No. 2, amended as of November 14, 1996, 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 Sections 1.2, 1.3 and 1.4 are further amended. All other conditions of the Equipment Lease Agreement including the August 16, 1996, and November 14, 1996, amendments remain in force and effect.

WITNESSETH THAT:

WHEREAS, certain Events of Default have occurred and are continuing under the Equipment Lease Agreement as described on Exhibit A-1 attached hereto (the "Existing Events of Default"); and

WHEREAS, Lessees have requested that Lessor waive the Existing Events of Default, amend the financial covenants set forth in Section 1 of the Equipment Lease Agreement in certain respects, and amend certain other provisions of the Equipment Lease Agreement as set forth hereinbelow; and

WHEREAS, pursuant to Lessees request and subject to all of the terms and conditions set forth herein (including, without limitation, payment by Lessees to Lessor of the fee described in Section 5 hereof), Lessor is willing to waive the existing Events of Default, and to amend the Equipment Lease Agreement in the manner hereinafter set forth; and

WHEREAS, Lessees and Lessor desire to enter into this Amendment in order to memorialize their mutual understandings in regard to the foregoing matters.

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

ALLY CAPITAL CORPORATION
AS LESSOR

By: /s/ Stephen Pickens

Name: Stephen M. Pickens
Title: Vice President

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

By: /s/ Louis Centofanti

Name: Louis F. Centofanti
Title: CEO

PERMA-FIX OF MEMPHIS INC.

By: /s/ Louis Centofanti

Name: Louis F. Centofanti
Title: CEO

PERMA-FIX OF FT. LAUDERDALE INC.

By: /s/ Louis Centofanti
_____

Name: Louis F. Centofanti
Title: CEO

PERMA-FIX OF DAYTON INC.

By: /s/ Louis Centofanti
_____

Name: Louis F. Centofanti
Title: CEO

PERMA-FIX TREATMENT SERVICES INC.

By: /s/ Louis Centofanti
_____

Name: Louis F. Centofanti
Title: CEO

EXHIBIT "A"

TO AMENDMENT TO LEASE AGREEMENT

Dated April 14, 1997

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 Section 1, as previously defined. Sections 1.2, 1.3, and 1.4 are hereby deleted in their entirety and the following revised sections substituted in lieu thereof. 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.

1.2 Minimum EBITDA.

Parent shall achieve an EBITDA of at least the amount set forth below for each applicable period set forth below (or with respect to each period for which a negative amount is set forth below, shall not permit EBITDA to be more negative than such amount):

Applicable Period	Amount
Three Months Ended 3/31/97	$(340,000)
Six Months Ended 6/30/97	$320,000
Nine Months Ended 9/30/97	$1,360,000

Twelve Months Ended 12/31/97 and for each twelve month period ending on the last day of each fiscal quarter thereafter	$2,275,000

1.3 Capital Expenditures Limits

The aggregate amount of all Capital Expenditures of Parent and its Subsidiaries (excluding trade-ins and excluding Capital Expenditures financed pursuant to Capital Leases permitted will not exceed the amount set forth below for each applicable period set forth below (on a cumulative basis for all periods ending on or prior to December 31, 1997):

Applicable Period	Amount
Three Months Ended 3/31/97	$ 266,000
Six Months Ended 6/30/97	$ 416,000
Nine Months Ended 9/30/97	$ 516,000
Twelve Months Ended 12/31/97	$ 591,000
Each fiscal Quarter Ending After 12/31/97	$ 100,000

In addition, if pursuant to Section 2 hereof Lessees obtain aggregate cash infusions in excess of Seven Hundred Thousand Dollars ($700,000) on or prior to August 15, 1997, then the Capital Expenditures limitation for the remainder of Lessees' 1997 Fiscal Year shall be increased by the amount by which such cash infusions exceed Seven Hundred Thousand Dollars ($700,000); provided, however, that Lessees will be permitted to make Capital Expenditures in such increased amount only if (a) for the thirty (30) days prior the making of each such Capital Expenditure and after giving effect thereto, the Maximum Revolving Loan Amount shall exceed the outstanding amount of the Revolving Loan by at least Two Hundred Thousand Dollars ($200,000) and (b) at the time any such Capital Expenditures are to be made no Default or Event of Default has occurred and is continuing or would result therefrom.

1.4 Fixed Charge Coverage.

Parent shall not permit Fixed Charge Coverage for each applicable period set forth below to be less than the ratio set forth below for such period (or if the ratio set forth below for any applicable period is negative, shall not permit Fixed Charge Coverage for such applicable period to be a larger negative ratio than that set forth below):

Applicable Period	Ratio
Three Months Ended 3/31/97	(1.20:1.0)
Four Months Ended 4/30/97	(.75:1.0)
Five Months Ended 5/31/97	(.45:1.0)
Six Months Ended 6/30/97	(.15:1.0)
Seven Months Ended 7/31/97	.05:1.0
Eight Months Ended 8/31/97	.25:1.0
Nine Months Ended 9/30/97	.45:1.0
Ten Months Ended 10/31/97	.60:1.0
Eleven Months Ended 11/30/97	.65:1.0

Twelve Months Ended 12/31/97	.70:1.0
Twelve Months ending on the last day of each fiscal month ending thereafter	1.0:1.0

In computing Fixed Charge Coverage for purposes hereof, (a) Capital Expenditures pursuant to Capital Leases permitted and Indebtedness paid by Perma-Fix, Inc. in connection with the sale of its Re-Tech division shall be excluded and (b) insurance proceeds or any benefit therefrom (if otherwise included) shall be excluded from net income.

CASH INFUSION Section 2.

Lessees shall obtain an infusion of at least Seven Hundred Thousand Dollars ($700,000) in unrestricted cash on a basis as set forth below, with an initial infusion of at least One Hundred Fifty Thousand Dollars ($150,000) to be obtained on or prior to June 15, 1997 and the balance to be obtained on or prior to August 15, 1997. Such cash may consist of insurance proceeds with regard to the accident at Lessees' Memphis, Tennessee facility and the vandalism at Lessees' Fort Lauderdale, Florida facility, proceeds of capital contributions, proceeds of stock or other securities offerings, other proceeds obtained in a manner approved by Heller Financial, Inc. in writing or some combination of the foregoing. On June 15, 1997 and August 15, 1997, Parent shall report to Lessor in writing as to Lessees' compliance (or failure to comply) with the foregoing covenant.

PROJECTIONS Section 3.

As soon as available and in any event no later than July 31 of each Fiscal Year, Parent will deliver consolidated and consolidating Projections of Parent and its Subsidiaries for the forthcoming Fiscal Year, month-by-month.

WAIVER OF EXISTING EVENTS OF DEFAULT Section 4.

Lessor hereby waives the Existing Events of Default; provided, however, that (i) such waivers and the amendments set forth in Section 1 hereof shall become void and of no further force or effect if (a) Parent's audited financial statements for its 1996 Fiscal Year evidence that Lessees' Fixed Charge Coverage for such Fiscal Year was less than .26:1.0 or that Lessees made Capital Expenditures in excess of $2,166,000 (calculated by including the principal portion of payments made during such period under or with respect to Capital Leases) for such Fiscal Year, (b) such financial statements differ in any material adverse respect from the draft thereof provided to Lessor, or (c) Lessees fail to deliver such audited financial statements to Lessor on or prior to April 16, 1997, accompanied by the unqualified opinion of Parent's accountants and (ii) such waivers shall not be, or be deemed to be, waivers of any other Defaults or Events of Default which may presently or hereafter exist, or (d) any payment defaults now exist or remain uncured for any period in excess of ten (10) days.

CONDITIONS PRECEDENT Section 5.

The amendments and waivers set forth herein shall not become effective unless and until each of the following conditions shall have been satisfied, as determined by Lessor in its sole discretion:

(a) The Lease Parties party thereto and Heller Financial, Inc. shall have entered into an amendment to the Heller Loan Agreement, in form and substance as previously provided to Lessor, pursuant to which all violations of the financial covenants set forth therein shall be waived and all such covenants applicable to future periods which correspond to the financial covenants amended hereby shall be amended so that such covenants are no more restrictive than the covenants set forth herein, as determined by Lessor in its sole discretion.

(b) Each of the Lease Parties shall have executed and delivered in favor of Lessor such additional Lease Documents and amendments to existing Loan Documents as Lesser shall deem to be necessary or appropriate in connection herewith.

(c) After giving effect to the waivers set forth in Section D hereof, no Default or Event of Default shall have occurred and be continuing.

(d) In consideration of the accommodations by Lessor to the Lease Parties contemplated hereby the Lease Parties shall have paid to Lessor a fee of $5,000, which fee shall be fully-earned on the date hereof and non-refundable, and shall be in addition to, and not in lieu of, all fees, interest and expenses payable by the Loan Parties under the Equipment Lease Agreement.

(e) Since December 31, 1996, there shall have occurred no material adverse change in the business, operations, financial conditions, profits or prospect of any Lease Party or in the Collateral, except for the explosion at Lessees' Memphis, Tennessee facility.

(f) Lessees shall have delivered to Lessor a draft of Parent's consolidated audited financial statements for its 1996 Fiscal Year and the same shall be satisfactory to Lessor in all respects.

EXHIBIT A

EXISTING EVENTS OF DEFAULT

1. Event of Default under Section 2 of Rider No. 2 of the Equipment Lease Agreement as a result of Parent's failure to deliver an accountant's report as to its and its Subsidiaries' financial statements for the fiscal year ending December 31, 1996 on or prior to March 31, 1997.

2. Events of Default under Section 1 of Rider No. 2 of the Equipment Lease Agreement as a result of Parent's failure to comply with the financial covenants set forth in Sections 1.3 (Capital Expenditures) and 1.4 (Fixed Charge Coverage) of the Equipment Leae Agreement for its Fiscal Year ending December 31, 1996 and its failure to comply with the financial covenant set forth in Section 1 of the Equipment Lease Agreement for the months of January, 1997 and February, 1997.

ISTE:\N-P\PESI\10K\1996\EXHIBIT4.14

AMENDMENT TO LEASE AGREEMENT

DATED April 14, 1997

This Amendment becomes a part of the Equipment Lease Agreement dated as of October 12, 1994, and the accompanied Rider No. 2, amended as of November 14, 1996, 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 Sections 1.2, 1.3 and 1.4 are further amended. All other conditions of the Equipment Lease Agreement including the August 16, 1996, and November 14, 1996, amendments remain in force and effect.

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

ALLY CAPITAL CORPORATION
AS LESSOR

By: /s/ Stephen Pickens

Name: Stephen M. Pickens
Title: Vice President

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

By: /s/ Louis Centofanti

Name: Louis F. Centofanti
Title: CEO

PERMA-FIX OF MEMPHIS INC.

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Dated April 14, 1997

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DATED April 14, 1997

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WHEREAS, Lessees and Lessor desire to enter into this Amendment in order to memorialize their mutual understandings in regard to the foregoing matters.

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

ALLY CAPITAL CORPORATION
AS LESSOR

By: /s/ Stephen Pickens

Name: Stephen M. Pickens
Title: Vice President

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

By: /s/ Louis Centofanti

Name: Louis F. Centofanti
Title: CEO

PERMA-FIX OF MEMPHIS INC.

By: /s/ Louis Centofanti

Name: Louis F. Centofanti
Title: CEO

PERMA-FIX OF FT. LAUDERDALE INC.

By: /s/ Louis Centofanti
_____

Name: Louis F. Centofanti
Title: CEO

PERMA-FIX OF DAYTON INC.

By: /s/ Louis Centofanti
_____

Name: Louis F. Centofanti
Title: CEO

PERMA-FIX TREATMENT SERVICES INC.

By: /s/ Louis Centofanti
_____

Name: Louis F. Centofanti
Title: CEO

EXHIBIT "A"

TO AMENDMENT TO LEASE AGREEMENT

Dated April 14, 1997

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Twelve Months Ended 12/31/97 and for each twelve month period ending on the last day of each fiscal quarter thereafter	$2,275,000

1.3 Capital Expenditures Limits

The aggregate amount of all Capital Expenditures of Parent and its Subsidiaries (excluding trade-ins and excluding Capital Expenditures financed pursuant to Capital Leases permitted will not exceed the amount set forth below for each applicable period set forth below (on a cumulative basis for all periods ending on or prior to December 31, 1997):

Applicable Period	Amount
Three Months Ended 3/31/97	$ 266,000
Six Months Ended 6/30/97	$ 416,000
Nine Months Ended 9/30/97	$ 516,000
Twelve Months Ended 12/31/97	$ 591,000
Each fiscal Quarter Ending After 12/31/97	$ 100,000

In addition, if pursuant to Section 2 hereof Lessees obtain aggregate cash infusions in excess of Seven Hundred Thousand Dollars ($700,000) on or prior to August 15, 1997, then the Capital Expenditures limitation for the remainder of Lessees' 1997 Fiscal Year shall be increased by the amount by which such cash infusions exceed Seven Hundred Thousand Dollars ($700,000); provided, however, that Lessees will be permitted to make Capital Expenditures in such increased amount only if (a) for the thirty (30) days prior the making of each such Capital Expenditure and after giving effect thereto, the Maximum Revolving Loan Amount shall exceed the outstanding amount of the Revolving Loan by at least Two Hundred Thousand Dollars ($200,000) and (b) at the time any such Capital Expenditures are to be made no Default or Event of Default has occurred and is continuing or would result therefrom.

1.4 Fixed Charge Coverage.

Parent shall not permit Fixed Charge Coverage for each applicable period set forth below to be less than the ratio set forth below for such period (or if the ratio set forth below for any applicable period is negative, shall not permit Fixed Charge Coverage for such applicable period to be a larger negative ratio than that set forth below):

Applicable Period	Ratio
Three Months Ended 3/31/97	(1.20:1.0)
Four Months Ended 4/30/97	(.75:1.0)
Five Months Ended 5/31/97	(.45:1.0)
Six Months Ended 6/30/97	(.15:1.0)
Seven Months Ended 7/31/97	.05:1.0
Eight Months Ended 8/31/97	.25:1.0
Nine Months Ended 9/30/97	.45:1.0
Ten Months Ended 10/31/97	.60:1.0
Eleven Months Ended 11/30/97	.65:1.0

Twelve Months Ended 12/31/97	.70:1.0
Twelve Months ending on the last day of each fiscal month ending thereafter	1.0:1.0

In computing Fixed Charge Coverage for purposes hereof, (a) Capital Expenditures pursuant to Capital Leases permitted and Indebtedness paid by Perma-Fix, Inc. in connection with the sale of its Re-Tech division shall be excluded and (b) insurance proceeds or any benefit therefrom (if otherwise included) shall be excluded from net income.

CASH INFUSION Section 2.

Lessees shall obtain an infusion of at least Seven Hundred Thousand Dollars ($700,000) in unrestricted cash on a basis as set forth below, with an initial infusion of at least One Hundred Fifty Thousand Dollars ($150,000) to be obtained on or prior to June 15, 1997 and the balance to be obtained on or prior to August 15, 1997. Such cash may consist of insurance proceeds with regard to the accident at Lessees' Memphis, Tennessee facility and the vandalism at Lessees' Fort Lauderdale, Florida facility, proceeds of capital contributions, proceeds of stock or other securities offerings, other proceeds obtained in a manner approved by Heller Financial, Inc. in writing or some combination of the foregoing. On June 15, 1997 and August 15, 1997, Parent shall report to Lessor in writing as to Lessees' compliance (or failure to comply) with the foregoing covenant.

PROJECTIONS Section 3.

As soon as available and in any event no later than July 31 of each Fiscal Year, Parent will deliver consolidated and consolidating Projections of Parent and its Subsidiaries for the forthcoming Fiscal Year, month-by-month.

WAIVER OF EXISTING EVENTS OF DEFAULT Section 4.

Lessor hereby waives the Existing Events of Default; provided, however, that (i) such waivers and the amendments set forth in Section 1 hereof shall become void and of no further force or effect if (a) Parent's audited financial statements for its 1996 Fiscal Year evidence that Lessees' Fixed Charge Coverage for such Fiscal Year was less than .26:1.0 or that Lessees made Capital Expenditures in excess of $2,166,000 (calculated by including the principal portion of payments made during such period under or with respect to Capital Leases) for such Fiscal Year, (b) such financial statements differ in any material adverse respect from the draft thereof provided to Lessor, or (c) Lessees fail to deliver such audited financial statements to Lessor on or prior to April 16, 1997, accompanied by the unqualified opinion of Parent's accountants and (ii) such waivers shall not be, or be deemed to be, waivers of any other Defaults or Events of Default which may presently or hereafter exist, or (d) any payment defaults now exist or remain uncured for any period in excess of ten (10) days.

CONDITIONS PRECEDENT Section 5.

The amendments and waivers set forth herein shall not become effective unless and until each of the following conditions shall have been satisfied, as determined by Lessor in its sole discretion:

(a) The Lease Parties party thereto and Heller Financial, Inc. shall have entered into an amendment to the Heller Loan Agreement, in form and substance as previously provided to Lessor, pursuant to which all violations of the financial covenants set forth therein shall be waived and all such covenants applicable to future periods which correspond to the financial covenants amended hereby shall be amended so that such covenants are no more restrictive than the covenants set forth herein, as determined by Lessor in its sole discretion.

(b) Each of the Lease Parties shall have executed and delivered in favor of Lessor such additional Lease Documents and amendments to existing Loan Documents as Lesser shall deem to be necessary or appropriate in connection herewith.

(c) After giving effect to the waivers set forth in Section D hereof, no Default or Event of Default shall have occurred and be continuing.

(d) In consideration of the accommodations by Lessor to the Lease Parties contemplated hereby the Lease Parties shall have paid to Lessor a fee of $5,000, which fee shall be fully-earned on the date hereof and non-refundable, and shall be in addition to, and not in lieu of, all fees, interest and expenses payable by the Loan Parties under the Equipment Lease Agreement.

(e) Since December 31, 1996, there shall have occurred no material adverse change in the business, operations, financial conditions, profits or prospect of any Lease Party or in the Collateral, except for the explosion at Lessees' Memphis, Tennessee facility.

(f) Lessees shall have delivered to Lessor a draft of Parent's consolidated audited financial statements for its 1996 Fiscal Year and the same shall be satisfactory to Lessor in all respects.

EXHIBIT A

EXISTING EVENTS OF DEFAULT

1. Event of Default under Section 2 of Rider No. 2 of the Equipment Lease Agreement as a result of Parent's failure to deliver an accountant's report as to its and its Subsidiaries' financial statements for the fiscal year ending December 31, 1996 on or prior to March 31, 1997.

2. Events of Default under Section 1 of Rider No. 2 of the Equipment Lease Agreement as a result of Parent's failure to comply with the financial covenants set forth in Sections 1.3 (Capital Expenditures) and 1.4 (Fixed Charge Coverage) of the Equipment Leae Agreement for its Fiscal Year ending December 31, 1996 and its failure to comply with the financial covenant set forth in Section 1 of the Equipment Lease Agreement for the months of January, 1997 and February, 1997.

ISTE:\N-P\PESI\10K\1996\EXHIBIT4.14

AMENDMENT TO LEASE AGREEMENT

DATED April 14, 1997

This Amendment becomes a part of the Equipment Lease Agreement dated as of October 12, 1994, and the accompanied Rider No. 2, amended as of November 14, 1996, 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 Sections 1.2, 1.3 and 1.4 are further amended. All other conditions of the Equipment Lease Agreement including the August 16, 1996, and November 14, 1996, amendments remain in force and effect.

WITNESSETH THAT:

WHEREAS, certain Events of Default have occurred and are continuing under the Equipment Lease Agreement as described on Exhibit A-1 attached hereto (the "Existing Events of Default"); and

WHEREAS, Lessees have requested that Lessor waive the Existing Events of Default, amend the financial covenants set forth in Section 1 of the Equipment Lease Agreement in certain respects, and amend certain other provisions of the Equipment Lease Agreement as set forth hereinbelow; and

WHEREAS, pursuant to Lessees request and subject to all of the terms and conditions set forth herein (including, without limitation, payment by Lessees to Lessor of the fee described in Section 5 hereof), Lessor is willing to waive the existing Events of Default, and to amend the Equipment Lease Agreement in the manner hereinafter set forth; and

WHEREAS, Lessees and Lessor desire to enter into this Amendment in order to memorialize their mutual understandings in regard to the foregoing matters.

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

ALLY CAPITAL CORPORATION
AS LESSOR

By: /s/ Stephen Pickens

Name: Stephen M. Pickens
Title: Vice President

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

By: /s/ Louis Centofanti

Name: Louis F. Centofanti
Title: CEO

PERMA-FIX OF MEMPHIS INC.

By: /s/ Louis Centofanti

Name: Louis F. Centofanti
Title: CEO

PERMA-FIX OF FT. LAUDERDALE INC.

By: /s/ Louis Centofanti
_____

Name: Louis F. Centofanti
Title: CEO

PERMA-FIX OF DAYTON INC.

By: /s/ Louis Centofanti
_____

Name: Louis F. Centofanti
Title: CEO

PERMA-FIX TREATMENT SERVICES INC.

By: /s/ Louis Centofanti
_____

Name: Louis F. Centofanti
Title: CEO

EXHIBIT "A"

TO AMENDMENT TO LEASE AGREEMENT

Dated April 14, 1997

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 Section 1, as previously defined. Sections 1.2, 1.3, and 1.4 are hereby deleted in their entirety and the following revised sections substituted in lieu thereof. 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.

1.2 Minimum EBITDA.

Parent shall achieve an EBITDA of at least the amount set forth below for each applicable period set forth below (or with respect to each period for which a negative amount is set forth below, shall not permit EBITDA to be more negative than such amount):

Applicable Period	Amount
Three Months Ended 3/31/97	$(340,000)
Six Months Ended 6/30/97	$320,000
Nine Months Ended 9/30/97	$1,360,000

Twelve Months Ended 12/31/97 and for each twelve month period ending on the last day of each fiscal quarter thereafter	$2,275,000

1.3 Capital Expenditures Limits

The aggregate amount of all Capital Expenditures of Parent and its Subsidiaries (excluding trade-ins and excluding Capital Expenditures financed pursuant to Capital Leases permitted will not exceed the amount set forth below for each applicable period set forth below (on a cumulative basis for all periods ending on or prior to December 31, 1997):

Applicable Period	Amount
Three Months Ended 3/31/97	$ 266,000
Six Months Ended 6/30/97	$ 416,000
Nine Months Ended 9/30/97	$ 516,000
Twelve Months Ended 12/31/97	$ 591,000
Each fiscal Quarter Ending After 12/31/97	$ 100,000

In addition, if pursuant to Section 2 hereof Lessees obtain aggregate cash infusions in excess of Seven Hundred Thousand Dollars ($700,000) on or prior to August 15, 1997, then the Capital Expenditures limitation for the remainder of Lessees' 1997 Fiscal Year shall be increased by the amount by which such cash infusions exceed Seven Hundred Thousand Dollars ($700,000); provided, however, that Lessees will be permitted to make Capital Expenditures in such increased amount only if (a) for the thirty (30) days prior the making of each such Capital Expenditure and after giving effect thereto, the Maximum Revolving Loan Amount shall exceed the outstanding amount of the Revolving Loan by at least Two Hundred Thousand Dollars ($200,000) and (b) at the time any such Capital Expenditures are to be made no Default or Event of Default has occurred and is continuing or would result therefrom.

1.4 Fixed Charge Coverage.

Parent shall not permit Fixed Charge Coverage for each applicable period set forth below to be less than the ratio set forth below for such period (or if the ratio set forth below for any applicable period is negative, shall not permit Fixed Charge Coverage for such applicable period to be a larger negative ratio than that set forth below):

Applicable Period	Ratio
Three Months Ended 3/31/97	(1.20:1.0)
Four Months Ended 4/30/97	(.75:1.0)
Five Months Ended 5/31/97	(.45:1.0)
Six Months Ended 6/30/97	(.15:1.0)
Seven Months Ended 7/31/97	.05:1.0
Eight Months Ended 8/31/97	.25:1.0
Nine Months Ended 9/30/97	.45:1.0
Ten Months Ended 10/31/97	.60:1.0
Eleven Months Ended 11/30/97	.65:1.0

Twelve Months Ended 12/31/97	.70:1.0
Twelve Months ending on the last day of each fiscal month ending thereafter	1.0:1.0

In computing Fixed Charge Coverage for purposes hereof, (a) Capital Expenditures pursuant to Capital Leases permitted and Indebtedness paid by Perma-Fix, Inc. in connection with the sale of its Re-Tech division shall be excluded and (b) insurance proceeds or any benefit therefrom (if otherwise included) shall be excluded from net income.

CASH INFUSION Section 2.

Lessees shall obtain an infusion of at least Seven Hundred Thousand Dollars ($700,000) in unrestricted cash on a basis as set forth below, with an initial infusion of at least One Hundred Fifty Thousand Dollars ($150,000) to be obtained on or prior to June 15, 1997 and the balance to be obtained on or prior to August 15, 1997. Such cash may consist of insurance proceeds with regard to the accident at Lessees' Memphis, Tennessee facility and the vandalism at Lessees' Fort Lauderdale, Florida facility, proceeds of capital contributions, proceeds of stock or other securities offerings, other proceeds obtained in a manner approved by Heller Financial, Inc. in writing or some combination of the foregoing. On June 15, 1997 and August 15, 1997, Parent shall report to Lessor in writing as to Lessees' compliance (or failure to comply) with the foregoing covenant.

PROJECTIONS Section 3.

As soon as available and in any event no later than July 31 of each Fiscal Year, Parent will deliver consolidated and consolidating Projections of Parent and its Subsidiaries for the forthcoming Fiscal Year, month-by-month.

WAIVER OF EXISTING EVENTS OF DEFAULT Section 4.

Lessor hereby waives the Existing Events of Default; provided, however, that (i) such waivers and the amendments set forth in Section 1 hereof shall become void and of no further force or effect if (a) Parent's audited financial statements for its 1996 Fiscal Year evidence that Lessees' Fixed Charge Coverage for such Fiscal Year was less than .26:1.0 or that Lessees made Capital Expenditures in excess of $2,166,000 (calculated by including the principal portion of payments made during such period under or with respect to Capital Leases) for such Fiscal Year, (b) such financial statements differ in any material adverse respect from the draft thereof provided to Lessor, or (c) Lessees fail to deliver such audited financial statements to Lessor on or prior to April 16, 1997, accompanied by the unqualified opinion of Parent's accountants and (ii) such waivers shall not be, or be deemed to be, waivers of any other Defaults or Events of Default which may presently or hereafter exist, or (d) any payment defaults now exist or remain uncured for any period in excess of ten (10) days.

CONDITIONS PRECEDENT Section 5.

The amendments and waivers set forth herein shall not become effective unless and until each of the following conditions shall have been satisfied, as determined by Lessor in its sole discretion:

(a) The Lease Parties party thereto and Heller Financial, Inc. shall have entered into an amendment to the Heller Loan Agreement, in form and substance as previously provided to Lessor, pursuant to which all violations of the financial covenants set forth therein shall be waived and all such covenants applicable to future periods which correspond to the financial covenants amended hereby shall be amended so that such covenants are no more restrictive than the covenants set forth herein, as determined by Lessor in its sole discretion.

(b) Each of the Lease Parties shall have executed and delivered in favor of Lessor such additional Lease Documents and amendments to existing Loan Documents as Lesser shall deem to be necessary or appropriate in connection herewith.

(c) After giving effect to the waivers set forth in Section D hereof, no Default or Event of Default shall have occurred and be continuing.

(d) In consideration of the accommodations by Lessor to the Lease Parties contemplated hereby the Lease Parties shall have paid to Lessor a fee of $5,000, which fee shall be fully-earned on the date hereof and non-refundable, and shall be in addition to, and not in lieu of, all fees, interest and expenses payable by the Loan Parties under the Equipment Lease Agreement.

(e) Since December 31, 1996, there shall have occurred no material adverse change in the business, operations, financial conditions, profits or prospect of any Lease Party or in the Collateral, except for the explosion at Lessees' Memphis, Tennessee facility.

(f) Lessees shall have delivered to Lessor a draft of Parent's consolidated audited financial statements for its 1996 Fiscal Year and the same shall be satisfactory to Lessor in all respects.

EXHIBIT A

EXISTING EVENTS OF DEFAULT

1. Event of Default under Section 2 of Rider No. 2 of the Equipment Lease Agreement as a result of Parent's failure to deliver an accountant's report as to its and its Subsidiaries' financial statements for the fiscal year ending December 31, 1996 on or prior to March 31, 1997.

2. Events of Default under Section 1 of Rider No. 2 of the Equipment Lease Agreement as a result of Parent's failure to comply with the financial covenants set forth in Sections 1.3 (Capital Expenditures) and 1.4 (Fixed Charge Coverage) of the Equipment Leae Agreement for its Fiscal Year ending December 31, 1996 and its failure to comply with the financial covenant set forth in Section 1 of the Equipment Lease Agreement for the months of January, 1997 and February, 1997.

ISTE:\N-P\PESI\10K\1996\EXHIBIT4.14

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT ("Agreement") is entered into this 11th day of June, 1996, by and between PERMA-FIX ENVIRONMENTAL SERVICES, INC., a Delaware corporation ("PESI"), and DR. LOUIS F. CENTOFANTI, an individual ("Centofanti").

W I T N E S S E T H:

WHEREAS, Centofanti is the Chairman of the Board and President of PESI;

WHEREAS, PESI's lender has agreed to provide PESI with certain additional financing and certain waivers to the Company's Loan Agreement if, among other things, Centofanti invests an additional $100,000 into PESI;

WHEREAS, Centofanti and PESI have negotiated this Agreement in which Centofanti would acquire 76,190 shares of PESI Common Stock for $100,000, which is seventy-five percent (75%) of the closing bid price of each share of PESI Common Stock as quoted on the Nasdaq on the date hereof;

WHEREAS, the closing bid price of the PESI Common Stock was $1.75, as reported on the Nasdaq as of June 11, 1996;

WHEREAS, Centofanti desires to purchase seventy-six thousand one hundred ninety (76,190) shares of PESI Common Stock, par value $.001 per share, and PESI desires to sell to Centofanti such shares of Common Stock, upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises and the respective covenants and agreements contained herein, the parties hereto agree as follows:

1. Purchase and Sale.

    1.1 Purchase of Shares. Subject to the terms and conditions of this Agreement, Centofanti hereby purchases seventy-six thousand one hundred ninety (76,190) shares of PESI Common Stock (the "Shares"), and PESI hereby issues and delivers the Shares to Centofanti.

    1.2 Purchase Price; Payment of Purchase Price. The per share purchase price of the Shares shall be $1.3125, calculated at seventy-five percent (75%) of $1.75 (the closing bid price of the Common Stock on June 11, 1996, as reported on the National Association of Securities Dealers Automated Quotation System ("Nasdaq")). In consideration for the Shares, Centofanti hereby tenders to the Company One Hundred Thousand Dollars ($100,000.00).

2. Representations and Warranties of Centofanti. Centofanti represents and warrants as follows:

    2.1 Purchase for Investment. Centofanti is acquiring, or will acquire, the Shares to hold for investment, with no present intention of dividing Centofanti's participation with others or reselling or otherwise participating, directly or indirectly, in a

distribution thereof, and not with a view to or for sale in connection with any distribution thereof, except pursuant to a registration statement under the Securities Act of 1933, as amended (the "Securities Act"), and any applicable state securities laws, or a transaction exempt from registration thereunder, and shall not make any sale, transfer or other disposition of the Shares in violation of any applicable state securities laws, including in each instance any applicable rules and regulations promulgated thereunder, or in violation of the Securities Act or the rules and regulations promulgated thereunder by the Securities and Exchange Commission (the "SEC").

2.2 No Registration. Centofanti acknowledges that the Shares are not being registered under any state securities laws, and are not being registered under the Securities Act on the ground that this transaction is exempt from registration under Section 3(b) and/or 4(2) of the Securities Act, and that reliance by PESI on such exemptions is predicated in part on Centofanti's representations set forth herein.

2.3 Restricted Transfer. Centofanti agrees that PESI may refuse to permit the sale, transfer or disposition of any of the Shares received by Centofanti unless there is in effect a registration statement under the Securities Act and any applicable state securities law covering such transfer or Centofanti furnishes an opinion of counsel or other evidence, reasonably satisfactory to counsel for PESI, to the effect that such registration is not required.

2.4 Legend. Centofanti understands and agrees that stop transfer instructions will be given to PESI's transfer agent and that there will be placed on the certificate or certificates for any of the Shares received by Centofanti, any substitutions therefor and any certificates for any additional shares which might be distributed with respect to such Shares, a legend stating in substance:

> "The shares of stock evidenced by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933, as amended (the Securities Act"). These shares may not be sold or transferred except pursuant to an effective registration statement under the Securities Act and any applicable state securities laws unless there is furnished to the issuer an opinion of counsel or other evidence, reasonably satisfactory to the issuer's counsel, to the effect that such registration is not required."

2.5 Indefinite Holding Period. Centofanti understands that under the Securities Act, the Shares received by Centofanti must be held indefinitely unless they are subsequently registered under the Securities Act or unless an exemption from such registration is available with respect to any proposed transfer or disposition of such shares.

2.6 Rule 144 Compliance. Centofanti understands that PESI is required to file periodic reports with the SEC and

that certain sales of the Shares received by Centofanti may be exempt from registration under the Securities Act by virtue of Rule 144 promulgated by the SEC under the Securities Act, provided that such sales are made in accordance with all of the terms and conditions of that Rule including compliance with the required two-year holding period. Centofanti further understands that if Rule 144 is not available for sales of the Shares received by Centofanti, such Shares may not be sold without registration under the Securities Act or compliance with some other exemption from such registration, and that PESI has no obligation to register the Shares received by Centofanti or take any other action necessary in order to make compliance with an exemption from registration available.

2.7 Sophisticated Investor. Centofanti, as President and Chairman of the Board of PESI, possesses extensive knowledge as to the business and operation of PESI and has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the acquisition of the Shares.

3. Representations and Warranties of PESI. PESI represents and warrants as follows:

3.1 Organization and Standing. PESI is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

3.2 Power, Authority and Validity. PESI has full right, power and corporate authority to enter into this Agreement and to perform the transactions contemplated hereby, and this Agreement is valid and binding upon and enforceable against PESI in accordance with its terms. The execution, delivery and the performance of this Agreement by PESI has been duly and validly authorized and approved by all requisite action on the part of PESI and Buyer.

3.3 Status of PESI Common Stock. The PESI Common Stock to be issued pursuant to this Agreement, when so issued, will be duly and validly authorized and issued, fully paid and nonassessable.

4. Miscellaneous.

4.1 Notices. All notices, requests, demands, and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if delivered or mailed, first-class postage prepaid, to the following at the addresses indicated:

To PESI: Perma-Fix Environmental Services, Inc.
1940 Northwest 67th Place
Gainesville, Florida 32606-1649

To Centofanti: Dr. Louis F. Centofanti
Perma-Fix Environmental Services, Inc.
6075 Roswell, Suite 602
Atlanta, Georgia 30328

or to any other address that PESI or Centofanti shall designate in writing.

4.2 Brokers. Each party represents and warrants that all negotiations related to this Agreement have been carried on by the parties without the intervention of any broker. Each party agrees to indemnify, and hold the other party harmless against any claims for fees or commissions employed or alleged to have been employed by such party.

4.3 Amendment. This Agreement shall not be amended, altered or terminated except by a writing executed by each party.

4.4 Governing Law. This Agreement shall be governed in all respects by the law of the State of Delaware.

4.5 Headings. The paragraph headings used in this Agreement are included solely for convenience, and shall not in any way affect the meaning or interpretation of this Agreement.

4.6 Entire Agreement. This Agreement sets forth the entire understanding of the parties; further, this Agreement shall supersede and/or replace any oral or written Agreements relating to this subject matter entered into by the parties before the date of this Agreement.

4.7 Binding Effect. This Agreement shall be binding on and inure to the benefit of, and be enforceable by, the respective heirs, legal representatives, successors, and assigns of the parties pursuant to its terms.

PESI and Centofanti have executed this Agreement as of the 11th day of June, 1996.

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

By: /s/ Richard T. Kelecy
_____

Name: Richard T. Kelecy
_____

Title: Chief Financial Officer
_____

/s/ Louis F. Centofanti
_____

DR. LOUIS F. CENTOFANTI, individually

Exhibit 22.1

LIST OF SUBSIDIARIES OF PERMA-FIX ENVIRONMENTAL SERVICES, INC.
(THE "COMPANY")

Industrial Waste Management, Inc. ("IWM"), a Missouri corporation, is a 100% owned subsidiary of the Company.

Schreiber, Grana & Yonley, Inc. ("SG&Y"), a Missouri corporation, is a 100% owned subsidiary of IWM.

Mintech, Inc., an Oklahoma corporation, is a 100% owned subsidiary of PFI.

Reclamation Systems, Inc., an Oklahoma corporation, is a 100% owned subsidiary of PFI.

Perma-Fix, Inc. ("PFI"), an Oklahoma corporation, is a 100% owned subsidiary of the Company.

Perma-Fix of New Mexico, Inc., a New Mexico corporation, is a 100% owned subsidiary of PFI.

Perma-Fix Treatment Services, Inc. ("PFTS"), an Oklahoma corporation, is a 100% owned subsidiary of the Company.

Perma-Fix of Memphis, Inc. ("PFM"), a Tennessee corporation, is a 100% owned subsidiary of the Company.

Perma-Fix of Dayton, Inc. ("PFD"), an Ohio corporation, is a 100% owned subsidiary of the Company.

Perma-Fix of Florida, Inc. ("PFF"), a Florida corporation, is a 100% owned subsidiary of the Company.

Perma-Fix of Fort Lauderdale, Inc. ("PFL"), a Florida corporation, is a 100% owned subsidiary of the Company.

CONSENT OF CERTIFIED PUBLIC ACCOUNTANTS

As independent certified public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statement File No. 333-14513.

/s/ Arthur Andersen LLP

Jacksonville, Florida
April 14, 1997

CONSENT OF CERTIFIED PUBLIC ACCOUNTANTS

As independent certified public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statement File No. 333-14513.

/s/ Arthur Andersen LLP

Jacksonville, Florida
April 14, 1997

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