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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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Form 10-K/A  
Amendment No. 1

[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

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.

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(Exact Name of Registrant as Specified in its Charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

58-1954497  
(IRS Employer Identification Number)

1940 N.W. 67th Place  
Gainesville, FL  
(Address of Principal Executive Offices)

32653  
(Zip Code)

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

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

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  No

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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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This amendment No.1 amends Items 8 and 14 of the registrant's Form 10-K for the fiscal year ending December 31, 1996, as a result of BDO Seidman, LLP performing reaudits of the Company's financial statements for the years ended December 31, 1994 and 1995, and replacing the opinion for the Company's financial statements for the fiscal years ended December 31, 1994 and 1995 performed by Arthur Anderson, LLP with the reaudits for such periods performed by BDO Seidman, LLP.

PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

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II Valuation and Qualifying Accounts for the years ended December 31, 1996, 1995 and 1994	35
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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 sheets of Perma-Fix Environmental Services, Inc. and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. 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 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Perma-Fix Environmental Services, Inc. and subsidiaries at December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

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

BDO Seidman, LLP

Orlando, Florida  
September 11, 1997, except  
Note 15 which is as of October 7, 1997

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<TABLE>  
<CAPTION>

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

(Amounts in Thousands,  
Except for Share Amounts)

1996

1995

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<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
	<hr/>	<hr/>
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
	<hr/>	<hr/>
	17,197	16,348
Less accumulated depreciation	(1,593)	(3,378)
	<hr/>	<hr/>
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
	<hr/>	<hr/>
Total assets	\$ 29,036	\$ 28,873
	=====	=====

</TABLE>

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

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<TABLE>

<CAPTION>

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

(Amounts in Thousands,

Except for Share Amounts)

1996

1995

<S>

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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	<u>8,016</u>	<u>15,715</u>
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	<u>8,435</u>	<u>5,220</u>
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)
	<u>14,355</u>	<u>7,938</u>
Less Common Stock in treasury at cost; 920,000 and 0 shares issued and outstanding, respectively	(1,770)	-
Total stockholders' equity	<u>12,585</u>	<u>7,938</u>
Total liabilities and stockholders' equity	<u>\$ 29,036</u> =====	<u>\$ 28,873</u> =====

</TABLE>

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

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<TABLE>

<CAPTION>

PERMA-FIX ENVIRONMENTAL SERVICES, INC.  
CONSOLIDATED 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	<u>21,934</u>	<u>26,564</u>	<u>22,301</u>

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	<u>(71)</u>	<u>(7,935)</u>	<u>(1,069)</u>
Other income (expense):			
Interest income	65	70	65
Interest expense	(812)	(952)	(373)
Other	558	(235)	(109)
Net loss before provision for income taxes	<u>(260)</u>	<u>(9,052)</u>	<u>(1,486)</u>
Provision for income taxes	-	-	30
Net loss	<u>(260)</u>	<u>(9,052)</u>	<u>(1,516)</u>
Preferred stock dividends	145	-	-
Net loss applicable to Common Stock	<u>\$ (405)</u>	<u>\$ (9,052)</u>	<u>\$ (1,516)</u>
Net loss per common share	<u>\$ (.05)</u>	<u>\$ (1.15)</u>	<u>\$ (.25)</u>
Weighted average number of common and common equivalent shares outstanding	<u>8,761</u>	<u>7,872</u>	<u>5,988</u>

</TABLE>

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

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<TABLE>  
<CAPTION>

PERMA-FIX ENVIRONMENTAL SERVICES, INC.  
CONSOLIDATED 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)
	<u>          </u>	<u>          </u>	<u>          </u>
Net cash provided by (used in) operations	<u>(1,291)</u>	<u>62</u>	<u>(2,418)</u>
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
	<u>          </u>	<u>          </u>	<u>          </u>
Net cash provided by (used in) investing activities	<u>(963)</u>	<u>(2,759)</u>	<u>829</u>
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)	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Net cash provided by financing activities	2,098	2,408	2,030
	<u>          </u>	<u>          </u>	<u>          </u>
(Decrease) increase in cash and cash equivalents	(156)	(289)	441
Cash and cash equivalents at beginning of period	201	490	49
	<u>          </u>	<u>          </u>	<u>          </u>
Cash and cash equivalents at end of period	\$ 45	\$ 201	\$ 490
	<u>          </u>	<u>          </u>	<u>          </u>

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	-	228

</TABLE>

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

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<TABLE>

<CAPTION>

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

(Amounts in Thousands, Except for Share Amounts)	Preferred Stock		Common Stock	
	Shares	Amount	Shares	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			<u>7,872,384</u>	<u>8</u>
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	<u>5,500</u>	<u>\$ -</u>	<u>10,399,947</u>	<u>\$ 10</u>
	=====	=====	=====	=====

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

-	-	-	(1,770)	-
<u>\$ 140</u>	<u>\$28,495</u>	<u>\$ (14,290)</u>	<u>\$ (1,770)</u>	<u>\$ -</u>
=====	=====	=====	=====	=====

</TABLE>

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

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

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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.

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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.

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## 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.

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#### 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.

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#### 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

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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 totaled \$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.

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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 totaled 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 September 11, 1997, the holder of the Series 3 Preferred has converted 1,500 shares 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.

<TABLE>  
<CAPTION>

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NOTE 5  
LONG-TERM DEBT

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
	<hr/> 6,360	<hr/> 8,478
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
	<hr/> \$ 4,881	<hr/> \$ 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

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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 the Sixth Amendment, the Company was obligated to raise an additional \$700,000 on or before August 15, 1997, of which \$150,000 was to be received by June 15, 1997. During the second quarter of 1997 and July, 1997, the Company fully satisfied this covenant obligation, having raised approximately \$3,042,000 principally through insurance proceeds with regard to the vandalism at the Perma-Fix of Ft. Lauderdale, Inc. ("PFL") facility in 1996 and from the issuance of the 2,500 shares of newly-created Series 4 Class D Convertible Preferred Stock ("Series 4 Preferred"), as further discussed in Note 15 to Notes to Consolidated Financial Statements, and the issuance of 350 shares of newly created Series 5 Class E Convertible Preferred Stock ("Series 5 Preferred"), as further discussed in Note 6 to Notes to Consolidated Financial Statements.

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 totaled \$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.

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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 coverage" and "capital expenditures" financial covenants 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, 1996 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.

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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
	<u>\$2,860</u>	<u>\$2,951</u>
	=====	=====

</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 totaling \$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.

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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	\$ -	\$ -	\$ 30
	=====	=====	=====

</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 \$7,800,000 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.

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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 \$924,000. 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 \$297,000. 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, the President, Chief Executive Officer, Chairman of the Board 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

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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 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. 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

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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

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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%.

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:

<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>

<TABLE>

<CAPTION>

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
				20
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
	<u>          </u>		<u>          </u>	
Balance at end of year	475,395	1.68	263,995	3.17
	<u>          </u>		<u>          </u>	
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	-	-	-	-
	<u>          </u>		<u>          </u>	
Balance at end of year	145,000	2.76	110,000	3.08
	<u>          </u>		<u>          </u>	
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>

<TABLE>

<CAPTION>

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

Description and Range of	Options Outstanding		
	Number Outstanding at	Weighted Average Remaining Contractual	Weighted Average Exercise

Exercise Price	Dec. 31, 1996	Life	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
	<u>316,226</u>		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
	<u>475,395</u>		1.68
	=====		

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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
	<u>145,000</u>		2.76
	=====		

Options Exercisable

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

<TABLE>

<CAPTION>

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.

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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. This matter was settled on August 29, 1997. PFM and Dowdy each agreed to pay the plaintiff \$45,000 in exchange for a full and complete release and dismissal of the above matter.

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

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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.

#### Expansion of PFD Facility

The Company is in the process of expanding the PFD waste management facility. The expansion is expected to be completed during the Fourth Quarter of 1997 at an estimated additional cost of approximately \$300,000.

#### 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.

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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.

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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.

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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.

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<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

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

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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".

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NOTE 14

NONRECURRING CHARGES

During 1995, the Company recorded several nonrecurring charges totaling \$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 totaling approximately \$94,000 and certain liabilities totaling 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.

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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

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\$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. Such occurrence was caused by welding activity performed by employees of an independent contractor at or near the facility's hazardous waste tank farm contrary to instructions by PFM. The facility was non-operational from the date of this event until May, 1997, at which time it began limited operations. 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. The extent of PFM's activities at the facility is 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. The Company has settled its property and contents claim for \$522,000. The Company is in the process of determining the amount of business interruption insurance that may be recoverable by PFM as a result thereof.

On or about June 11, 1997, the Company issued to RBB Bank Aktiengesellschaft, located in Graz, Austria ( RBB Bank"), 2,500 shares of newly-created Series 4 Class D Convertible Preferred Stock, par value \$.001 per share ("Series 4 Preferred"), at a price of \$1,000 per share, for an aggregate sales price of \$2,500,000. The sale to RBB Bank was made in a private placement under Rule 506 of Regulation D under the Securities Acts of 1933, as amended, pursuant to the terms of a Subscription and Purchase Agreement, dated June 9, 1997, between the Company and RBB Bank ("Subscription Agreement"). The Series 4 Preferred has a liquidation preference over the Company's Common Stock, par value \$.001 per share ("Common Stock"), equal to \$1,000 consideration per outstanding share of Series 4 Preferred (the "Liquidation Value"), plus an amount equal to all unpaid dividends accrued thereon. The Series 4 Preferred accrues dividends on a cumulative basis at a rate of four percent (4%) per annum of the Liquidation Value ("Dividend Rate"), and is payable semi-annually when and as declared by the Board of Directors. No dividends or other distributions may be paid or declared or set aside for payment on the Company's Common Stock until all accrued and unpaid dividends on all outstanding shares of Series 4 Preferred have been paid or set aside for payment. Dividends shall be paid, at the option of the Company, in the form of cash or Common Stock of the Company. If the Company pays dividends in Common Stock, such is payable in the number of shares of Common Stock equal to the product of (a) the quotient of (i) four percent (4%) of \$1,000 divided by (ii) the average of the closing bid quotation of the Common Stock as reported on the NASDAQ for the five trading days immediately prior to the applicable dividend declaration date, times (b) a fraction, the numerator of which is the number of days elapsed during the period for which the dividend is to be paid and the denominator of which is 365.

The holder of the Series 4 Preferred may convert into Common Stock up to 1,250 shares of the Series 4 Preferred on and after October 5, 1997, and the remaining 1,250 shares of the Series 4 Preferred on and after November 5, 1997. The conversion price per share is the lesser of (a) the product of the average closing bid quotation for the five (5) trading days immediately preceding the conversion date multiplied by eighty percent (80%) or (b) \$1.6875. The minimum conversion price is \$.75, which minimum will be eliminated from and after September 6, 1998. The Company will have the option to redeem the shares of Series 4 Preferred (a) between June 11, 1998, and June 11, 2001, at a redemption price of \$1,300 per share if at

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any time the average closing bid price of the Common Stock for ten consecutive trading days is in excess of \$4.00, and (b) after June 11, 2001, at a redemption price of \$1,000 per share. The holder of the Series 4 Preferred will have the option to convert the Series 4 Preferred prior to redemption by the Company.

As part of the sale of the Series 4 Preferred, the Company also issued to RBB Bank two Common Stock purchase warrants (collectively, the "Warrants ") entitling RBB Bank to purchase, after December 31, 1997 and until June 9, 2000, an aggregate of up to 375,000 shares of Common Stock, subject to certain anti-dilution provisions, with 187,500 shares exercisable at a price equal to \$2.10 per share and 187,500 shares exercisable at a price equal to \$2.50 per share. A certain number of shares of Common Stock issuable on the conversion of the Series 4 Preferred and on the exercise of the Warrants is subject to certain registration rights pursuant to the Subscription Agreement.

The Company paid fees (excluding legal and accounting) of \$200,000 in connection with the placement of Series 4 Preferred to RBB Bank and issued to the investment banking firm that handled the placement two (2) Common Stock purchase warrants entitling the investment banking firm to purchase an aggregate of up to 300,000 shares of Common Stock, subject to certain

anti-dilution provisions, with one warrant for a five year term to purchase up to 200,000 shares at an exercise price of \$2.00 per share and the second warrant for a three year term to purchase up to 100,000 shares of Common Stock at an exercise price of \$1.50 per share, subject to certain anti-dilution provisions. Under the terms of each warrant, the investment banking firm is entitled to certain registration rights with respect to the shares of Common Stock issuable on the exercise of each warrant.

As of the date of this Form 10-K/A, the Company is negotiating an Exchange Agreement with RBB Bank ("RBB Exchange Agreement") which is anticipated to provide that the 2,500 shares of Series 4 Preferred and the RBB Series 4 Warrants will be tendered to the Company in exchange for (i) 2,500 shares of a newly created Series 6 Class F Preferred Stock, par value \$.001 per share ("Series 6 Preferred"), (ii) two warrants each to purchase 187,500 shares of Common Stock exercisable at \$1.8125 per share, and (iii) one warrant to purchase 281,250 shares of Common Stock exercisable at \$2.125 per share (collectively, the "RBB Series 6 Warrants"). The RBB Series 6 Warrants will be for a term of three (3) years and may be exercised at any time after December 31, 1997, and until June 9, 2000.

As contemplated, the conversion price of the Series 6 Preferred shall be \$1.8125 per share, unless the closing bid quotation of the Common Stock is lower than \$2.50 in twenty (20) out of any thirty (30) consecutive trading days after March 1, 1998, in which case, the conversion price per share shall be the lesser of (A) the product of the average closing bid quotation for the five (5) trading days immediately preceding the conversion date multiplied by eighty percent (80%) or (B) \$1.8125 with the minimum conversion price being \$.75, which minimum will be eliminated from and after September 6, 1998. It is contemplated the remaining terms of the Series 6 Preferred will be substantially the same as the terms of the Series 4 Preferred.

The RBB Exchange Agreement has not been entered into by the parties and it is subject to change pending the approval by the Company and RBB Bank of definitive documents. No assurances can be made that the RBB Exchange Agreement will be consummated in its contemplated form as of the date of this Form 10-K/A or at all.

On or about July 14, 1997, the Company issued to the Infinity Fund. L.P. ("Infinity"), 350 shares of newly-created Series 5 Class E Convertible Preferred Stock, par value \$.001 per share ("Series 5 Preferred"), at a price of \$1,000 per share, for an aggregate sales price of \$350,000. The sale to Infinity was made in a private placement under Rule 506 of Regulation D under the Securities Acts of 1933, as amended, pursuant to the terms of a Subscription and Purchase Agreement, dated July 7, 1997,

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between the Company and Infinity ("Infinity Subscription Agreement"). The Company intends to utilize the proceeds received on the sale of Series 5 Preferred for the payment of debt and general working capital.

The Series 5 Preferred has a liquidation preference over the Company's Common Stock, par value \$.001 per share ("Common Stock"), equal to \$1,000 consideration per outstanding share of Series 5 Preferred (the "Liquidation Value"), plus an amount equal to all unpaid dividends accrued thereon. The Series 5 Preferred accrues dividends on a cumulative basis at a rate of four percent (4%) per annum of the Liquidation Value ("Dividend Rate"). Dividends are payable semi-annually when and as declared by the Board of Directors. No dividends or other distributions may be paid or declared or set aside for payment on the Company's Common Stock until all accrued and unpaid dividends on all outstanding shares of Series 5 Preferred have been paid or set aside for payment. Dividends may be paid, at the option of the Company, in the form of cash or Common Stock of the Company. If the Company pays dividends in Common Stock, such is payable in the number of

shares of Common Stock equal to the product of (a) the quotient of (i) the Dividend Rate divided by (ii) the average of the closing bid quotation of the Common Stock as reported on the NASDAQ for the five trading days immediately prior to the date the dividend is declared, multiplied by (b) a fraction, the numerator of which is the number of days elapsed during the period for which the dividend is to be paid and the denominator of which is 365.

The holder of the Series 5 Preferred may convert into Common Stock up to 175 shares of the Series 5 Preferred on and after November 3, 1997, and the remaining 175 shares of the Series 5 Preferred on and after December 3, 1997. The conversion price per share is the lesser of (a) the product of the average closing bid quotation for the five trading days immediately preceding the conversion date multiplied by 80% or (b) \$1.6875. The minimum conversion price is \$.75, which minimum will be eliminated from and after September 6, 1998. The Company will have the option to redeem the shares of Series 5 Preferred (a) between July 14, 1998, and July 13, 2001, at a redemption price of \$1,300 per share if at any time the average closing bid price of the Common Stock for ten consecutive trading days is in excess of \$4.00, and (b) after July 13, 2001, at a redemption price of \$1,000 per share. The holder of the Series 5 Preferred will have the option to convert the Series 5 Preferred prior to redemption by the Company. A certain number of shares of Common Stock issuable upon conversion of the Series 5 Preferred is subject to certain registration rights pursuant to the Infinity Subscription Agreement.

As of the date of this Form 10-K/A, the Company is negotiating an Exchange Agreement with Infinity ( Infinity Fund Exchange Agreement ) which is anticipated to provide that the 350 shares of Series 5 Preferred will be tendered to the Company in exchange for (i) 350 shares of a newly created Series 7 Class G Preferred Stock, par value \$.001 per share ("Series 7 Preferred"), and (ii) one Warrant to purchase up to 35,000 shares of Common Stock exercisable at \$1.8125 per share ("Series 7 Warrant"). The Series 7 Warrant will be for a term of three (3) years and may be exercised at any time after December 31, 1997, and until July 7, 2000.

As contemplated, the conversion price of the Series 7 Preferred shall be \$1.8125 per share, unless the closing bid quotation of the Common Stock is lower than \$2.50 per share in twenty (20) out of any thirty (30) consecutive trading days after March 1, 1998, in which case, the conversion price per share shall be the lesser of (i) the product of the average closing bid quotation for the five (5) trading days immediately preceding the conversion date multiplied by eighty percent (80%) or (ii) \$1.8125, with the minimum conversion price being \$.75, which minimum will be eliminated from and after September 6, 1998. It is contemplated that the remaining terms of the Series 7 Preferred will be substantially the same as the terms of the Series 5 Preferred.

The Infinity Fund Exchange Agreement has not been entered into by the parties and is subject to change pending the approval by the Company and Infinity of definitive documents. No assurance can be made that the

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Infinity Fund Exchange Agreement will be consummated in its contemplated form as of the date of this Form 10-K/A or at all.

On June 30, 1997, the Company entered into a Stock Purchase Agreement ("Centofanti Agreement") with Dr. Louis F. Centofanti, whereby the Company sold, and Dr. Centofanti purchased, 24,381 shares of the Company's Common Stock. The purchase price was \$1.6406 per share representing 75% of the \$2.1875 closing bid price of the Common Stock as quoted on the NASDAQ on the date that Dr. Centofanti notified the Company of his desire to

purchase such shares. Pursuant to the terms of the Centofanti Agreement, Dr. Centofanti is to pay the Company the aggregate purchase price of \$40,000 for the 24,381 shares of Common Stock. Dr. Centofanti purchased 12,190 shares, during July for \$20,000, and during October, the Agreement was amended to reduce the number of shares of Common Stock that Dr. Centofanti is to acquire under the Centofanti Agreement to the 12,190 shares already acquired by Dr. Centofanti under the Centofanti Agreement, upon consideration of the certain recent accounting pronouncements related to stock based compensation. The sale of the shares pursuant to the Centofanti Agreement and its subsequent amendment dated October 7, 1997, for the sale of 12,190 shares were authorized by the Company's Board of Directors.

On July 30, 1997, the Company entered into a Stock Purchase Agreement ("Gorlin Agreement") with Mr. Steve Gorlin, a Director of the Company, whereby the Company sold, and Mr. Gorlin agreed to purchase, 200,000 shares of the Company's Common Stock. The purchase price was \$2.125 per share representing the closing bid price of the Common Stock as quoted on the NASDAQ on July 30, 1997. Pursuant to the terms of the Gorlin Agreement, Mr. Gorlin agreed to pay the Company the aggregate purchase price of \$425,000 for the 200,000 shares of Common Stock. Mr. Gorlin agreed to tender \$425,000 during August, 1997, however, pursuant to an amendment to the Gorlin Agreement, which was entered into on October 7, 1997, the payment schedule was modified such that Mr. Gorlin agreed to tender the \$425,000 on or before November 30, 1997. In order to induce Mr. Gorlin to enter into the amendment to the Gorlin Agreement, and to purchase the Common Stock on the terms and subject to the conditions thereof, PESI agreed to issue a three (3) year Warrant to Mr. Gorlin for the purchase of 100,000 shares of Common Stock at \$2.40 per share.

In consideration of certain investment banking services as performed for the Company, a warrant was issued to J.W. Charles Financial Services, Inc. ("Charles") during September 1996. This warrant was subsequently assigned by Charles to certain partners, officers or broker and, during July 1997, one of the assigned warrants was exercised which resulted in the issuance of 155,000 shares of the Company's Common Stock and raised \$232,000 in equity or capital for the Company.

In March 1997, the Financial Accounting Standards Board issued a Statement of Financial Accounting Standards No. 128, Earnings per Share, (FAS 128). FAS 128, which is effective for financial statements issued for periods ending after December 15, 1997, simplifies the standards for computing earnings per share and makes them comparable to international earnings per share standards. This statement replaces the presentation of primary EPS and fully diluted EPS with a presentation of basic EPS and diluted EPS, respectively. Basic EPS excludes dilution and is computed by dividing earnings available to Common Stockholders by the weighted-average number of common shares outstanding for the period. Similar to fully diluted EPS, diluted EPS reflects the potential dilution of securities that could share in the earnings. This statement is not expected to have a material effect on the Company's reported earnings per share amounts.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income, (FAS 130) and No. 131, Disclosure about Segments of an Enterprise and Related Information, (FAS 131). FAS 130 establishes standards for reporting and displaying comprehensive income, its components and accumulated balances. FAS 131 establishes standards for the way that public companies report information about operating segments in annual

financial statements and requires reporting of selected information about operating segments in interim financial statements issued to the public. Both FAS 130 and FAS 131 are effective for periods beginning after

December 15, 1997. The Company has not determined the impact that the adoption of these new accounting standards will have on its future financial statements and disclosures.

On October 1, 1997, Dr. Centofanti entered into a three (3) year Employment Agreement with the Company which provided for, among other things, an annual salary of \$110,000 and the issuance of Non-Qualified Stock Options ("Non-Qualified Stock Options"). The Non-Qualified Stock Options provide Dr. Centofanti with the right to purchase an aggregate of 300,000 shares of Common Stock in the form of (i) after one year 100,000 shares of Common Stock at a price of \$2.25 per share, (ii) after two years 100,000 shares of Common Stock at a price of \$2.50 per share, and (iii) after three years 100,000 shares of Common Stock at a price of \$3.00 per share. The Non-Qualified Stock Options expire ten years after the date of the Employment Agreement.

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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 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.

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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: October 15, 1997

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

By: /s/ Richard T. Kelecy Date: October 15, 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: October 15, 1997

\_\_\_\_\_  
Mark A. Zwecker, Director

/s/ Steve Gorlin Date: October 15, 1997

\_\_\_\_\_  
Steve Gorlin, Director

/s/ Jon Colin Date: October 15, 1997

\_\_\_\_\_  
Jon Colin, Director

/s/ Dr. Louis F. Centofanti Date: October 15, 1997

\_\_\_\_\_  
Dr. Louis F. Centofanti, Director

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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
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<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>

35  
EXHIBIT INDEX

Exhibit  
No.

Description

- | Exhibit No. | Description  |
|-------------|--|
| 3(i)        | Restated Certificate of Incorporation, as amended, and all Certificates of Designations.   |
| 3(ii)       | Bylaws, as incorporated by reference from 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.
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- 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.

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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.

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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.

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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.
- 27.1\* Financial Data Schedule.

\* - Filed as an Exhibit with the original Form 10-K for the year end December 31, 1996, and, as a result, such are incorporated herein by reference.



BDO SEIDMAN, LLP

CONSENT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS

Perma-Fix Environmental Services, Inc.  
Gainesville, Florida

We hereby consent to the incorporation by reference of our report dated September 11, 1997, except for Note 15 which is as of October 7, 1997, relating to the consolidated financial statements and schedule of Perma-Fix Environmental Services, Inc. appearing in the Company's Annual Report on Form 10-K/A for the year ended December 31, 1996, into the Company's previously filed Form S-3 and S-8 Registration Statements, File Nos. 33-85118 (S-3), 333-14513 (S-3), 33-80580 (S-8), 333-3664 (S-8), 333-17899 (S-8) and 333-25835 (S-8).

BDO Seidman, LLP

Orlando, Florida  
October 13, 1997