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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 1998

or

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

Commission File No. 1-11596

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

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

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

N/A

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

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

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

Table with 2 columns: Class, Outstanding at November 12, 1998. Row 1: Common Stock, \$.001 Par Value, 12,270,093 (excluding 920,000 shares held as treasury stock)

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED FINANCIAL STATEMENTS

PART I, ITEM 1

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

present fairly the financial position and results of operations as of and for the periods indicated.

It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

The results of operations for the nine months ended September 30, 1998, are not necessarily indicative of results to be expected for the fiscal year ending December 31, 1998.

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

(Amounts in Thousands, Except for Share Amounts)	September 30, 1998 (Unaudited)	December 31, 1997
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 827	\$ 314
Restricted cash equivalents and investments	112	321
Accounts receivable, net of allowance for doubtful accounts of \$308 and \$374, respectively	5,363	5,282
Insurance claim receivable	-	1,475
Inventories	124	119
Prepaid expenses	745	567
Other receivables	15	70
Assets of discontinued operations	471	587
	<u>7,657</u>	<u>8,735</u>
Property and equipment:		
Buildings and land	5,714	5,533
Equipment	8,822	7,689
Vehicles	1,191	1,202
Leasehold improvements	16	16
Office furniture and equipment	968	1,056
Construction in progress	1,351	1,052
	<u>18,062</u>	<u>16,548</u>
Less accumulated depreciation	(6,284)	(5,564)
	<u>11,778</u>	<u>10,984</u>
Intangibles and other assets:		
Permits, net of accumulated amorti- zation of \$1,021 and \$831,		

respectively	3,688	3,725
Goodwill, net of accumulated amorti- zation of \$706 and \$580, respectively	4,743	4,701
Other assets	540	425
	<u> </u>	<u> </u>
Total assets	\$ 28,406	\$ 28,570
	=====	=====

</TABLE>

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

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<TABLE>

<CAPTION>

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

(Amounts in Thousands, Except for Share Amounts)	September 30, 1998 (Unaudited)	December 31, 1997
<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,852	\$ 2,263
Accrued expenses	2,897	3,380
Revolving loan and term note facility	625	614
Current portion of long-term debt	269	254
Current liabilities of discontinued operations	628	1,470
	<u>6,271</u>	<u>7,981</u>
Environmental accruals	405	525
Accrued closure costs	856	831
Long-term debt, less current portion	2,119	3,997
Long-term liabilities of discontinued operations	2,839	3,042
	<u>6,219</u>	<u>8,395</u>
Commitments and contingencies (see Note 4)	-	-
Stockholders' equity:		
Preferred Stock, \$.001 par value; 2,000,000 shares authorized, 9,850 and 6,850 shares issued and outstanding, respectively	-	-
Common Stock, \$.001 par value; 50,000,000 shares authorized, 13,181,107 and 12,540,487 shares issued, including 920,000 shares held as treasury stock	13	12
Redeemable warrants	140	140
Additional paid-in capital	38,073	34,363
Accumulated deficit	(20,540)	(20,551)
	<u>17,686</u>	<u>13,964</u>
Less Common Stock in treasury at cost; 920,000 shares issued		

and outstanding	(1,770)	(1,770)
Total stockholders' equity	<u>15,916</u>	<u>12,194</u>
Total liabilities and stockholders' equity	<u>\$ 28,406</u>	<u>\$ 28,570</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
(Unaudited)

Three Months Ended
September 30,

(Amounts in Thousands, Except for Share Amounts)	1998	1997*
<S>	<C>	<C>
Net revenues	\$ 8,065	\$ 6,921
Cost of goods sold	5,292	4,630
Gross profit	<u>2,773</u>	<u>2,291</u>
Selling, general and administrative expenses	1,708	1,347
Depreciation and amortization	531	490
Income from operations	<u>534</u>	<u>454</u>
Other income (expense):		
Interest income	10	11
Interest expense	(95)	(71)
Other	40	118
Net income from continuing operations	<u>489</u>	<u>512</u>
Loss from discontinued operations	-	(355)
Net income (loss)	<u>489</u>	<u>157</u>
Preferred Stock dividends	115	99
Net income (loss) applicable to Common Stock	<u>\$ 374</u>	<u>\$ 58</u>
	=====	=====
Basic income (loss) per common share:		
Continuing operations	\$ 0.3	\$.04
Discontinued operations	-	(.03)
Net income (loss) per share	<u>\$.03</u>	<u>\$.01</u>
	=====	=====

Diluted income (loss) per common share:		
Continuing operations	\$ 0.2	\$.03
Discontinued operations	-	(.02)
	<hr/>	<hr/>
Net income (loss) per share	\$.02	\$.01
	<hr/>	<hr/>
Basic weighted average common shares outstanding	12,164	11,090
	<hr/>	<hr/>
Diluted weighted average common shares and dilutive securities outstanding	25,018	17,516
	<hr/>	<hr/>

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

Nine Months Ended
September 30,

(Amounts in Thousands,
Except for Share Amounts)

	<hr/>	
	1998	1997*
	<hr/>	
<S>	<C>	<C>
Net revenues	\$ 22,291	\$19,368
Cost of goods sold	15,317	13,492
Gross profit	<hr/> 6,974	<hr/> 5,876
Selling, general and administrative expenses	4,942	4,072
Depreciation and amortization	1,566	1,487
Income from operations	<hr/> 466	<hr/> 317
Other income (expense):		
Interest income	27	31
Interest expense	(364)	(331)
Other	172	89
Net income from continuing operations	<hr/> 301	<hr/> 106
Loss from discontinued operations	-	(1,308)
Net income (loss)	<hr/> 301	<hr/> (1,202)
Preferred Stock dividends	291	262
Net income (loss) applicable to Common Stock	<hr/> \$ 10	<hr/> \$ (1,464)
	<hr/>	<hr/>

Basic income (loss) per common share:

Continuing operations	\$ -	\$ (.01)
Discontinued operations	-	(.13)
	<hr/>	<hr/>

Net income (loss) per share	\$ -	\$ (.14)
	=====	=====
Diluted income (loss) per common share:		
Continuing operations	\$ -	\$ (.01)
Discontinued operations	-	(.13)
	-----	-----
Net income (loss) per share	\$ -	\$ (.14)
	=====	=====
Basic weighted average common shares outstanding	11,947	10,340
	=====	=====
Diluted weighted average common shares and dilutive securities outstanding	11,947	10,340
	=====	=====

<FN>

*Amounts have been restated from that previously reported to reflect the discontinued operations at Perma-Fix of Memphis, Inc. (See Note 2).

</FN>

</TABLE>

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

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<TABLE>

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

(Amounts in Thousands, Except for Share Amounts)	Nine Months Ended September 30,	
	1998	1997*
	-----	-----
<S>	<C>	<C>
Cash flows from operating activities:		
Net income from continuing operations	\$ 301	\$ 106
Adjustments to reconcile net loss to cash provided by operations:		
Depreciation and amortization	1,566	1,487
Provision for bad debt and other reserves	30	52
Gain on sale of plant, property and equipment	(12)	(1)
Changes in assets and liabilities, net of effects from business acquisitions:		
Accounts receivable	(97)	(118)
Prepaid expenses, inventories and other assets	1,112	913
Accounts payable and accrued expenses	(713)	(1,748)
	-----	-----
Net cash provided by continuing operations	2,187	691
	-----	-----
Net cash used by discontinued operations	(903)	(1,309)

Cash flows from investing activities:		
Purchases of property and equipment, net	(1,640)	(887)
Proceeds from sale of plant, property and equipment	14	46
Change in restricted cash, net	196	(67)
Net cash used by discontinued operations	(4)	(41)
	<hr/>	<hr/>
Net cash used in investing activities	(1,434)	(949)
Cash flows from financing activities:		
Repayments) of revolving loan and term note facility	(2,028)	(1,097)
Principal repayments on long-term debt	(186)	(645)
Proceeds from issuance of stock	2,915	3,380
Net cash used by discontinued operations	(52)	(6)
	<hr/>	<hr/>
Net cash provided by financing activities	649	1,632
Increase in cash and cash equivalents	499	65
Cash and cash equivalents at beginning of period including discontinued operations of \$12, and \$8, respectively	326	45
	<hr/>	<hr/>
Cash and cash equivalents at end of period, including discontinued operations of (\$2), and (\$5), respectively	\$ 825	\$ 110
	=====	=====

Supplemental disclosure:

Interest paid	\$ 455	\$ 530
Non cash investing and financing activities:		
Issuance of Common Stock for services	230	68
Long-term debt incurred for purchase of property	330	256
Issuance of stock for payment of dividends	359	314

<FN>

*Amounts have been restated from that previously reported to reflect the discontinued operations at Perma-Fix of Memphis, Inc. (see Note 2).

</FN>

</TABLE>

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

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(For the nine months ended September 30, 1998)

Preferred Stock

Common Stock

Amounts in Thousands, Except for Share Amounts				
	Shares	Amount	Shares	Amount
<S>	<C>	<C>	<C>	<C>
Balance at December 31, 1997	6,850	\$ -	12,540,487	\$ 12
Net income	-	-	-	-
Issuance of Common Stock for Preferred Stock dividend	-	-	175,825	1
Issuance of Preferred Stock	3,000	-	-	-
Issuance of Common Stock for acquisition	-	-	108,207	-
Issuance of stock for cash and services	-	-	165,488	-
Exercise of warrants	-	-	190,100	-
Option Exercise	-	-	1,000	-
Balance at September 30, 1998	9,850	\$ -	13,181,107	\$ 13
	=====	=====	=====	=====

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	Redeemable Warrants	Additional Paid-In Capital	Accumulated Deficit	Common Stock Held in Treasury
<S>	<C>	<C>	<C>	<C>
	\$ 140	\$ 34,363	\$ (20,551)	\$ (1,770)
	-	-	11	-
	-	358	-	-
	-	2,653	-	-
	-	207	-	-
	-	263	-	-
	-	228	-	-
	-	1	-	-
	\$ 140	\$ 38,073	\$ (20,540)	\$ (1,770)
	=====	=====	=====	=====

</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
June 30, 1998
(Unaudited)

Reference is made herein to the notes to consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

1. Summary of Significant Accounting Policies

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

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

The Company considers all highly liquid investments with initial maturities of three months or less to be cash equivalents. Cash equivalents at September 30, 1998, included overnight repurchase agreements in the approximate amount of \$638,000.

Basic income (loss) per share is computed by dividing net income, after deducting Preferred Stock dividends, by the weighted average number of common shares outstanding during each period.

Diluted income per share is computed by dividing net income, before deduction of Preferred Stock dividends, by the weighted average number of common shares and potentially common shares outstanding during each period. Diluted income (loss) per share for the nine months ended September 30, 1997 and 1998 does not include Common Stock equivalents of 4,117,000 and 7,687,000 respectively as their effect would be anti-dilutive.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 "Earnings Per Share" ("SFAS 128"). SFAS 128 establishes new standards for computing and presenting earnings per share ("EPS"). Specifically, SFAS 128 replaces the presentation of primary EPS with a presentation of basic EPS and requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures. SFAS 128 also requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. SFAS 128 was adopted effective December 31, 1997.

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. FAS 130 has no effect on the Company's financial statements. FAS 131 is effective for the Company's financial statements and is discussed in Note 5.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (FAS 133). FAS 133 requires companies to recognize all derivative contracts as either assets or liabilities in the balance sheet and to measure them at fair value. FAS 133 is effective for periods beginning after June 15, 1999. Historically, the Company has not entered into derivative contracts. Accordingly, FAS 133 is not expected to affect the Company's financial statements.

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2. Discontinued Operations

On January 27, 1997, an explosion and resulting tank fire occurred at the Company's subsidiary, Perma-Fix of Memphis, Inc. ("PFM"), 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. Until the time of the incident, PFM operated as a permitted "fuel blending" facility and serviced a separate class of customers who generated specific waste streams, each identified by its waste code and specific characteristics. As the Company's only such "fuel blending" facility, PFM was permitted to and capable of mixing certain hazardous liquid, semi-solid and solid waste in a vat which suspended the solids in order to pump the mixture into a tank. The tanks also contained mixing units which kept the solids suspended until the mixture could be off-loaded into tanker trucks. As a result of the damage to the tanks and processing equipment and the related cost to rebuild this operating unit, the Company decided to discontinue this line of business, which resulted in PFM's inability to service and retain the existing customer base. The existing customer base represented principally manufacturing and service companies whose operations generated certain semi-solid and solid permitted hazardous wastes, which as a result of permit and processing limitations could not be served by other Company facilities. The Company continues to pursue other markets or activities which may be performed at this facility given the permit limitations, capital requirements and development of a new line of business and related customer base. Upon evaluation of the above business decision, and given the loss of both the existing line of business and its related customer base, the Company reported the Memphis segment as a discontinued operation, pursuant to Paragraph 13 of APB 30.

The fuel blending activities were discontinued on the date of the incident, January 27, 1997. All assets involved in the fuel blending activities that were not damaged beyond repair in the fire

have subsequently been damaged as a result of the decontamination process. Accordingly, during the fourth quarter of 1997, the Company recorded a loss on disposal of discontinued operations of \$3,053,000, which included \$1,272,000 for impairment of certain assets and \$1,781,000 for the establishment of certain closure liabilities.

The net loss from discontinued PFM operations for the nine months ended September 30, 1998, was \$378,000 and was recorded against the accrued closure cost estimate on the balance sheet. The net loss for the nine months ended September 30, 1997, was \$1,308,000 and is shown separately in the Consolidated Statements of Operations. The Company has restated the 1997 operating results to reflect these discontinued operations. The results of the discontinued PFM operations do not reflect management fees charged by the Company, but do include interest expense of \$54,000 and \$180,000 during the nine months ended September 30, 1998 and 1997, respectively, specifically identified to such operations as a result of such operations incurring debt under the Company's revolving and term loan credit facility. During March 1998, the Company received a settlement in the amount of \$1,475,000 from its insurance carrier for the business interruption claim which was recorded as an insurance claim receivable at December 31, 1997. This settlement was recognized as a gain in 1997 and thereby reduced the net loss recorded for the discontinued PFM operations in 1997.

Revenues of the discontinued PFM operations were \$794,000 for the nine months ended September 30, 1998, and \$1,514,000 for the nine months ended September 30, 1997. These revenues are not included in revenues as reported in the Consolidated Statements of Operation.

Net assets and liabilities of the discontinued PFM operations at the nine months ended September 30, 1998, and December 31, 1997, in thousands of dollars, consisted of the following:

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<TABLE>
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	September 30, 1998	December 31, 1997
	-----	-----
<S>	<C>	<C>
Assets of discontinued operations:		
Cash and cash equivalents	\$ (2)	\$ 12
Restricted cash equivalents and investments	218	214
Accounts receivable, net of allowance for doubtful accounts \$101 and \$105, respectively	241	333
Prepaid expenses and other assets	14	28
	-----	-----
	\$ 471	\$ 587
	=====	=====
Current liabilities of discontinued operations:		
Accounts payable	\$ 225	\$ 277
Accrued expenses	134	259
Accrued environmental costs	227	835
Current portion of long-term debt	42	99
	-----	-----
	\$ 628	\$ 1,470
	=====	=====

Long-term liabilities of discontinued operations:

Long-term debt, less current portion	\$ 7	\$ 17
Accrued environmental and closure costs	2,832	3,025
	<u>\$ 2,839</u>	<u>\$ 3,042</u>
	=====	=====

</TABLE>

The accrued environmental and closure costs, as related to PFM, total \$3,059,000 at September 30, 1998, which includes the Company's current closure cost estimate of approximately \$700,000 for the complete cessation of operations and closure of the facility ("RCRA Closure") based upon guidelines of the Resource Conservation and Recovery Act of 1976, as amended ("RCRA"). A majority of this liability relates to the discontinued fuel blending and tank farm operations and will be recognized over the next three years. Also included in this accrual is the Company's estimate of the cost to complete groundwater remediation at the site of approximately \$916,000, the future operating losses as the Company discontinues its fuel blending operations and certain other contingent liabilities.

3. Long-Term Debt

<TABLE>

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Long-term debt consists of the following at September 30, 1998, and December 31, 1997 (in thousands):

	September 30 1998	December 31, 1997
	<u><C></u>	<u><C></u>
Revolving loan facility dated January 15, 1998, collateralized by eligible accounts receivables, subject to monthly borrowing base calculation, variable interest paid monthly at prime rate plus 1 3/4.	\$ 52	\$ 1,664
Term loan agreement dated January 15, 1998, payable in monthly principal installments of \$52, balance due in January 2001, variable interest paid monthly at prime rate plus 1 3/4.	2,083	2,500
Mortgage note agreement payable in quarterly installments of \$15, plus accrued interest at 10%. Balance due October 1998 secured by real property.	-	61
Various capital lease and promissory note obligations, payable 1998 to 2002, interest at rates ranging from 8.0% to 15.9%.	878	640
	<u>3,013</u>	<u>4,865</u>
Less current portion of revolving loan and term note facility	625	614
Less current portion of long-term debt	269	254
	<u> </u>	<u> </u>

\$ 2,119 \$ 3,997
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On January 15, 1998, the Company, as parent and guarantor, and all direct and indirect subsidiaries of the Company, as co-borrowers and cross-guarantors, entered into a Loan and Security Agreement ("Agreement") with Congress Financial Corporation (Florida) as lender ("Congress"). The Agreement provides for a term loan in the amount of \$2,500,000, which requires principal repayments based on a four-year level principal amortization over a term of 36 months, with monthly principal payments of \$52,000. Payments commenced on February 1, 1998, with a final balloon payment in the amount of approximately \$573,000 due on January 14, 2001. The Agreement also provides for a revolving loan facility in the amount of \$4,500,000. At any point in time the aggregate available borrowings under the facility are subject to the maximum credit availability as determined through a monthly borrowing base calculation, as updated for certain information on a weekly basis, equal to 80% of eligible accounts receivable accounts of the Company as defined in the Agreement. The termination date on the revolving loan facility is also the third anniversary of the closing date. The Company incurred approximately \$237,000 in financing fees relative to the solicitation and closing of this loan agreement (principally commitment, legal and closing fees) which are being amortized over the term of the Agreement.

Pursuant to the Agreement, the term loan and revolving loan both bear interest at a floating rate equal to the prime rate plus 1 3/4%. The Agreement also provides for a one time rate adjustment of 1/4%, subject to the Company meeting certain 1998 performance objectives. The loans also contain certain closing, management and unused line fees payable throughout the term. The loans are subject to a 3.0% prepayment fee in the first year, 1.5% in the second and 1.0% in the third year of the Agreement.

As security for the payment and performance of the Agreement, the Company granted a first security interest in all accounts receivable, inventory, general intangibles, equipment and other assets of the Company and subsidiaries, as well as the mortgage on two (2) of the Company's facilities. The Agreement contains affirmative covenants including, but not limited to, certain financial statement disclosures and certifications, management reports, maintenance of insurance and collateral. The Agreement also contains an adjusted net worth financial covenant, as defined in the Agreement, of \$3,000,000.

As of September 30, 1998, the borrowings under the Congress revolving loan facility totaled \$52,000, with borrowing availability of approximately \$3,538,000. The balance under the Congress term loan at September 30, 1998, was \$2,083,000.

During June 1998, the Company entered into a master security agreement and secured promissory note in the amount of approximately \$317,000 for the purchase and financing of certain capital equipment at the Perma-Fix of Florida, Inc. facility. The term of the promissory note is for sixty (60) months, at a rate of 11.58% per annum and monthly installments of approximately \$7,000.

As further discussed in Note 2, the long-term debt associated with the discontinued PFM operation is excluded from the above and is recorded in the Liabilities of Discontinued Operations total.

The PFM debt obligations total \$49,000, of which \$42,000 is current.

4. Commitments and Contingencies

Hazardous Waste

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

Legal

In the normal course of conducting its business, the Company is involved in various litigation. There has been no material changes in legal proceedings from those disclosed previously in the Company's Form 10-K for year ended December 31, 1997, except as disclosed below. The Company is not a party to any litigation or

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governmental proceeding which its management believes could result in any judgements or fines against it that would have a material adverse affect on the Company's financial position, liquidity or results of operations, other than as disclosed in the Company's Form 10-K.

As previously disclosed in the Form 10-K, the Company received correspondence dated January 15, 1998 ("PRP Letter"), from the United States Environmental Protection Agency ("EPA") that it believes that PFM, a wholly owned subsidiary of the Company, is a potentially responsible party ("PRP"), as defined under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), regarding the remediation of the W. & R. Drum, Inc. ("Drum") site in Memphis, Tennessee, ("Drum Site"), primarily as a result of acts by a predecessor of PFM prior to the time PFM was acquired by the Company. In addition, the EPA has advised PFM that it has sent PRP letters to approximately 50 other PRPs as to the Drum Site. The PRP Letter estimated the remediation costs incurred by the EPA for the Drum Site to be approximately \$1,400,000 as of November 30, 1997. The EPA has orally informed the Company that such remediation has been substantially completed as of such date, and that the EPA believes that PFM supplied a substantial amount of the drums at the Drum Site. During the second quarter of 1998, PFM and certain other PRPs began negotiating with the EPA regarding a potential settlement of the EPA's claims regarding the Drum Site and such negotiations are currently continuing. During the third quarter of 1998, the Company extended an offer of \$225,000 (\$150,000 payable at closing and the balance payable over a twelve month period) to settle any potential liability regarding the Drum Site. Based upon discussions with government officials, the Company believes the settlement offer will be accepted, however, no assurance can be made that the Company's current settlement offer will be accepted or that the Company will be able to settle its claims regarding the Drum Site in an amount and manner which the Company believes is reasonable. If PFM cannot reach a settlement which PFM believes is reasonable, it will continue to vigorously defend against the EPA's demand regarding remediation costs of the Drum Site. If PFM is determined to be liable for a substantial portion of the remediation cost incurred by the EPA at the Drum Site, such could have a material adverse effect on the Company.

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. The Company has recorded accrued liabilities for estimated closure costs and identified environmental remediation costs.

Discontinued Operations

As previously discussed, the Company made the strategic decision in February 1998 to discontinue its fuel blending operations at the PFM facility. The Company has, based upon the best estimates available, recognized accrued environmental and closure costs in the aggregate amount of \$3,059,000. This liability includes principally, the RCRA closure liability, the groundwater remediation liability, the potential additional site investigation and remedial activity which may arise as PFM proceeds with its closure activities and the Company's best estimate of the future operating losses as the Company discontinues its fuel blending operations and other contingent liabilities.

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 \$2 million per occurrence and \$4 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.

5. Business Segment Information

The Company provides services through two business segments. The Waste Management Services segment, which provides on-and-off-site treatment, storage, processing and disposal of hazardous and non-hazardous industrial and commercial, mixed waste, and wastewater through its five treatment, storage and disposal facilities ("TSD facilities"); Perma-Fix Treatment Services, Inc.

("PFTS"), Perma-Fix of Dayton, Inc. ("PFD"), Perma-Fix of Ft. Lauderdale, Inc. ("PFFL"), Perma-Fix of Florida, Inc. ("PFF") and PFM. The Company has discontinued all fuel blending activities at its PFM facility, the principal business segment for this subsidiary prior to the January 1997 fire and explosion. PFM currently provides, on a limited basis, an off-site waste storage and transfer facility and continues to explore other new markets for utilization of this facility. 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; 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.

The Company also provides services through the Consulting Engineering Services segment. The Company provides environmental engineering and regulatory compliance consulting services through Schreiber, Yonley & Associates 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 accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on profit or loss from continuing operations.

The Company accounts for inter-company sales as a reduction of "cost of goods sold" and therefore such inter-company sales are not included in the consolidated revenue total.

The Company's segments are not dependent upon a single customer, or a few customers, and the loss of any one or more of which would not have a material adverse effect on the Company's segment. During the nine months ended September 30, 1998 and 1997, the Company did not make sales to any single customer that in the aggregate amount represented more than ten percent (10%) of the Company's segment revenues.

The table below shows certain financial information by the Company's segments for nine months ended September 30, 1998 and 1997 and excludes the results of operations of the discontinued operations. 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 and discontinued operations. Corporate assets are principally cash, cash equivalents and certain other assets.

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<TABLE>
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(Dollars in thousand)	Waste Management Services	Consulting Engineering Services	Corporate and Other	Consolidated
<S>	<C>	<C>	<C>	<C>
1998				
Net revenues from external customers	\$ 19,102	\$ 3,189	\$ -	\$ 22,291

Inter-company revenues	269	395	-	664
Interest income	26	-	1	27
Interest expense	308	39	17	364
Depreciation and amortization	1,495	59	12	1,566
Income (Loss) from con- tinuing operations	1,320	91	(1,110)	301
Identifiable assets	11,080	1,845	15,481	28,406
Capital expenditures, net	1,916	12	42	1,970

1997

Net revenues from external customers	\$ 15,776	\$ 3,592	\$ -	\$ 19,368
Inter-company revenues	834	361	-	1,195
Interest income	29	-	2	31
Interest expense	278	20	33	331
Depreciation and amortization	1,385	86	16	1,487
Income (Loss) from con- tinuing operations	1,055	33	(982)	106
Identifiable assets	16,211	2,225	12,879	31,315
Capital expenditures, net	1,122	21	-	1,143

</TABLE>

6. Stock Issuance

On or about June 30, 1998, the Company issued to RBB Bank Aktiengesellschaft, located in Graz, Austria ("RBB Bank"), 3,000 shares of newly-created Series 10 Class J Convertible Preferred Stock, par value \$.001 per share ("Series 10 Preferred"), at a price of \$1,000 per share, for an aggregate sales price of \$3,000,000. The sale to RBB Bank was made in a private placement under Section 4(2) of the Securities Act of 1933, as amended (the "Act") and/or Rule 506 of Regulation D under the Act, pursuant to the terms of a Subscription and Purchase Agreement, dated June 30, 1998 between the Company and RBB Bank ("Subscription Agreement"). The net proceeds of \$2,768,000 from this private placement, after the deduction for certain fees and expenses, was received by the Company on July 14, 1998, and has been recorded as a Preferred Stock Receivable at June 30, 1998. The Company also accrued at June 30, 1998, approximately \$115,000 for certain additional closing, legal and related expenses. The Series 10 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 10 Preferred (the "Liquidation Value"), plus an amount equal to all unpaid and accrued dividends thereon. The Series 10 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 within ten (10) business days after each subsequent June 30 and December 31 (each a "Dividend Declaration Date"), and shall be payable in cash or shares of the Company's Common Stock at the Company's option. The first Dividend Declaration Date shall be December 31, 1998. 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 10 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 immediate prior to the date the dividend is declared, 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 10 Preferred may convert into Common Stock any or all of the Series 10 Preferred on and after 180 days after June 30, 1998 (December 28, 1998). The conversion price per

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outstanding share of Preferred Stock ("Conversion Price") is \$1.875; except that if the average of the closing bid price per share of Common Stock quoted on the NASDAQ (or the closing bid price of the Common Stock as quoted on the national securities exchange if the Common Stock is not listed for trading on the NASDAQ but is listed for trading on a national securities exchange) for the five (5) trading days immediately prior to the particular date on which the holder notified the Company of a conversion ("Conversion Date") is less than \$2.34, then the Conversion Price for that particular conversion shall be eighty percent (80 %) of the average of the closing bid price of the Common Stock on the NASDAQ (or if the Common Stock is not listed for trading on the NASDAQ but is listed for trading on a national securities exchange then eighty percent (80%) of the average of the closing bid price of the Common Stock on the national securities exchange) for the five (5) trading days immediately prior to the particular Conversion Date. As of June 30, 1998, the closing price of Common Stock on the NASDAQ was \$1.875 per share.

As part of the of the sale of the Series 10 Preferred, the Company also issued to RBB Bank (a) a warrant entitling the holder to purchase up to an aggregate of 150,000 shares of Common Stock at an exercise price of \$2.50 per share of Common Stock expiring three (3) years after June 30, 1998 and (b) a warrant entitling the holder to purchase up to an aggregate of 200,000 shares of Common Stock at an exercise price of \$1.875 per share of Common Stock and expiring three (3) years after June 30, 1998. Collectively, these warrants are referred to herein as the "RBB Warrants." The Common Stock issuable upon the conversion of the Series 10 Preferred and upon the exercise of the RBB Warrants is subject to certain registration rights pursuant to the Subscription Agreement.

The Company utilized the proceeds received on the sale of Series 10 Preferred for working capital and to reduce the outstanding balance of its credit facilities, subject to the Company reborrowing under such credit facilities.

In connection with the placement of Series 10 Preferred to RBB Bank, the Company paid fees (excluding legal and accounting) of \$210,000 and issued to (a) Liviakis Financial Communications, Inc. ("Liviakis") for assistance with the placement of the Series 10 Preferred, warrants entitling the holder to purchase up to an aggregate of 1,875,000 shares of Common Stock, subject to certain anti-dilution provisions, at an exercise price of \$1.875 per share of Common Stock which warrants may be exercised after January 15, 1999, and which expire after four (4) years; (b) Robert B. Prag, an executive officer of Liviakis for assistance with the placement of the Series 10 Preferred, warrants entitling the holder to purchase up to an aggregate of 625,000 shares of Common Stock, subject to certain anti-dilution provisions, at an exercise price of \$1.875 per share of Common Stock, which warrants may be exercised after January 15, 1999, and which expire after four (4) years; (c) JW Genesis Financial Corporation for assistance with the placement of the Series 10 Preferred, warrants entitling the holder

to purchase up to an aggregate of 150,000 shares of Common Stock, subject to certain anti-dilution provisions, at an exercise price of \$1.875 per share of Common Stock, which warrants expire after three (3) years; and (d) Fontenoy Investments for assistance with the placement of the Series 10 Preferred, warrants entitling the holder to purchase up to an aggregate of 350,000 shares of Common Stock, subject to certain anti-dilution provisions, at an exercise price of \$1.875 per share of Common Stock, which warrants expire after three (3) years. Under the terms of each warrant, the holder is entitled to certain registration rights with respect to the shares of Common Stock issuable on the exercise of each warrant.

7. Subsequent Events

During October 1998, the Company entered into a master security agreement and secured promissory note in the amount of approximately \$207,000 for the purchase and financing of certain capital equipment at the Perma-Fix of Florida, Inc., Perma-Fix of Ft. Lauderdale, Inc. and Perma-Fix of Dayton, Inc. facilities. The term of the promissory note is for sixty (60) months, at a rate of 10.52% per annum and monthly installments of approximately \$4,000.

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On October 14, 1998, the Board of Directors authorized the repurchase of up to 500,000 shares of the Company's Common Stock from time to time in open market or privately negotiated transactions, in accordance with SEC Rule 10b-18. The repurchases will be at prevailing market prices. The Company will utilize its current working capital and available borrowings to acquire such shares.

During November 1998, the Company signed a letter of intent ("Letter") with the shareholders of Chemical Conservation Corporation (Florida), Chemical Conservation of Georgia, Inc. (Collectively, "Chem-Con") and Chem-Met Services, Inc. ("Chem-Met") regarding a potential acquisition of Chem-Con and Chem-Met by the Company (the "Acquisition"). Chem-Con and Chem-Met generate, on a consolidated basis, approximately \$24 million in revenue, resulting principally from the collection, treatment, and recycling of industrial and hazardous waste, including waste oils, water and miscellaneous solid waste. Chem-Met Services, Inc. treats and stabilizes inorganic wastes, Chemical Conservation Corporation runs a Part B-permitted transfer station that also serves as the base for the private trucking fleet, and Chemical Conservation of Georgia, Inc. recycles solvents and treats hazardous waste. Pursuant to the terms of the Letter, the aggregate purchase price for the Acquisition is to be approximately \$7.4 million, payable in Common Stock of the Company based upon the closing price of the Common Stock on the NASDAQ for the five trading days preceding the closing date. The Company will also enter into a four (4) year consulting agreement with a certain executive manager of Chem-Con and Chem-Met in the approximate aggregate amount of \$1.3 million. The Acquisition is subject to the ability of the parties to, among other things:

- * finalize definitive documents satisfactory to all parties;
- * qualify the Acquisition as a pooling of interest transaction, which means that the merged companies will be treated as if they had always been combined for accounting and financial reporting purposes;
- * resolve certain issues regarding real property used by Chem-Con and Chem-Met;

- * resolve and quantify certain potential environmental liabilities of Chem-Con and Chem-Met;
- * resolve certain tax treatment issues;
- * complete due diligence in a satisfactory manner; and
- * obtain approval of the Company's shareholders.

No assurance can be made that the Acquisition will occur.

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

Forward-Looking Statements

Certain statements contained with this report may be deemed "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (collectively, the "Private Securities Litigation Reform Act of 1995"). All statements in this report other than statements of historical fact are forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which could cause actual results and performance of the Company to differ materially from such statements. The words "believe," "expect," "anticipate," "intend," "will," and similar expressions identify forward-looking statements. In addition, forward-looking statements contained herein relate to, among other things, (i) anticipated financial performance, (ii) ability to comply with the Company's general working capital requirements, (iii) ability to generate sufficient cash flow from operations to fund all costs of operations and remediation of certain formerly leased property in Dayton, Ohio, and the Company's facility in Memphis, Tennessee, (iv) ability to remediate certain contaminated sites for projected amounts, (v) "Year 2000" computer issues, (vi) the government's acceptance of the Company's offer regarding settlement of claims involving the Drum Site (as defined), (vii) acquisition of Chem-Met and Chem-Con (as defined), (viii) the Oak Ridge Contracts (as defined), (ix) anticipated revenues from the Oak Ridge Contracts and completion of the scope of work with M&EC (as defined), and all other statements which are not statements of historical fact. While the Company believes the expectations reflected in such forward-looking statements are reasonable, it can give no assurance such expectations will prove to have been correct. There are a variety of factors which could cause future outcomes to differ materially from those described in this report, including, but not limited to, (i) general economic conditions, (ii) inability to maintain profitability, (iii) material reduction in revenues, (iv) inability to collect in a timely manner a material amount of receivables, (v) increased competitive pressures, (vi) the inability to maintain and obtain required permits and approvals to conduct operations, (vii) the inability to develop new and existing technologies in the conduct of operations, (viii) overcapacity in the environmental industry, (ix) discovery of additional contamination or expanded contamination at a certain Dayton, Ohio, property formerly leased by the Company or the Company's facility at Memphis, Tennessee, which would result in a material increase in remediation

expenditures, (x) changes in federal, state and local laws and regulations, especially environmental regulations, or interpretation of such, (xi) potential increases in equipment, maintenance, operating or labor costs, (xii) management retention and development, (xiii) the requirement to use internally generated funds for purposes not presently anticipated, (xiv) inability to settle on reasonable terms certain claims made by the federal government against a certain subsidiary of the Company that is a potentially responsible party for clean up costs incurred by the government in remediating certain sites owned and operated by others and (xv) inability or failure to convert the computer systems of the Company's key suppliers, customers, creditors and financial services organizations, in order to be "Year 2000" compliant, (xvi) inability to complete acquisitions of Chem-Met and Chem-Con because of failure to comply with one or more of the conditions precedent to the acquisition, (xvii) inability of the Company and M&EC to finalize the scope of work documents relating to the Oak Ridge Contracts, (xviii) inability of the Company and M&EC to design and construct the required processing equipment in connection with the Oak Ridge Contracts, (xix) the actual volume of waste to be received under the Oak Ridge Contracts will not meet the expected totals as presented by the DOE (as defined), (xx) a determination that the amount of work to be performed by the Company under the Oak Ridge Contracts is less than anticipated, and (xxi) the inability of the Company to perform the work assigned to it under the Oak Ridge Contracts in a profitable manner. The Company undertakes no obligations to update publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

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Results of Operations

<TABLE>

<CAPTION>

The table below should be used when reviewing management's discussion and analysis for the nine months ended September 30, 1998 and 1997:

Consolidated	Three Months Ended September 30,			
	1998	%	1997*	%
<S>	<C>	<C>	<C>	<C>
Net Revenues	\$ 8,065	100.0	\$ 6,921	100.0
Cost of Goods Sold	5,292	65.6	4,630	66.9
Gross Profit	2,773	34.4	2,291	33.1
Selling, General & Administrative	1,708	21.2	1,347	19.5
Depreciation/Amortization	531	6.6	490	7.1
Income (Loss) from from Operations	\$ 534	6.6	\$ 454	6.5
Loss from discontinued Operations	\$ -	-	\$ (355)	(5.1)
Interest Expense	(95)	(1.2)	(71)	(1.0)
Preferred Stock Dividends	(115)	(1.4)	(99)	(1.4)

Nine Months Ended
September 30,

	1998	%	1997*	%
<S>	<C>	<C>	<C>	<C>
	\$22,291	100.0	\$19,368	100.0
	15,317	68.7	13,492	69.7
	6,974	31.3	5,876	30.3
	4,942	22.2	4,072	21.0
	1,566	7.0	1,487	7.7
	\$ 466	(2.1)	\$ 317	1.6
	=====	=====	=====	=====
	\$ -	-	\$ (1,308)	(6.8)
	(364)	(1.6)	(331)	(1.7)
	(291)	(1.3)	(262)	(1.4)
	=====	=====	=====	=====

<FN>

* Amounts have been restated from that previously reported to reflect the discontinued operations at PFM (see Note 2).

</FN>

</TABLE>

Summary Three and Nine Months Ended September 30, 1998 and 1997

The Company provides services through two business segments. The Waste Management Services segment is engaged in on-and off-site treatment, storage, disposal and processing of a wide variety of by-products and industrial, hazardous and mixed hazardous and low level radioactive wastes. This segment competes for materials and services with numerous regional and national competitors to provide comprehensive and cost-effective Waste Management Services to a wide variety of customers located throughout the continental United States. The Company operates and maintains facilities and businesses in the waste by-product brokerage, on-site treatment and stabilization, and off-site blending, treatment and disposal industries. The Company's Consulting Engineering segment provides a wide variety of environmental related consulting and engineering services to industry and government. Through the Company's wholly-owned subsidiaries in Tulsa, Oklahoma and St. Louis, Missouri, the Consulting Engineering segment provides oversight management of environmental restoration projects, air and soil sampling, compliance reporting, surface and subsurface water treatment design for removal of pollutants, and various compliance and training activities.

Consolidated net revenues increased \$1,144,000 for the quarter ended September 30, 1998, as compared to the quarter ended September 30, 1997. This increase of 16.5% is attributable to the Waste Management Services segment which experienced an increase in revenues of \$1,278,000, partially offset by a decrease in revenues from the Consulting Engineering segment. The increase in the Waste Management Services segment is the result of the growth in the wastewater and mixed waste markets. The most significant increases occurred at the PFF facility, which recognized a \$783,000 increase resulting principally from the completion of various mixed waste contracts, the PFTS facility, which recognized a \$260,000 increase due to the increased processing capacities at this facility, and the PFFL facility, which recognized a \$485,000 increase resulting principally from increased services within the cruise ship industry

and other remedial contracts completed. Consolidated net revenues increased to \$22,291,000 from \$19,368,000 for the nine months ended September 30, 1998, as compared to the same nine months ended in

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1997. This increase of \$2,923,000, or 15.1%, is attributable to the Waste Management Services segment which experienced an increase in revenues of \$3,325,000, partially offset by a decrease in revenues from the Consulting Engineering segment. The most significant increases occurred at the PFF facility which recognized a \$1,422,000 increase resulting principally from the completion of various mixed waste contracts, the PFTS facility, which recognized an \$837,000 increase due to the increased processing capacities at this deep-well wastewater disposal facility resulting from a recently completed upgrade, and the PFFL facility, which recognized a \$725,000 increase resulting principally from growth in services within the cruise ship industry. This increase in the Waste Management Services segment was partially offset by a reduction of \$403,000 in the Consulting Engineering segment. This Consulting Engineering reduction is principally a result of the completion of several larger contracts in 1997, which were not duplicated in 1998.

Cost of goods sold for the Company increased \$662,000, or 14.3%, for the quarter ended September 30, 1998, as compared to the quarter ended September 30, 1997. This consolidated increase in cost of goods sold reflects principally the increased disposal, transportation and operating costs corresponding to the 16.5% increase in revenues, as discussed above. The resulting gross profit for the quarter ended September 30, 1998, increased \$482,000 to \$2,773,000, which as a percentage of revenue is 34.4%, reflecting an increase over the 1997 percentage of revenue of 33.1%. Cost of goods sold for the Company increased \$1,825,000 or 13.5% for the nine months ended September 30, 1998, as compared to the nine months ended September 30, 1997. This consolidated increase in cost of goods sold reflects principally the increased disposal, transportation and operating costs, corresponding to the 15.1% increase in revenues, as discussed above. The resulting gross profit for the nine months ended September 30, 1998, increased \$1,098,000 to \$6,974,000, which as a percentage of revenue is 31.3%, reflecting an increase over the 1997 percentage of revenue of 30.3%.

Selling, general and administrative expenses increased \$361,000 or 26.8% for the quarter ended September 30, 1998, as compared to the quarter ended September 30, 1997. As a percentage of revenue, selling, general and administrative expense also increased to 21.2% for the quarter ended September 30, 1998, compared to 19.5% for the same period in 1997. Selling, general and administrative expenses increased \$870,000, or 21.3%, for the nine months ended September 30, 1998, as compared to the nine months ended September 30, 1997. As a percentage of revenue, selling, general and administrative expense also increased to 22.2% for the nine months ended September 30, 1998, compared to 21.0% for the same period in 1997. The increases for both the quarter and nine months ended September 30, 1998, reflects the increased expenses associated with the Company's additional sales and marketing efforts as it continues to refocus its business segments into new environmental markets, such as nuclear and mixed waste and the development of certain on-site wastewater services, and the additional administrative overhead associated with the Company's research and development efforts, all of which are expensed in the current period as incurred.

Depreciation and amortization expense for the quarter ended September 30, 1998, reflects an increase of \$41,000 as compared to the same quarter ended September 30, 1997. This increase is attributable to a depreciation increase of \$23,000 due to capital improvements being introduced at the Company's transportation, storage and disposal ("TSD") facilities to improve efficiencies. Amortization expense reflects a total increase of \$18,000 for the quarter ended September 30, 1998, as compared to the same quarter 1997 due to the increased amortization, resulting from new capitalized permitting costs. Depreciation and amortization expense for the nine months ended September 30, 1998, reflects an increase of \$79,000 as compared to the nine months ended September 30, 1997. This increase is attributable to a depreciation expense increase of \$49,000 due to the capital improvements being introduced at the Company's TSD facilities to improve efficiencies. Amortization expense reflects a total increase of \$30,000 for the nine months ended September 30, 1998, as compared to the nine months ended September 30, 1997, due to the increased amortization, resulting from new capitalized permitting costs.

Interest expense increased \$24,000 for the quarter ended September 30, 1998, as compared to the corresponding period of 1997, and by \$33,000 from the nine months ended September 30, 1998,

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as compared to the corresponding period of 1997. The increase in interest expense during 1998 reflects the additional interest as incurred on the Congress Financial Corporation (Florida) ("Congress") term loan, which as a result of the January 1998 refinancing of the Heller Financial and Ally Capital Corporation debt obligations was reloaded to an increased balance of \$2.5 million. The Congress revolving loan balance and related interest expense reflected increases during the first six months of 1998, over the same period of 1997, which were partially offset by reduced revolving loan interest expense in the third quarter of 1998, resulting from the proceeds of the Series 10 Preferred in conjunction with improved operating cash flow. The Preferred Stock dividends increased \$29,000 for the nine months ended September 30, 1998, as compared to the same period of 1997, to a total of \$291,000. This increase is principally a result of the \$26,000 of additional dividends incurred relative to the Series 10 Preferred, issued in July 1998. Also reflected in this increase is a full nine (9) months of dividends in 1998 for the Series 8 and Series 9 Preferred, as compared to three (3) months in 1997, partially offset by reduced dividends resulting from the conversion of 1500 shares of Series 3 Preferred during the period May through August of 1997.

Discontinued Operations

On January 27, 1997, an explosion and resulting tank fire occurred at the PFM facility, a hazardous waste storage, processing and blending facility, which resulted in damage to certain hazardous waste storage tanks located on the facility and caused certain limited contamination at the facility. 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. Until the time of the incident, PFM operated as a permitted "fuel blending" facility and serviced a separate class of customers who generated specific waste streams, identified by its waste code and specific characteristics. As the Company's only

such "fuel blending" facility, PFM was permitted to and capable of mixing certain hazardous liquid, semi-solid and solid waste in a vat which suspended the solids in order to pump the mixture into a tank. The tanks also contained mixing units which kept the solids suspended until the mixture could be off-loaded into tanker trucks. As a result of the damage to the tanks and processing equipment and the related cost to rebuild this operating unit, the Company decided to discontinue this line of business, which resulted in PFM's inability to service and retain the existing customer base. The existing customer base represented principally manufacturing and service companies whose operations generated certain semi-solid and solid permitted hazardous wastes, which as a result of permit and processing limitations could not be served by other Company facilities. The Company continues to pursue other markets or activities which may be performed at this facility given the permit limitations, capital requirements and development of a new line of business and related customer base. Upon evaluation of the above business decision, and given the loss of both the existing line of business and its related customer base, the Company reported the Memphis segment as a discontinued operation, pursuant to Paragraph 13 of APB 30.

The fuel blending activities were discontinued on the date of the incident, January 27, 1997. All assets involved in the fuel blending activities that were not damaged beyond repair in the fire have subsequently been damaged as a result of the decontamination process. Accordingly, during the fourth quarter of 1997, the Company recorded a loss on disposal of discontinued operations of \$3,053,000, which included \$1,272,000 for impairment of certain assets and \$1,781,000 for the establishment of certain closure liabilities.

The net loss from discontinued PFM operations for the nine months ended September 30, 1998, was \$378,000 and was recorded against the accrued closure cost estimate on the balance sheet. The net loss for the nine months ended September 30, 1997, was \$1,308,000 and is shown separately in the Consolidated Statements of Operations. The Company has restated the 1997 operating results to reflect this discontinued operations. The results of the discontinued PFM operations do not reflect management fees charged by the Company, but do include interest expense of \$54,000 and \$180,000 during the nine months ended September 30, 1998 and 1997, respectively, specifically identified to such operations as a result of such operations actual incurred debt under the Corporation's revolving and term loan credit facility. During March of 1998, the Company received a settlement in the amount of \$1,475,000 from its insurance carrier for the business interruption claim. This settlement was recognized as a gain in 1997 and thereby reducing the net loss

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recorded for the discontinued PFM operations in 1997. Revenues of the discontinued PFM operations were \$794,000 for the nine months ended September 30, 1998, and \$1,514,000 for the nine months ended September 30, 1997. These revenues are not included in revenues as reported in the Consolidated Statements of Operation.

Liquidity and Capital Resources of the Company

At September 30, 1998, the Company had cash and cash equivalents of \$825,000, including (\$2,000) from discontinued operations. This cash and cash equivalents total reflects an increase of \$499,000 from December 31, 1997, as a result of net cash provided by continuing operations of \$2,187,000 (including the PFM insurance settlement of \$1,475,000), offset by cash used by discontinued operation of \$903,000, cash used in investing activities of \$1,434,000 (principally purchases of equipment, net

totaling \$1,640,000) and cash provided by financing activities of \$649,000 (principally proceeds from the issuance of stock partially offset by the repayment of the Company's credit facilities). Accounts receivable, net of allowances for continuing operations, totaled \$5,363,000, an increase of \$81,000 over the December 31, 1997, balance of \$5,282,000, which principally reflects the impact of increased sales during the third quarter of 1998.

During fiscal year 1997 and 1998 there were numerous events, many of which were precipitated by the Company, which served to increase the Company's liquidity on a short term and long term basis. During 1997, the Company and certain of its subsidiaries (i) sold non productive assets in the amount of \$245,000. (ii) entered into and received business interruption insurance proceeds for Ft. Lauderdale facility in the amount of \$231,000, (iii) issued Common Stock pursuant to certain stock purchase agreements and warrant and option exercises which yielded \$751,000, (iv) issued two (2) Series of Preferred Stock for \$2,850,000, (v) received insurance proceeds of \$422,000 as a result of the fire and explosion at PFM; and (vi) issued \$378,000 of Common Stock for outstanding debts.

As detailed below, during 1998 the Company entered into the Loan Agreement with Congress, pursuant to which (i) the previous loan arrangements with Heller Financial Corporation ("Heller") and Ally Capital Corporation ("Ally") were replaced, (ii) the then existing loan covenant violations of the Company under the Heller and Ally loan arrangements were eliminated, and (iii) the Company received increased lending availability. During 1998, the Company also received insurance proceeds related to the fire and explosion at PFM in the amount of \$1,475,000, issued the Series 10 Preferred for \$3,000,000, and issued \$588,863 of Common Stock for outstanding debts.

On January 15, 1998, the Company, as parent and guarantor, and all direct and indirect subsidiaries of the Company, as co-borrowers and cross-guarantors, entered into a Loan and Security Agreement ("Agreement") with Congress Financial Corporation (Florida) as lender ("Congress"). The Agreement provides for a term loan in the amount of \$2,500,000, which requires principal repayments based on a four-year level principal amortization over a term of 36 months, with monthly principal payments of \$52,000. Payments commenced on February 1, 1998, with a final balloon payment in the amount of approximately \$573,000 due on January 14, 2001. The Agreement also provides for a revolving loan facility in the amount of \$4,500,000. At any point in time the aggregate available borrowings under the facility are subject to the maximum credit availability as determined through a monthly borrowing base calculation, as updated for certain information on a weekly basis, equal to 80% of eligible accounts receivable accounts of the Company as defined in the Agreement. The termination date on the revolving loan facility is also the third anniversary of the closing date. The Company incurred approximately \$237,000 in financing fees relative to the solicitation and closing of this loan agreement (principally commitment, legal and closing fees) which are being amortized over the term of the Agreement.

Pursuant to the Agreement, the term loan and revolving loan both bear interest at a floating rate equal to the prime rate plus 1 3/4%. The Agreement also provides for a one time rate adjustment of 1/4%, subject to the company meeting certain 1998 performance objectives. The loans also contain certain closing, management and unused line fees payable throughout the term. The loans are

subject to a 3.0% prepayment fee in the first year, 1.5% in the second and 1.0% in the third year of the Agreement.

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As security for the payment and performance of the Agreement, the Company granted a first security interest in all accounts receivable, inventory, general intangibles, equipment and other assets of the Company and its subsidiaries, as well as the mortgage on two (2) facilities owned by subsidiaries of the Company. The Agreement contains affirmative covenants including, but not limited to, certain financial statement disclosures and certifications, management reports, maintenance of insurance and collateral. The Agreement also contains an Adjusted Net Worth financial covenant, as defined in the Agreement, of \$3,000,000. Under the Agreement, the Company, and its subsidiaries are limited to granting liens on their equipment, including capitalized leases, (other than liens on the equipment to which Congress has a security interest) in an amount not to exceed \$2,500,000 in the aggregate at any time outstanding.

The proceeds of the Agreement were utilized to repay in full on January 15, 1998, the outstanding balance of \$3,115,000 under the Heller Loan and Security Agreement which was comprised of a revolving loan and term loan, and to repay the outstanding balance of \$624,000 under the Ally Equipment Financing Agreements. The Company had borrowing availability under the Congress Agreement of approximately \$1,500,000 as of the date of closing, based on 80% of eligible accounts receivable accounts. The Company recorded the December 31, 1997, Heller and Ally debt balances as though the Congress transaction had been closed as of December 31, 1997. As a result of this transaction, and the repayment of the Heller and Ally debt, the combined monthly debt payments were reduced from approximately \$104,000 per month to \$52,000 per month. As of September 30, 1998, the borrowings under the Congress revolving loan facility totaled \$52,000, with borrowing availability of approximately \$3,538,000 based on the amount of outstanding eligible accounts receivable as of September 30, 1998. The balance under the Congress term loan at September 30, 1998, was \$2,083,000.

At September 30, 1998, the Company had \$3,013,000 in aggregate principal amounts of outstanding debt, related to continuing operations, as compared to \$4,865,000 at December 31, 1997. This decrease in outstanding debt of \$1,852,000 principally reflects the decreased borrowings under the Company's revolving credit facility (\$2,028,000) resulting from cash provided by continuing operations and cash proceeds from the Series 10 Preferred, and the new equipment financing at the Perma-Fix of Florida, Inc. facility (\$317,000), partially offset by the scheduled principal repayments on the Company's other credit agreements.

As of September 30, 1998, the Company had \$49,000 in aggregate principal amounts of outstanding debt related to PFM discontinued operations, of which \$42,000 is classified as current.

As of September 30, 1998, total consolidated accounts payable for continuing operations of the Company was \$1,852,000, a reduction of \$411,000 from the December 31, 1997, balance of \$2,263,000.

The Company's net purchases of new capital equipment for continuing operations for the nine month period ended September 30, 1998, totaled approximately \$1,970,000, including \$330,000 of financed purchases. These expenditures were for expansion and improvements to the operations principally within the Waste Management segment. These capital expenditures were principally funded by the \$1,475,000 PFM insurance settlement, utilization of the Company's revolving credit facility,

internally generated funds, and other lease financing. The Company had budgeted capital expenditures of \$1,950,000 for 1998, subsequently increase to a level of approximately \$2,100,000 which includes completion of certain current projects, as well as other identified capital and permit compliance purchases, excluding environmental contingencies as discussed below. The Company anticipates funding the remainder of its 1998 capital expenditures by a combination of lease financing with lenders other than the equipment financing arrangement discussed above, proceeds from the Series 10 Preferred Stock, and/or internally generated funds.

On or about June 30, 1998, the Company issued 3,000 shares of newly created Series 10 Class J Convertible Preferred Stock ("Series 10 Preferred"), as further discussed in Note 6 to Consolidated Financial Statements and Item 2 "Changes in Securities and Use of Proceeds." The Company received net proceeds of \$2,768,000 (after deduction of the payment of \$210,000 for broker's commission and certain other closing

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costs, but prior to the Company's legal fees and other costs in connection with the sale of the Series 10 Preferred and the registration of the Common Stock issuable upon conversion of such Preferred Stock) for the sale of the Series 10 Preferred. These net proceeds were received by the Company on July 14, 1998, and have been recorded as a Preferred Stock receivable at June 30, 1998. Each share of Series 10 Preferred sold for \$1,000 per share and has a liquidation value of \$1,000 per share. The Company utilized the proceeds received on the sale of Series 10 Preferred for working capital and/or to reduce the outstanding balance of its revolving credit facility, subject to the Company reborrowing under such credit facility.

With the issuance of the Series 10 Preferred, the Company has outstanding 9,850 shares of Preferred Stock, with each share having a liquidation preference of \$1,000 ("Liquidation Value"). Annual dividends on the Preferred Stock ranges from 4% to 6% of the Liquidation Value, depending upon the Series. Dividends on the Preferred Stock are cumulative, and are payable, if and when declared by the Company's Board of Directors, on a semi-annual basis. Dividends on the outstanding Preferred Stock may be paid at the option of the Company, if declared by the Board of Directors, in cash or in the shares of the Company's Common Stock as described under Note 6 of the Consolidated Financial Statements and Item 2 of Part II hereof. The accrued dividends for the period from January 1, 1998, through June 30, 1998, on the then outstanding shares of the Company's Preferred Stock in the amount of approximately \$176,000 were paid in July 1998, by the Company issuing 90,609 shares of the Company's Common Stock. It is the present intention of the Company to pay any dividends declared by the Company's Board of Directors on its outstanding shares of Preferred Stock in Common Stock of the Company.

As of September 30, 1998, there are certain events, which may have a material impact on the Company's liquidity on a short-term basis. The Company's Board of Directors has authorized the repurchase of up to 500,000 share of the Company's Common Stock from time to time in the open market or privately negotiated transactions, in accordance with SEC Rule 106-18, which if such shares were purchased as of the date of the report would result in the expenditure of approximately \$1.0 million in cash, (ii) extended an offer of \$225,000 (payable \$150,000 at closing and \$75,000 over a twelve month period) to settle any potential liability regarding the Drum Site as discussed below, and (iii) signed a letter of intent regarding potential acquisitions as

further discussed in Note 7 to the Notes to Consolidated Financial Statements. In conjunction with this proposed acquisition, the Company would fund certain closing costs and accrued liabilities in amounts yet to be determined. The Company anticipates funding these activities from cash provided by continuing operations and borrowings under the Company's revolving credit facility.

The working capital position of the Company at September 30, 1998, was \$1,386,000, as compared to \$754,000 at December 31, 1997, which reflects an increase of \$632,000 during this first nine months of 1998. This increased working capital position is principally a result of the Series 10 Preferred equity proceeds received in July 1998 and the cash contributions provided by the continuing operations, partially offset by the fact that the Company reduced its current liabilities during the first nine months of 1998 by approximately \$1,710,000. The Company also reduced its long-term liabilities by \$2,176,000, to a balance of \$6,219,000 at September 30, 1998.

Environmental Contingencies

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

The Company routinely uses third party disposal companies, who ultimately destroy landfill residual materials generated at its facilities or at a client's site. The Company, compared to its

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

In addition to budgeted capital expenditures of \$2,100,000 for 1998 at the TSD facilities of the Company, which are necessary to maintain permit compliance and improve operations, the Company has also budgeted for 1998 an additional \$1,045,000 in environmental expenditures to comply with federal, state and local regulations in connection with remediation of two locations. One location owned by PFM and the other location leased by a predecessor of another subsidiary of the Company. The Company has estimated the expenditures for 1998 to be approximately \$210,000 at the site leased by a predecessor of a subsidiary of the Company and \$835,000 at the PFM location. Additional funds will be required for the next five to ten years to properly investigate and remediate these sites. The Company expects to fund these expenses to remediate these two sites from funds generated internally.

In addition the Company's subsidiary, PFM, has been notified by the United States Environmental Protection Agency ("EPA") that it believes that PFM is a PRP regarding the remediation of a drum reconditioning facility in Memphis, Tennessee, owned by others ("Drum Site"), primarily as a result of activities by PFM prior to the date that the Company acquired PFM in December 1993. The EPA has advised PFM that it has spent approximately \$1.4 million to remediate the Drum Site, and that the EPA has sent PRP letters to approximately 50 other PRPs regarding the Drum Site in addition to PFM. The EPA has further advised that it believes that PFM supplied a substantial amount of drums to the Drum Site. The Company is currently negotiating with the EPA regarding the possibility of settling the EPA's claims against PFM as to the Drum Site. During the third quarter of 1998, the Company extended an offer of \$225,000 (payable \$150,000 at closing and the balance over a twelve month period) to settle any potential liability regarding the Drum Site. Based upon discussions with government officials, the Company believes the settlement offer will be accepted, however, no assurance can be made that the Company's current settlement offer will be accepted or that the Company will be able to settle its claims regarding the Drum Site in an amount and manner which the Company believes is reasonable. If PFM is unable to settle such claims by the EPA and PFM is determined to be liable for all or a substantial portion of the remediation costs incurred by the EPA at the Drum Site, such could have a material adverse effect on the Company.

Year 2000 Issues

The staff of the Securities and Exchange Commission has indicated that each public company should discuss its "Year 2000" issues. The Year 2000 problem arises because many computer systems were designed to identify a year using only two digits, instead of four digits, in order to conserve memory and other resources. For instance, "1997" would be held in the memory of a computer as "97."

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

The Company has conducted a review of its computer systems to identify the systems which it anticipated could be affected by the Year 2000 issue, and the Company believes that all such systems were already, or have been converted to be, Year 2000 compliant. Such conversion, when required, did not entail material expenditures by the Company. Pursuant to the Company's Year 2000 planning, the Company has requested information regarding the computer systems of its key suppliers, customers, creditors, and financial service organizations and has been informed that they are substantially Year 2000 compliant. There can be no assurance, however, that such key organizations are actually Year 2000

complaint and that the Year 2000 issue will not adversely affect the Company's financial position or results of operations. The Company believes that its expenditures in addressing its Year 2000 issues will not have a material adverse effect on the Company's financial position or results of operations.

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

PART II - Other Information

Item 1. Legal Proceedings

There are no additional material legal proceedings pending against the Company and/or its subsidiaries not previously reported by the Company in Item 3 of its Form 10-K for the year ended December 31, 1997. As previously disclosed in such Form 10-K, the Company received correspondence dated January 15, 1998 ("PRP Letter"), from the United States Environmental Protection Agency ("EPA") that it believes that PFM, a wholly owned subsidiary of the Company is a potentially responsible party ("PRP"), as defined under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), regarding the remediation of the W. & R. Drum, Inc. ("Drum") site in Memphis, Tennessee, ("Drum Site"), primarily as a result of acts by a predecessor of PFM prior to the time PFM was acquired by the Company. In addition, the EPA has advised PFM that it has sent PRP letters to approximately 50 other PRPs as to the Drum Site. The PRP Letter estimated the remediation costs incurred by the EPA for the Drum Site to be approximately \$1,400,000 as of November 30, 1997. The EPA has orally informed the Company that such remediation has been substantially completed as of such date, and that the EPA believes that PFM supplied a substantial amount of the drums at the Drum Site. During the second quarter of 1998, PFM and certain other PRPs began negotiating with the EPA regarding a potential settlement of the EPA's claims regarding the Drum Site and such negotiations are currently continuing. During the third quarter of 1998, the Company extended an offer of \$225,000 (payable \$150,000 at closing and the balance over a twelve month period) to settle any potential liability regarding the Drum Site. Based upon discussions with government officials, the Company believes the settlement offer will be accepted, however, no assurance can be made that the Company's current settlement offer will be accepted or that the Company will be able to settle its claims regarding the Drum Site in an amount and manner which the Company believes is reasonable. If PFM cannot reach a settlement which PFM believes is reasonable, it will continue to vigorously defend against the EPA's demand regarding remediation costs of the Drum Site. If PFM is determined to be liable for a substantial portion of the remediation cost incurred by the EPA at the Drum Site, such could have a material adverse effect on the Company.

Item 2. Changes in Securities and Use of Proceeds

During the quarter ended September 30, 1998, the Company sold or entered into an agreement to sell, equity securities that were not registered under the Securities Act of 1933, as amended ("Securities Act") as follows:

(i) Pursuant to the terms of a Private Securities Subscription Agreement, dated as of June 30, 1998 ("Subscription

Agreement"), the Company issued to RBB Bank Aktiengesellschaft, located in Graz, Austria ("RBB Bank"), 3,000 shares of newly-created Series 10 Class J Convertible Preferred Stock, par value \$.001 per share ("Series 10 Preferred"), at a price of \$1,000 per share, for an aggregate sales price of \$3,000,000. The Company received net proceeds of approximately \$2,768,000 from the sale of the Series 10 Preferred after deducting certain commissions and expenses. Pursuant to the terms of the Subscription Agreement, the Company granted to RBB Bank the RBB Series 10 Warrants (as defined and discussed below). The sale to RBB Bank of the Series 10 Preferred and the granting of the RBB Series 10 Warrants as described below were made in a private placement under Section 4(2) of the Securities Act and/or Rule 506 of Regulation D as promulgated under the Securities Act.

In the Subscription Agreement, RBB Bank represents inter alia, (i) it is an "accredited investor" as such term is defined in Rule 501 as promulgated under the Securities Act; (ii) the placement was not made in connection with any general solicitation or advertising; (iii) RBB Bank alone, or together with its purchaser representative is a sophisticated investor; and (iv) RBB Bank's acquisition under the Subscription Agreement is for its own account and not with a view to resale or distribution of any part thereof.

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The Series 10 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 10 Preferred (the "Series 10 Liquidation Value"), plus an amount equal to all unpaid dividends accrued thereon. The Series 10 Preferred accrues dividends on a cumulative basis at a rate of four percent (4%) per annum of the Series 10 Liquidation Value ("Dividend Rate"), and is payable semi-annually when and as declared by the Board of Directors. Dividends, as declared by the Board of Directors, may be paid at the option of the Company, in cash or shares of Common Stock. No dividends or other distributions may be paid or declared or set aside for payment on the Common Stock until all accrued and unpaid dividends on all outstanding shares of Series 10 Preferred have been paid or set aside for payment. If the Company pays dividends in Common Stock, such are 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, time (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 10 Preferred may convert into Common Stock any or all of the Series 10 Preferred on and after 180 days after June 30, 1998. The conversion price per outstanding share of Preferred Stock ("Series 10 Conversion Price") is \$1.875; except that if the average of the closing bid price per share of Common Stock quoted on the NASDAQ (or the closing bid price of the Common Stock as quoted on the national securities exchange if the Common Stock is not listed for trading on the NASDAQ but is listed for trading on a national securities exchange) for the five (5) trading days immediately prior to the particular date on which the holder notified the Company of a conversion ("Series 10 Conversion Date") is less than \$2.34, then the Series 10 Conversion Price for that particular conversion shall be eighty percent (80%) of the average of the closing bid price of the Common Stock on the NASDAQ (or if

the Common Stock is not listed for trading on the NASDAQ but is listed for trading on a national securities exchange then eighty percent (80%) of the average of the closing bid price of the Common Stock on the national securities exchange) for the five (5) trading days immediately prior to the particular Series 10 Conversion Date. As of June 30, 1998, the closing price of Common Stock on the NASDAQ was \$1.875 per share.

As part of the sale of the Series 10 Preferred, the Company also issued to RBB Bank two warrants: (a) one warrant entitling the holder to purchase up to an aggregate of 150,000 shares of Common Stock at an exercise price of \$2.50 per share of Common Stock expiring three (3) years after June 30, 1998 and (b) a second warrant entitling the holder to purchase up to an aggregate of 200,000 shares of Common Stock at an exercise price of \$1.875 per share of Common Stock and expiring three (3) years after June 30, 1998. Collectively, these warrants are referred to herein as the "RBB Series 10 Warrants." The shares of Common Stock issuable upon the conversion of the Series 10 Preferred and upon the exercise of the RBB Series 10 Warrants are subject to certain registration rights pursuant to the Subscription Agreement.

The Company intends to utilize the net proceeds received on the sale of Series 10 Preferred for working capital and/or to reduce the outstanding balance of its credit facilities, subject to the Company reborrowing under such credit facilities.

In connection with the placement of Series 10 Preferred with RBB Bank, the Company paid commissions of \$210,000 and issued to (a) Liviakis Financial Communications, Inc. ("Liviakis") for assistance with the placement of the Series 10 Preferred, warrants entitling the holder to purchase up to an aggregate of 1,875,000 shares of Common Stock, subject to certain anti-dilution provisions, at an exercise price of \$1.875 per share of Common Stock which warrants may be exercised after January 15, 1999, and which expire after four (4) years; (b) Robert B. Prag, an executive officer of Liviakis ("Prag"), for assistance with the placement of the Series 10 Preferred, warrants entitling the holder to purchase up to an aggregate of 625,000 shares of Common Stock, subject to certain anti-dilution provisions, at an exercise price of \$1.875 per share of Common Stock, which warrants may be exercised after January 15, 1999, and which expire after four (4) years; (c) JW Genesis Financial Corporation ("Genesis") for assistance with the placement of the Series 10 Preferred, warrants entitling the holder

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to purchase up to an aggregate of 150,000 shares of Common Stock, subject to certain anti-dilution provisions, at an exercise price of \$1.875 per share of Common Stock, which warrants expire after three (3) years; and (d) Fontenoy Investments ("Fontenoy") for assistance with the placement of the Series 10 Preferred, warrants entitling the holder to purchase up to an aggregate of 350,000 shares of Common Stock, subject to certain anti-dilution provisions, at an exercise price of \$1.875 per share of Common Stock, which warrants expire after three (3) years. Under the terms of each warrant, the holder is entitled to certain registration rights with respect to the shares of Common Stock issuable on the exercise of each warrant. The issuance of the warrants to Liviakis, Prag, Genesis and Fontenoy was made in a private placement under Section 4(2) of the Securities Act and/or Rule 506 of Regulation D as promulgated under the Securities Act.

Under certain circumstances, the Company may not issue shares of Common Stock upon conversion of the Series 10 Preferred and the

exercise of warrants granted in connection with the issuance of the Series 10 Preferred ("Series 10 Warrants") without obtaining shareholder approval as to such transactions. Shareholder approval is required if (i) the aggregate number of shares of Common Stock issued by the Company pursuant to the terms of the Series 10 Preferred and the Series 10 Warrants exceeds 2,388,347 shares of Common Stock (which equals 19.9% of the outstanding shares of Common Stock of the Company as of June 30, 1998) and (ii) RBB Bank has converted or elects to convert any of the then outstanding shares of Series 10 Preferred pursuant to the terms of the Series 10 Preferred at a conversion price of less than \$1.875 (\$1.875 being the market value per share of Common Stock as quoted on the NASDAQ as of the close of business on June 30, 1998), other than if the Conversion Price is less than \$1.875 solely as a result of the anti-dilution provisions of the Series 10 Preferred, then the Company must obtain shareholder approval before the Company can issue any additional shares of Common Stock pursuant to the terms of the Series 10 Preferred and Series 10 Warrants. The requirement for shareholder approval is set forth in subparagraphs (25)(H)(i)d, (iv) and (v) of Rule 4310 of the NASDAQ Marketplace Rules.

(ii) On or about September 10, 1988, pursuant to the terms of a certain Consulting Agreement ("Consulting Agreement") entered into effective as of January 1, 1998, the Company issued 2,170 shares of Common Stock in payment of accrued earnings of \$3,000 to Alfred C. Warrington IV, an outside, independent consultant to the Company, as consideration for certain consulting services rendered to the Company by Warrington from April through June 1998. The issuance of Common Stock pursuant to the Consulting Agreement was a private placement under Section 4(2) of the Securities Act and/or Rule 506 of Regulation D as promulgated under the Securities Act. The Consulting Agreement provides that Warrington will be paid \$1,000 per month of service to the Company, payable, at the option of Warrington (i) all in cash, (ii) sixty-five percent in shares of Common Stock and thirty-five percent in cash, or (iii) all in Common Stock. If Warrington elects to receive part or all of his compensation in Common Stock, such will be valued at seventy-five percent of its "Fair Market Value" (as defined in the Consulting Agreement). Warrington elected to receive all of his accrued compensation through the end of 1997 in Common Stock.

Warrington represented and warranted in the Consulting Agreement, inter alia, as follows: (i) the Common Stock is being acquired for Warrington's own account, and not on behalf of any other persons; (ii) Warrington is acquiring the Common Stock to hold for investment, and not with a view to the resale or distribution of all or any part of the Common Stock; (iii) Warrington will not sell or otherwise transfer the Common Stock in the absence of an effective registration statement under the Securities Act, or an opinion of counsel satisfactory to the Company, that the transfer can be made without violating the registration provisions of the Securities Act and the rules and regulations promulgated thereunder; (iv) Warrington is an "accredited investor" as defined in Rule 501 of Regulation D as promulgated under the Securities Act; (v) Warrington has such knowledge, sophistication and experience in financial and business matters that he is capable of evaluating the merits and risks of the acquisition of the Common Stock; (vi) Warrington fully understands the nature, scope and duration of the limitations on transfer of the Common Stock as contained in the Consulting Agreement, (vii) Warrington understands that a restrictive legend as to transferability will be placed upon the certificates for any

of the shares of Common Stock received by Warrington under the Consulting Agreement and that stop transfer instructions will be given to the Company's transfer agent regarding such certificates.

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(iii) On or about each of July 20, 1998, and August 27, 1998, Joseph C. Canouse ("Canouse") purchased 30,000 shares each of Common Stock for \$21,900 or an aggregate of 60,000 shares for \$43,800. These shares were purchased pursuant to the terms of a certain warrant ("Carey Warrant") which had been originally issued to J.P. Carey Enterprises, Inc., a provider of investment banking services to the Company ("Carey"), allowing the purchase of 195,000 shares of Common Stock for \$0.73 per share and which was partially assigned on January 5, 1998, to Canouse, a shareholder of Carey. The issuance to Carey was described in a Form D which was filed with the Securities and Exchange Commission ("SEC") under Rule 506 on August 3, 1996.

The shares of Common Stock were issued to Canouse in a private placement under Section 4(2) of the Act as Canouse had access to the same kind of information which would be included in a registration statement and is a highly sophisticated investor. The shares issued to Canouse are restricted shares which were issued with a restrictive legend, however, such shares are covered by an effective registration statement on Form S-3, No. 333-14513 ("1996 Registration Statement"), filed with the SEC, effective November 13, 1996, registering for reoffer or resale from time to time certain shares of Common Stock including the 195,000 shares of Common Stock, to be issued from time to time upon exercise of the Carey Warrant.

On January 29, 1998, a Third Supplement to the Prospectus dated November 13, 1996, ("Third Supplement") was filed with the SEC, which Third Supplement described, among other things, the assignment of a portion of the Carey Warrant to Canouse. The Third Supplement also served to supplement and amend the Selling Security Holders by, among other things, (i) adding Canouse as a Selling Shareholder; and (ii) adjusting the offering information applicable to Carey, to account for the assignment by Carey of the Carey Warrant.

(iv) On or about July 15, 1998, and July 31, 1998, Dionysus Limited ("Dionysus"), an Isle of Man corporation, which has since changed its name to Fontenoy Investments Limited, purchased, 48,800 and 3,000 shares of Common Stock, respectively, or an aggregate of 51,800 shares for an aggregate of \$88,060. These shares were purchased pursuant to the terms of a certain warrant ("Dionysus Warrant") issued to Dionysus in connection with a private placement allowing the purchase of 100,000 shares of Common Stock for \$1.70 per share. The issuance of the Dionysus Warrant was described in a Form D which was filed with the SEC under Rule 506 on July 16, 1998.

The shares of Common Stock were issued to Dionysus in a private placement under Section 4(2) of the Act as Dionysus had access to the same kind of information which would be included in a registration statement and is a highly sophisticated investor. The shares issued to Dionysus are restricted shares which were issued with a restricted legend and such shares are addressed in a registration statement on Form S-3, No. 333-43149 ("Registration Statement"), which has been filed with the SEC, but which has not been declared effective.

On or about July 15, 1998, Dionysus also purchased 38,300 shares of Common Stock for \$57,450 pursuant to the terms of a certain warrant ("Charles Warrant") which was originally issued to JW Charles Financial Services, Inc. ("Charles"), which at the time was a provider of investment banking services to the Company. The Charles Warrant allowed the purchase of 450,000 shares of Common Stock for \$1.50 per share. On or about July 13, 1997, a portion of the Charles Warrant was assigned to a principal of Charles, Paul T. Mannion ("Mannion") and effective August 5, 1997, Mannion assigned his entire portion of the Charles Warrant to Dionysus. The issuance to Charles was described in a Form D which was filed with the SEC under Rule 506 on August 3, 1996.

The shares of Common Stock were issued to Dionysus in a private placement under Section 4(2) of the Act as Dionysus had access to the same kind of information which would be included in a registration statement and is a highly sophisticated investor. The shares issued to Dionysus under the Charles Warrant are restricted shares which were issued with a restrictive legend, however, such shares are covered by the 1996 Registration Statement, which registered for reoffer or resale from time to time

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up to 7,450,000 shares of Common Stock including the 450,000 shares of Common Stock, to be issued from time to time upon exercise of the Charles Warrant.

On June 27, 1997, a Supplement to the Prospectus contained within the 1996 Registration Statement. ("First Supplement") was filed with the SEC, which First Supplement described, among other things, the assignment of the portion of the Charles Warrant to Mannion. The First Supplement also served to supplement and amend the Selling Security Holders table set forth at page 21 of the Prospectus by (i) adding as a Selling Stockholder each assignee of a portion of the Charles Warrant who was not previously listed as a Selling Stockholder, and (ii) adjusting the offering information applicable to Charles, to account for the assignment by Charles of the Charles Warrant.

On September 26, 1997, a Second Supplement to the Prospectus contained within the 1996 Registration Statement ("Second Supplement") was filed with the SEC, which Second Supplement described, among other things, the assignment of the Mannion Warrant to Dionysus. The Second Supplement also served to supplement and amend the Selling Security Holders table set forth at page 21 of the Prospectus by, among other things, (i) adding Dionysus as a Selling Shareholder, and (ii) adjusting the offering information applicable to Mannion to account for his assignment of the Mannion Warrant to Dionysus.

Item 5. Other Information

Possible Acquisition

During November 1998, the Company signed a letter of intent ("Letter") with the shareholders of Chemical Conservation Corporation (Florida), Chemical Conversation of Georgia, Inc. (Collectively, "Chem-Con") and Chem-Met Services, Inc. ("Chem-Met") regarding a potential acquisition of Chem-Con and Chem-Met by the Company (the "Acquisition"). Chem-Con and Chem-Met generate, on a consolidated basis, approximately \$24 million in revenue, resulting principally from the collection, treatment, and recycling of industrial and hazardous waste, including waste oils, water and

miscellaneous solid waste. Chem-Met Services, Inc. treats and stabilizes inorganic wastes, Chemical Conservation Corporation runs a Part B-permitted transfer station that also serves as the base for the private trucking fleet, and Chemical Conservation of Georgia, Inc. recycles solvents and treats hazardous waste. Pursuant to the terms of the Letter, the aggregate purchase price for the Acquisition is to be approximately \$7.4 million, payable in Common Stock based upon the closing price of the Common Stock on the NASDAQ for the five trading days preceding the closing date. The Company will also enter into a four (4) year consulting agreement with a certain executive manager of Chem-Con and Chem-Met in the approximate aggregate amount of \$1.3 million. The Acquisition is subject to the ability of the parties to, among other things:

- * finalize definitive documents satisfactory to all parties;
- * qualify the Acquisition as a pooling of interest transaction, which means that the merged companies will be treated as if they had always been combined for accounting and financial reporting purposes;
- * resolve certain issues regarding real property used by Chem-Con and Chem-Met;
- * resolve and quantify certain potential environmental liabilities of Chem-Con and Chem-Met;
- * resolve certain tax treatment issues;
- * complete due diligence in a satisfactory manner; and
- * obtain approval of the Company's shareholders.

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No assurance can be made that the Acquisition will occur.

Common Stock Repurchase

On October 14, 1998, the Board of Directors authorized the repurchase of up to 500,000 shares of the Company's Common Stock from time to time in open market or privately negotiated transactions, in accordance with SEC Rule 10b-18. The repurchases will be at prevailing market prices and subject to approval by Company's lender. The Company will utilize its current working capital and available borrowings to acquire such shares. The Company also announced that certain Directors and Officers may be acquiring additional shares in open market transaction, pursuant to SEC Rule 10b-18.

Oak Ridge System Contract Award

The Company and East Tennessee Materials and Energy Corp. ("M&EC") entered into a teaming agreement ("M&EC Contract") pursuant to which the Company and M&EC agreed to act as a team in the performance of certain contracts that either the Company or M&EC may obtain from customers of the U.S. Department of Energy ("DOE") regarding treatment and disposal of certain types of radioactive, hazardous or mixed waste (waste containing both hazardous and low level radioactive waste) at DOE facilities. The teaming agreement provides that if either M&EC or the Company is issued a contract that comes under the teaming agreement, then the Company and M&EC must complete a scope of work regarding the work each party is to perform under such contract. If the parties are

unable to finalize a scope of work, the party receiving the contract may complete the contract without the other party to the teaming agreement. In connection with proposals relating to the treatment and disposal of organic contaminated mixed waste at DOE's Oak Ridge, Tennessee, system ("Oak Ridge"), M&EC and the Company made a joint proposal to DOE, with M&EC to act as the team leader. In August 1998, M&EC, as the team leader, was awarded three contracts ("Oak Ridge Contracts") by Bechtel Jacobs Company, LLC, the government-appointed manager of the environmental program for Oak Ridge, to perform certain treatment and disposal services relating to Oak Ridge. The Oak Ridge Contracts were issued by DOE based on proposals by M&EC and the Company.

The Oak Ridge Contracts are similar in nature to a blanket purchase order whereby the DOE specifies the approved waste treatment process and team to be used for certain disposal, but the DOE does not specify a schedule as to dates for disposal or quantities of disposal material to be processed. The initial term of the contract will represent a demonstration period for the team's successful treatment of the waste and the resulting ability of such processed waste to meet acceptance criteria for its ultimate disposal location.

As with most such blanket processing agreements, the Oak Ridge Contracts contain no minimum or maximum processing guarantees, and may be terminated by either party pursuant to standard DOE procurement regulation terms. Each specific waste stream processed under the Oak Ridge Contracts will require a separate work order from DOE and will be priced separately with an intent of recognizing an acceptable profit margin.

The Company anticipates that, as a member of the team with M&EC in connection with the Oak Ridge Contracts and finalization of the scope of work documents with M&EC relating to the work to be performed by each of the Company and M&EC under the Oak Ridge Contracts, it will (i) provide certain of the Company's environmental remediation technologies, (ii) install equipment necessary to apply the Company's technology, and (iii) supervise certain aspects of the remediation process operations. In addition, the teaming agreement provides that M&EC will purchase all equipment necessary to perform under the Oak Ridge Contract. The Company anticipates that work, if any, related to the Oak Ridge Contract will begin during the later part of 1999. The Company also anticipates that a substantial portion of any work performed under the Oak Ridge Contracts will be performed at M&EC's facility at Oak Ridge currently under development as of the date of this filing. The DOE estimates that the Oak Ridge Contracts have the potential to generate up to \$100 million in gross revenues over an estimated time span of more than five years. As of the date of this filing, however, the Company cannot estimate (i) the amount of work or revenues, if any, which will be received by M&EC under the Oak Ridge Contracts, (ii) the percentage or amount of work received by M&EC under the Oak Ridge Contracts which will be performed by

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the Company, or (iii) the ultimate profitability, or lack of profitability, of the Oak Ridge Contracts for the Company. The Company and M&EC have not completed, as of the date of this report, the scope of work relating to the Oak Ridge Contracts, and there are no assurances that the parties will complete the scope of work documents. See "Special Note Regarding Forward Looking Statements."

Item 6. Exhibits and Reports on Form 8-K

<TABLE>

<CAPTION>

(a) Exhibits

<S> <C>

-
- 4.1 Congress Financial, Inc. subordination and consent letter dated June 25, 1998.
- 4.2 Congress Financial, Inc. subordination and consent letter dated October 16, 1998.
- 4.3 Congress Financial Corporation (Florida) consent letter dated October 26, 1998.
- 10.1 Basic Oak Ridge Agreement between East Tennessee Materials and Energy Corporation (M&EC) and Bechtel Jacobs Company, LLC No. 1GB-99446V dated June 23, 1998. (Exhibits to this contract as listed in the index are omitted, but will be provided to the Commission upon request.)
- 10.2 Basic Oak Ridge Agreement between East Tennessee Materials and Energy Corporation (M&EC) and Bechtel Jacobs Company, LLC No. 1GB-99447V dated June 23, 1998. (Exhibits to this contract as listed in the index are omitted, but will be provided to the Commission upon request.)
- 10.3 Basic Oak Ridge Agreement between East Tennessee Materials and Energy Corporation (M&EC) and Bechtel Jacobs Company, LLC No. 1GB-99448V dated June 23, 1998. (Exhibits to this contract as listed in the index are omitted, but will be provided to the Commission upon request.)
- 10.4 General agreement between East Tennessee Materials and Energy Corporation (M&EC) and Perma-Fix Environmental Services, Inc. dated May 27, 1998.
- 10.5 Appendix B to general agreement between East Tennessee Materials and Energy Corporation (M&EC) and Perma-Fix Environmental Services, Inc. dated November 6, 1998.
- 27 Financial Data Sheet
- 99.1 Letter of intent Chem-Con/Chem-Met acquisition dated November 5, 1998, with letter of intent relating to Chemical Conservation Corporation (Florida) and Chemical Conservation of Georgia, Inc. and letter of intent relating to Chem-Met Services, Inc. attached thereto.

</TABLE>

(b) Report on Form 8-K

A current report on Form 8-K (Item 5 - Other Events), dated June 30, 1998, was filed on July 17, 1998 of (i)

the newly-created Series 10 Preferred Stock and the RBB Series 10 Warrants to RBB Bank, (ii) the Liviakis Warrant to Liviakis, (iii) the Prag Warrant to Prag, (iv) the Genesis Warrant to Genesis, and (v) the Fontenoy Warrant to Fontenoy.

SIGNATURES

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

PERMA-FIX ENVIRONMENTAL
SERVICES, INC.

Date: November 16, 1998

By: /s/ Louis F. Centofanti

Chairman of the Board
Chief Executive Officer

By: /s/ Richard T. Kelecy

Richard T. Kelecy
Chief Financial Officer

<TABLE>
<CAPTION>

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>	<u>Page No.</u>
<S>	<C>	<C>
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10.1	Basic Oak Ridge Agreement between East Tennessee Materials and Energy Corporation (M&EC) and Bechtel Jacobs Company, LLC No. 1GB-99446V dated June 23, 1998. (Exhibits to this contract as listed in the index are omitted, but will be provided to the Commission upon request.)	

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- 27 Financial Data Sheet
- 99.1 Letter of intent Chem-Con/Chem-Met acquisition dated November 5, 1998, with letter of intent relating to Chemical Conservation Corporation (Florida) and Chemical Conservation of Georgia, Inc. and letter of intent relating to Chem-Met Services, Inc. attached thereto.

</TABLE>

Congress Financial Corporation (Florida)
777 Brickell Avenue Miami Florida 33131
PO Box 010550 Miami Florida 33101
305 371 6671 Fax 305 371 9456

Congress Financial

October 26, 1998

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

Dear Dick:

In response to your fax dated October 21, 1998, subject to our Loan and Security Agreement dated January 15, 1998, we do not object to the company's repurchase of up to 500,000 shares of the company's common stock.

Sincerely,

Congress Financial Corporation
(Florida)

/s/Gary Dixon

Gary Dixon
Vice President

GD/ha

Congress Financial Corporation (Florida)
777 Brickell Avenue Miami Florida 33131
PO Box 010550 Miami Florida 33101
305 371 6671 Fax 305 371 9456

Congress Financial

October 26, 1998

Mr. Richard T Kelecy
Chief Financial: Officer
Perma-Fix Environmental Services, Inc:
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Dear Dick:

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Sincerely,

Congress Financial Corporation
(Florida)

/s/Gary Dixon

Gary Dixon
Vice President

GD/ha

Congress Financial Corporation (Florida)
777 Brickell Avenue Miami Florida 33131
PO Box 010550 Miami Florida 33101
305 371 6671 Fax 305 371 9456

Congress Financial

October 26, 1998

Mr. Richard T Kelecy
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Perma-Fix Environmental Services, Inc:
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Sincerely,

Congress Financial Corporation
(Florida)

/s/Gary Dixon

Gary Dixon
Vice President

GD/ha

Appendix B
M&EC/PESI General Agreement
Addendum B1
November 6, 1998

Contract Award

On June 23, 1998, East Tennessee Materials and Energy Corporation (M&EC) entered into Basic Agreement 1GB-99446V with Bechtel Jacobs Company LLC for treatment of Treatment Category A: Non-TSCA, RCRA Hazardous Waste with Organics and Metals. Perma-Fix Environmental Services, Inc. (PESI) will serve as a subcontractor to M&EC for performance of the work on this contract. The full text of the Basic Agreement is provided as an attachment to this Addendum.

Scope of Work

PESI will support M&EC in providing mixed waste treatment services to the Department of Energy (DOE) Management and Operating Contractors, Management and Integration Contractors, and designated affiliates as listed in Attachment A of the contract. Any supplies and services to be furnished under the Basic Ordering Agreement shall be ordered by issuance of delivery orders to M&EC by the entities listed in Attachment A of the contract. When an order is received, M&EC will issue a task order to PESI defining each company's role in completing the delivery order.

The waste offered for treatment under this Basic Agreement is generally expected to consist of non-combustible, low-level, contact-handled soils, sludge, and other solid material meeting the Environmental Protection Agency (EPA) definition of debris, all of which is contaminated with organic constituents alone, or organic constituents and Resource Conservation and Recovery Act (RCRA) metals, including mercury. Some of the waste is contaminated with mercury above 260 ppm. The predominant waste codes in this category (Treatment Category A) will be D004 through D011 and F001 through F007. Additional codes that are expected include D018 through D043 and those listed codes that may need similar treatment technology. Polychlorinated Biphenyls (PCBs), at levels requiring regulation under the Toxic Substances Control Act (TSCA) are not present in this waste. Cyanide levels in the raw waste will be less than 30 mg/kg (amenable) and 590 mg/kg (total). The radionuclides in the raw waste will be below licensing levels at the disposal facility and consist of radioactive elements that are accepted for disposal at the disposal facility.

Time Frame for the Project

The term of the Basic Agreement is five years from the date signed (June 28, 1998). Bechtel Jacobs Company has the option of extending this Agreement annually after the initial term has expired.

Roles and Expectations from Each Company

Each delivery order will provide:

A complete description of waste, quantity (in kg) of waste, and unit price of Waste based on the tier pricing structure per Attachment B of the contract.

Delivery or performance period.

Place of delivery or performance.

Packaging, packing, and shipping instructions, if any.

Any other pertinent information.

At the time delivery orders are received, Task Orders will be attached to this Addendum that specifically define the roles of M&EC and PESI in performance of the delivery order. Task Orders will be numbered in the following manner: Task B1.XX with B1 referring to this addendum and .XX being the sequentially numbered task.

Price for Specific Services

The price for specific services provided by PESI will be determined on a per task basis and will be based on the portion of the work scope performed by PESI.

Contact Person for each Company

East Tennessee Materials and Energy Corporation

Mr. Bill Hillis
109 Jefferson Avenue
Oak Ridge, Tennessee 37830
Phone: (423) 425-1257
Fax: (423) 425-1253

Perma-Fix Environmental Services, Inc.

Mr. Tim Kimball
7928 Ranchitos Loop, N.E.
Albuquerque, New Mexico 87113
Phone: (505) 897-7537
Fax: (505) 898-1832

In addition to the contact persons named above, contact persons may be named for specific tasks.

Additional Conditions Required

All terms and conditions included in Basic Agreement Number 1GB-99446V that govern M&EC's work on this contract also apply to PESI.

APPENDIX B
ADDENDUM B1
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

IN WITNESS WHEREOF, the parties hereto have executed this document as of the day and year of the M&EC representative's signature.

EAST TENNESSEE MATERIALS AND
ENERGY CORPORATION

PERMA-FIX ENVIRONMENTAL
SERVICES, INC.

Name: /s/ Bill J. Hillis

Name: /s/ Tim Kimball

Title: President

Title: Vice President

Date: 11/5/98

Date: 11/5/98

APPENDIX B
ADDENDUM B1
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

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Appendix B

M&EC/PESI General Agreement

Addendum B2

November 6, 1998

Contract Award

On June 23, 1998, East Tennessee Materials and Energy Corporation (M&EC) entered into Basic Agreement 1GB-99447V with Bechtel Jacobs Company LLC for treatment of Treatment Category B: TSCA and RCRA Hazardous Waste with Organics and Metals. Perma-Fix Environmental Services, Inc. (PESI) will serve as a subcontractor to M&EC for performance of the work on this contract. The full text of the Basic Agreement is provided as an attachment to this Addendum.

Scope of Work

PESI will support M&EC in providing mixed waste treatment services to the Department of Energy (DOE) Management and Operating Contractors, Management and Integration Contractors, and designated affiliates as listed in Attachment A of the contract. Any supplies and services to be furnished under the Basic Ordering Agreement shall be ordered by issuance of delivery orders to M&EC by the entities listed in Attachment A of the contract. When an order is received, M&EC will issue a task order to PESI defining each company's role in completing the delivery order.

The waste offered for treatment under this Basic Agreement is generally expected to consist of non-combustible, low-level, contact-handled soils, sludge, and other solid material meeting the Environmental Protection Agency (EPA) definition of debris, all of which is contaminated with Polychlorinated Biphenyls (PCBs) requiring regulation under the Toxic Substances Control Act (TSCA). The waste will also contain organic constituents alone, or organic constituents and Resource Conservation and Recovery Act (RCRA) metals, including mercury. Some of the waste is contaminated with mercury above 260 ppm. The predominant waste codes in this category will be D004 through D011 and F001 through F007. Additional codes that are expected include D018 through D043 and those listed codes that may need similar treatment technology. Cyanide levels in the raw waste will be less than

30 mg/kg (amenable) and 590 mg/kg (total). The radionuclides in the raw waste will be below licensing levels at the disposal facility and consist of radioactive elements that are accepted for disposal at the disposal facility.

Time Frame for the Project

The term of the Basic Agreement is five years from the date signed (June 28, 1998). Bechtel Jacobs Company has the option of extending this Agreement annually after the initial term has expired.

APPENDIX B
ADDENDUM B2
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 1 of 1

Roles and Expectations from Each Company

Each delivery order will provide:

A complete description of waste, quantity (in kg) of waste, and unit price of Waste based on the tier pricing structure per Attachment B of the contract.
Delivery or performance period.
Place of delivery or performance.
Packaging, packing, and shipping instructions, if any.
Any other pertinent information.

At the time delivery orders are received, Task Orders will be attached to this Addendum that specifically define the roles of M&EC and PESI in performance of the delivery order. Task Orders will be numbered in the following manner: Task B2.XX with B2 referring to this addendum and .XX being the sequentially numbered task.

Price for Specific Services

The price for specific services provided by PESI will be determined on a per task basis and will be based on the portion of the work scope performed by PESI.

Contact Person for each Company

East Tennessee Materials and Energy Corporation

Mr. Bill Hillis
109 Jefferson Avenue
Oak Ridge, Tennessee 37830
Phone: (423) 425-1257
Fax: (423) 425-1253

Perma-Fix Environmental Services, Inc.

Mr. Tim Kimball
7928 Ranchitos Loop, N.E.
Albuquerque, New Mexico 87113
Phone: (505) 897-7537
Fax: (505) 898-1832

In addition to the contact persons named above, contact persons may be named for specific tasks.

Additional Conditions Required

All terms and conditions included in Basic Agreement Number 1GB-99447V that govern M&EC's work on this contract also apply to PESI.

APPENDIX B
ADDENDUM B2
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 2 of 1

IN WITNESS WHEREOF, the parties hereto have executed this document as of the day and year of the M&EC representative's signature.

EAST TENNESSEE MATERIALS AND
ENERGY CORPORATION

PERMA-FIX ENVIRONMENTAL
SERVICES, INC.

Name: /s/ Bill J. Hillis

Name: /s/ Tim Kimball

Title: President

Title: Vice President

Date: 11/5/98

Date: 11/5/98

APPENDIX B
ADDENDUM B2
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

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Appendix B
M&EC/PESI General Agreement
Addendum B3
November 6, 1998

Contract Award

On June 23, 1998, East Tennessee Materials and Energy Corporation (M&EC) entered into Basic Agreement 1GB-99448 with Bechtel Jacobs Company LLC for treatment of Treatment Category D: TSCA and RCRA Hazardous Waste with Organics and Metals and with EPA Waste Codes Requiring Incineration. Perma-Fix Environmental Services, Inc. (PESI) will serve as a subcontractor to M&EC for performance of the work on this contract. The full text of the Basic Agreement is provided as an attachment to this Addendum.

Scope of Work

PESI will support M&EC in providing mixed waste treatment services to the Department of Energy (DOE) Management and Operating Contractors, Management and Integration Contractors, and designated affiliates as listed in Attachment A of the

Basic Agreement. Any supplies and services to be furnished under the Basic Ordering Agreement shall be ordered by issuance of delivery orders to M&EC by the entities listed in Attachment A of the contract. When an order is received, M&EC will issue a task order to PESI defining each company's role in completing the delivery order.

The waste offered for treatment under this Basic Agreement is generally expected to consist of low-level, contact-handled combustible and non-combustible soils and sludges, and may contain some material meeting the Environmental Protection Agency (EPA) definition of debris. All of which is contaminated with Polychlorinated Biphenyls (PCBs) requiring regulation under the Toxic Substances Control Act (TSCA). The waste will also contain Resource Conservation and Recovery Act (RCRA) constituents that require incineration and may contain other RCRA constituents that may be treated by incineration or stabilization. Mercury levels will not exceed 260 ppm. Cyanide levels in the raw waste will be less than 30 mg/kg (amenable) and 590 mg/kg (total). The radionuclides in the raw waste will be below licensing levels at the disposal facility and consist of radioactive elements that are accepted for disposal at the disposal facility.

Time Frame for the Project

The term of the Basic Agreement is five years from the date signed (June 28, 1998). Bechtel Jacobs Company has the option of extending this Agreement annually after the initial term has expired.

APPENDIX B
ADDENDUM B3
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 1 of 1

Roles and Expectations from Each Company

Each delivery order will provide:

A complete description of waste, quantity (in kg) of waste, and unit price of Waste based on the tier pricing structure per Attachment B of the contract.
Delivery or performance period.
Place of delivery or performance.
Packaging, packing, and shipping instructions, if any.
Any other pertinent information.

At the time delivery orders are received, Task Orders will be attached to this Addendum that specifically define the roles of M&EC and PESI in performance of the delivery order. Task Orders will be numbered in the following manner: Task B3.XX with B3 referring to this addendum and .XX being the sequentially numbered task.

Price for Specific Services

The price for specific services provided by PESI will be determined on a per task basis and will be based on the portion of the work scope performed by PESI.

Contact Person for each Company

East Tennessee Materials and Energy Corporation

Mr. Bill Hillis
109 Jefferson Avenue
Oak Ridge, Tennessee 37830
Phone: (423) 425-1257
Fax: (423) 425-1253

Perma-Fix Environmental Services, Inc.

Mr. Tim Kimball
7928 Ranchitos Loop, N.E.
Albuquerque, New Mexico 87113
Phone: (505) 897-7537
Fax: (505) 898-1832

In addition to the contact persons named above, contact persons may be named for specific tasks.

Additional Conditions Required

All terms and conditions included in Basic Agreement Number 1GB-99448V that govern M&EC's work on this contract also apply to PESI.

APPENDIX B
ADDENDUM B3
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 2 of 1

IN WITNESS WHEREOF, the parties hereto have executed this document as of the day and year of the M&EC representative's signature.

EAST TENNESSEE MATERIALS AND ENERGY CORPORATION

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

Name: /s/ Bill J. Hillis

Name: /s/ Tim Kimball

Title: President

Title: Vice President

Date: 11/5/98

Date: 11/5/98

APPENDIX B
ADDENDUM B3
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

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Appendix B
M&EC/PESI General Agreement
Addendum B1
November 6, 1998

Contract Award

On June 23, 1998, East Tennessee Materials and Energy Corporation (M&EC) entered into Basic Agreement 1GB-99446V with Bechtel Jacobs Company LLC for treatment of Treatment Category A: Non-TSCA, RCRA Hazardous Waste with Organics and Metals. Perma-Fix Environmental Services, Inc. (PESI) will serve as a subcontractor to M&EC for performance of the work on this contract. The full text of the Basic Agreement is provided as an attachment to this Addendum.

Scope of Work

PESI will support M&EC in providing mixed waste treatment services to the Department of Energy (DOE) Management and Operating Contractors, Management and Integration Contractors, and designated affiliates as listed in Attachment A of the contract. Any supplies and services to be furnished under the Basic Ordering Agreement shall be ordered by issuance of delivery orders to M&EC by the entities listed in Attachment A of the contract. When an order is received, M&EC will issue a task order to PESI defining each company's role in completing the delivery order.

The waste offered for treatment under this Basic Agreement is generally expected to consist of non-combustible, low-level, contact-handled soils, sludge, and other solid material meeting the Environmental Protection Agency (EPA) definition of debris, all of which is contaminated with organic constituents alone, or organic constituents and Resource Conservation and Recovery Act (RCRA) metals, including mercury. Some of the waste is contaminated with mercury above 260 ppm. The predominant waste codes in this category (Treatment Category A) will be D004 through D011 and F001 through F007. Additional codes that are expected include D018 through D043 and those listed codes that may need similar treatment technology. Polychlorinated Biphenyls (PCBs), at levels requiring regulation under the Toxic Substances Control Act (TSCA) are not present in this waste. Cyanide levels in the raw waste will be less than 30 mg/kg (amenable) and 590 mg/kg (total). The radionuclides in the raw waste will be below licensing levels at the disposal facility and consist of radioactive elements that are accepted for disposal at the disposal facility.

Time Frame for the Project

The term of the Basic Agreement is five years from the date signed (June 28, 1998). Bechtel Jacobs Company has the option of extending this Agreement annually after the initial term has expired.

Roles and Expectations from Each Company

Each delivery order will provide:

A complete description of waste, quantity (in kg) of waste, and unit price of Waste based on the tier pricing structure per Attachment B of the contract.

Delivery or performance period.

Place of delivery or performance.

Packaging, packing, and shipping instructions, if any.

Any other pertinent information.

At the time delivery orders are received, Task Orders will be attached to this Addendum that specifically define the roles of M&EC and PESI in performance of the delivery order. Task Orders will be numbered in the following manner: Task B1.XX with B1 referring to this addendum and .XX being the sequentially numbered task.

Price for Specific Services

The price for specific services provided by PESI will be determined on a per task basis and will be based on the portion of the work scope performed by PESI.

Contact Person for each Company

East Tennessee Materials and Energy Corporation

Mr. Bill Hillis
109 Jefferson Avenue
Oak Ridge, Tennessee 37830
Phone: (423) 425-1257
Fax: (423) 425-1253

Perma-Fix Environmental Services, Inc.

Mr. Tim Kimball
7928 Ranchitos Loop, N.E.
Albuquerque, New Mexico 87113
Phone: (505) 897-7537
Fax: (505) 898-1832

In addition to the contact persons named above, contact persons may be named for specific tasks.

Additional Conditions Required

All terms and conditions included in Basic Agreement Number 1GB-99446V that govern M&EC's work on this contract also apply to PESI.

APPENDIX B
ADDENDUM B1
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

IN WITNESS WHEREOF, the parties hereto have executed this document as of the day and year of the M&EC representative's signature.

EAST TENNESSEE MATERIALS AND
ENERGY CORPORATION

PERMA-FIX ENVIRONMENTAL
SERVICES, INC.

Name: /s/ Bill J. Hillis

Name: /s/ Tim Kimball

Title: President

Title: Vice President

Date: 11/5/98

Date: 11/5/98

APPENDIX B
ADDENDUM B1
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

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Appendix B

M&EC/PESI General Agreement

Addendum B2

November 6, 1998

Contract Award

On June 23, 1998, East Tennessee Materials and Energy Corporation (M&EC) entered into Basic Agreement 1GB-99447V with Bechtel Jacobs Company LLC for treatment of Treatment Category B: TSCA and RCRA Hazardous Waste with Organics and Metals. Perma-Fix Environmental Services, Inc. (PESI) will serve as a subcontractor to M&EC for performance of the work on this contract. The full text of the Basic Agreement is provided as an attachment to this Addendum.

Scope of Work

PESI will support M&EC in providing mixed waste treatment services to the Department of Energy (DOE) Management and Operating Contractors, Management and Integration Contractors, and designated affiliates as listed in Attachment A of the contract. Any supplies and services to be furnished under the Basic Ordering Agreement shall be ordered by issuance of delivery orders to M&EC by the entities listed in Attachment A of the contract. When an order is received, M&EC will issue a task order to PESI defining each company's role in completing the delivery order.

The waste offered for treatment under this Basic Agreement is generally expected to consist of non-combustible, low-level, contact-handled soils, sludge, and other solid material meeting the Environmental Protection Agency (EPA) definition of debris, all of which is contaminated with Polychlorinated Biphenyls (PCBs) requiring regulation under the Toxic Substances Control Act (TSCA). The waste will also contain organic constituents alone, or organic constituents and Resource Conservation and Recovery Act (RCRA) metals, including mercury. Some of the waste is contaminated with mercury above 260 ppm. The predominant waste codes in this category will be D004 through D011 and F001 through F007. Additional codes that are expected include D018 through D043 and those listed codes that may need similar treatment technology. Cyanide levels in the raw waste will be less than

30 mg/kg (amenable) and 590 mg/kg (total). The radionuclides in the raw waste will be below licensing levels at the disposal facility and consist of radioactive elements that are accepted for disposal at the disposal facility.

Time Frame for the Project

The term of the Basic Agreement is five years from the date signed (June 28, 1998). Bechtel Jacobs Company has the option of extending this Agreement annually after the initial term has expired.

APPENDIX B
ADDENDUM B2
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 1 of 1

Roles and Expectations from Each Company

Each delivery order will provide:

A complete description of waste, quantity (in kg) of waste, and unit price of Waste based on the tier pricing structure per Attachment B of the contract.

Delivery or performance period.

Place of delivery or performance.

Packaging, packing, and shipping instructions, if any.

Any other pertinent information.

At the time delivery orders are received, Task Orders will be attached to this Addendum that specifically define the roles of M&EC and PESI in performance of the delivery order. Task Orders will be numbered in the following manner: Task B2.XX with B2 referring to this addendum and .XX being the sequentially numbered task.

Price for Specific Services

The price for specific services provided by PESI will be determined on a per task basis and will be based on the portion of the work scope performed by PESI.

Contact Person for each Company

East Tennessee Materials and Energy Corporation

Mr. Bill Hillis
109 Jefferson Avenue
Oak Ridge, Tennessee 37830
Phone: (423) 425-1257
Fax: (423) 425-1253

Perma-Fix Environmental Services, Inc.

Mr. Tim Kimball
7928 Ranchitos Loop, N.E.
Albuquerque, New Mexico 87113
Phone: (505) 897-7537
Fax: (505) 898-1832

In addition to the contact persons named above, contact persons may be named for specific tasks.

Additional Conditions Required

All terms and conditions included in Basic Agreement Number 1GB-99447V that govern M&EC's work on this contract also apply to PESI.

APPENDIX B
ADDENDUM B2
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 2 of 1

IN WITNESS WHEREOF, the parties hereto have executed this document as of the day and year of the M&EC representative's signature.

EAST TENNESSEE MATERIALS AND
ENERGY CORPORATION

PERMA-FIX ENVIRONMENTAL
SERVICES, INC.

Name: /s/ Bill J. Hillis

Name: /s/ Tim Kimball

Title: President

Title: Vice President

Date: 11/5/98

Date: 11/5/98

APPENDIX B
ADDENDUM B2
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 3 of 1

Appendix B
M&EC/PESI General Agreement
Addendum B3
November 6, 1998

Contract Award

On June 23, 1998, East Tennessee Materials and Energy Corporation (M&EC) entered into Basic Agreement 1GB-99448 with Bechtel Jacobs Company LLC for treatment of Treatment Category D: TSCA and RCRA Hazardous Waste with Organics and Metals and with EPA Waste Codes Requiring Incineration. Perma-Fix Environmental Services, Inc. (PESI) will serve as a subcontractor to M&EC for performance of the work on this contract. The full text of the Basic Agreement is provided as an attachment to this Addendum.

Scope of Work

PESI will support M&EC in providing mixed waste treatment services to the Department of Energy (DOE) Management and Operating Contractors, Management and Integration Contractors, and designated affiliates as listed in Attachment A of the

Basic Agreement. Any supplies and services to be furnished under the Basic Ordering Agreement shall be ordered by issuance of delivery orders to M&EC by the entities listed in Attachment A of the contract. When an order is received, M&EC will issue a task order to PESI defining each company's role in completing the delivery order.

The waste offered for treatment under this Basic Agreement is generally expected to consist of low-level, contact-handled combustible and non-combustible soils and sludges, and may contain some material meeting the Environmental Protection Agency (EPA) definition of debris. All of which is contaminated with Polychlorinated Biphenyls (PCBs) requiring regulation under the Toxic Substances Control Act (TSCA). The waste will also contain Resource Conservation and Recovery Act (RCRA) constituents that require incineration and may contain other RCRA constituents that may be treated by incineration or stabilization. Mercury levels will not exceed 260 ppm. Cyanide levels in the raw waste will be less than 30 mg/kg (amenable) and 590 mg/kg (total). The radionuclides in the raw waste will be below licensing levels at the disposal facility and consist of radioactive elements that are accepted for disposal at the disposal facility.

Time Frame for the Project

The term of the Basic Agreement is five years from the date signed (June 28, 1998). Bechtel Jacobs Company has the option of extending this Agreement annually after the initial term has expired.

APPENDIX B
ADDENDUM B3
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 1 of 1

Roles and Expectations from Each Company

Each delivery order will provide:

A complete description of waste, quantity (in kg) of waste, and unit price of Waste based on the tier pricing structure per Attachment B of the contract.
Delivery or performance period.
Place of delivery or performance.
Packaging, packing, and shipping instructions, if any.
Any other pertinent information.

At the time delivery orders are received, Task Orders will be attached to this Addendum that specifically define the roles of M&EC and PESI in performance of the delivery order. Task Orders will be numbered in the following manner: Task B3.XX with B3 referring to this addendum and .XX being the sequentially numbered task.

Price for Specific Services

The price for specific services provided by PESI will be determined on a per task basis and will be based on the portion of the work scope performed by PESI.

Contact Person for each Company

East Tennessee Materials and Energy Corporation

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Additional Conditions Required

All terms and conditions included in Basic Agreement Number 1GB-99448V that govern M&EC's work on this contract also apply to PESI.

APPENDIX B
ADDENDUM B3
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 2 of 1

IN WITNESS WHEREOF, the parties hereto have executed this document as of the day and year of the M&EC representative's signature.

EAST TENNESSEE MATERIALS AND ENERGY CORPORATION

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

Name: /s/ Bill J. Hillis

Name: /s/ Tim Kimball

Title: President

Title: Vice President

Date: 11/5/98

Date: 11/5/98

APPENDIX B
ADDENDUM B3
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

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Appendix B
M&EC/PESI General Agreement
Addendum B1
November 6, 1998

Contract Award

On June 23, 1998, East Tennessee Materials and Energy Corporation (M&EC) entered into Basic Agreement 1GB-99446V with Bechtel Jacobs Company LLC for treatment of Treatment Category A: Non-TSCA, RCRA Hazardous Waste with Organics and Metals. Perma-Fix Environmental Services, Inc. (PESI) will serve as a subcontractor to M&EC for performance of the work on this contract. The full text of the Basic Agreement is provided as an attachment to this Addendum.

Scope of Work

PESI will support M&EC in providing mixed waste treatment services to the Department of Energy (DOE) Management and Operating Contractors, Management and Integration Contractors, and designated affiliates as listed in Attachment A of the contract. Any supplies and services to be furnished under the Basic Ordering Agreement shall be ordered by issuance of delivery orders to M&EC by the entities listed in Attachment A of the contract. When an order is received, M&EC will issue a task order to PESI defining each company's role in completing the delivery order.

The waste offered for treatment under this Basic Agreement is generally expected to consist of non-combustible, low-level, contact-handled soils, sludge, and other solid material meeting the Environmental Protection Agency (EPA) definition of debris, all of which is contaminated with organic constituents alone, or organic constituents and Resource Conservation and Recovery Act (RCRA) metals, including mercury. Some of the waste is contaminated with mercury above 260 ppm. The predominant waste codes in this category (Treatment Category A) will be D004 through D011 and F001 through F007. Additional codes that are expected include D018 through D043 and those listed codes that may need similar treatment technology. Polychlorinated Biphenyls (PCBs), at levels requiring regulation under the Toxic Substances Control Act (TSCA) are not present in this waste. Cyanide levels in the raw waste will be less than 30 mg/kg (amenable) and 590 mg/kg (total). The radionuclides in the raw waste will be below licensing levels at the disposal facility and consist of radioactive elements that are accepted for disposal at the disposal facility.

Time Frame for the Project

The term of the Basic Agreement is five years from the date signed (June 28, 1998). Bechtel Jacobs Company has the option of extending this Agreement annually after the initial term has expired.

Roles and Expectations from Each Company

Each delivery order will provide:

A complete description of waste, quantity (in kg) of waste, and unit price of Waste based on the tier pricing structure per Attachment B of the contract.

Delivery or performance period.

Place of delivery or performance.

Packaging, packing, and shipping instructions, if any.

Any other pertinent information.

At the time delivery orders are received, Task Orders will be attached to this Addendum that specifically define the roles of M&EC and PESI in performance of the delivery order. Task Orders will be numbered in the following manner: Task B1.XX with B1 referring to this addendum and .XX being the sequentially numbered task.

Price for Specific Services

The price for specific services provided by PESI will be determined on a per task basis and will be based on the portion of the work scope performed by PESI.

Contact Person for each Company

East Tennessee Materials and Energy Corporation

Mr. Bill Hillis
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In addition to the contact persons named above, contact persons may be named for specific tasks.

Additional Conditions Required

All terms and conditions included in Basic Agreement Number 1GB-99446V that govern M&EC's work on this contract also apply to PESI.

APPENDIX B
ADDENDUM B1
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

IN WITNESS WHEREOF, the parties hereto have executed this document as of the day and year of the M&EC representative's signature.

EAST TENNESSEE MATERIALS AND
ENERGY CORPORATION

PERMA-FIX ENVIRONMENTAL
SERVICES, INC.

Name: /s/ Bill J. Hillis

Name: /s/ Tim Kimball

Title: President

Title: Vice President

Date: 11/5/98

Date: 11/5/98

APPENDIX B
ADDENDUM B1
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

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Appendix B

M&EC/PESI General Agreement

Addendum B2

November 6, 1998

Contract Award

On June 23, 1998, East Tennessee Materials and Energy Corporation (M&EC) entered into Basic Agreement 1GB-99447V with Bechtel Jacobs Company LLC for treatment of Treatment Category B: TSCA and RCRA Hazardous Waste with Organics and Metals. Perma-Fix Environmental Services, Inc. (PESI) will serve as a subcontractor to M&EC for performance of the work on this contract. The full text of the Basic Agreement is provided as an attachment to this Addendum.

Scope of Work

PESI will support M&EC in providing mixed waste treatment services to the Department of Energy (DOE) Management and Operating Contractors, Management and Integration Contractors, and designated affiliates as listed in Attachment A of the contract. Any supplies and services to be furnished under the Basic Ordering Agreement shall be ordered by issuance of delivery orders to M&EC by the entities listed in Attachment A of the contract. When an order is received, M&EC will issue a task order to PESI defining each company's role in completing the delivery order.

The waste offered for treatment under this Basic Agreement is generally expected to consist of non-combustible, low-level, contact-handled soils, sludge, and other solid material meeting the Environmental Protection Agency (EPA) definition of debris, all of which is contaminated with Polychlorinated Biphenyls (PCBs) requiring regulation under the Toxic Substances Control Act (TSCA). The waste will also contain organic constituents alone, or organic constituents and Resource Conservation and Recovery Act (RCRA) metals, including mercury. Some of the waste is contaminated with mercury above 260 ppm. The predominant waste codes in this category will be D004 through D011 and F001 through F007. Additional codes that are expected include D018 through D043 and those listed codes that may need similar treatment technology. Cyanide levels in the raw waste will be less than

30 mg/kg (amenable) and 590 mg/kg (total). The radionuclides in the raw waste will be below licensing levels at the disposal facility and consist of radioactive elements that are accepted for disposal at the disposal facility.

Time Frame for the Project

The term of the Basic Agreement is five years from the date signed (June 28, 1998). Bechtel Jacobs Company has the option of extending this Agreement annually after the initial term has expired.

APPENDIX B
ADDENDUM B2
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

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Roles and Expectations from Each Company

Each delivery order will provide:

A complete description of waste, quantity (in kg) of waste, and unit price of Waste based on the tier pricing structure per Attachment B of the contract.
Delivery or performance period.
Place of delivery or performance.
Packaging, packing, and shipping instructions, if any.
Any other pertinent information.

At the time delivery orders are received, Task Orders will be attached to this Addendum that specifically define the roles of M&EC and PESI in performance of the delivery order. Task Orders will be numbered in the following manner: Task B2.XX with B2 referring to this addendum and .XX being the sequentially numbered task.

Price for Specific Services

The price for specific services provided by PESI will be determined on a per task basis and will be based on the portion of the work scope performed by PESI.

Contact Person for each Company

East Tennessee Materials and Energy Corporation

Mr. Bill Hillis
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Phone: (423) 425-1257
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In addition to the contact persons named above, contact persons may be named for specific tasks.

Additional Conditions Required

All terms and conditions included in Basic Agreement Number 1GB-99447V that govern M&EC's work on this contract also apply to PESI.

APPENDIX B
ADDENDUM B2
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 2 of 1

IN WITNESS WHEREOF, the parties hereto have executed this document as of the day and year of the M&EC representative's signature.

EAST TENNESSEE MATERIALS AND
ENERGY CORPORATION

PERMA-FIX ENVIRONMENTAL
SERVICES, INC.

Name: /s/ Bill J. Hillis

Name: /s/ Tim Kimball

Title: President

Title: Vice President

Date: 11/5/98

Date: 11/5/98

APPENDIX B
ADDENDUM B2
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

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Appendix B
M&EC/PESI General Agreement
Addendum B3
November 6, 1998

Contract Award

On June 23, 1998, East Tennessee Materials and Energy Corporation (M&EC) entered into Basic Agreement 1GB-99448 with Bechtel Jacobs Company LLC for treatment of Treatment Category D: TSCA and RCRA Hazardous Waste with Organics and Metals and with EPA Waste Codes Requiring Incineration. Perma-Fix Environmental Services, Inc. (PESI) will serve as a subcontractor to M&EC for performance of the work on this contract. The full text of the Basic Agreement is provided as an attachment to this Addendum.

Scope of Work

PESI will support M&EC in providing mixed waste treatment services to the Department of Energy (DOE) Management and Operating Contractors, Management and Integration Contractors, and designated affiliates as listed in Attachment A of the

Basic Agreement. Any supplies and services to be furnished under the Basic Ordering Agreement shall be ordered by issuance of delivery orders to M&EC by the entities listed in Attachment A of the contract. When an order is received, M&EC will issue a task order to PESI defining each company's role in completing the delivery order.

The waste offered for treatment under this Basic Agreement is generally expected to consist of low-level, contact-handled combustible and non-combustible soils and sludges, and may contain some material meeting the Environmental Protection Agency (EPA) definition of debris. All of which is contaminated with Polychlorinated Biphenyls (PCBs) requiring regulation under the Toxic Substances Control Act (TSCA). The waste will also contain Resource Conservation and Recovery Act (RCRA) constituents that require incineration and may contain other RCRA constituents that may be treated by incineration or stabilization. Mercury levels will not exceed 260 ppm. Cyanide levels in the raw waste will be less than 30 mg/kg (amenable) and 590 mg/kg (total). The radionuclides in the raw waste will be below licensing levels at the disposal facility and consist of radioactive elements that are accepted for disposal at the disposal facility.

Time Frame for the Project

The term of the Basic Agreement is five years from the date signed (June 28, 1998). Bechtel Jacobs Company has the option of extending this Agreement annually after the initial term has expired.

APPENDIX B
ADDENDUM B3
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 1 of 1

Roles and Expectations from Each Company

Each delivery order will provide:

A complete description of waste, quantity (in kg) of waste, and unit price of Waste based on the tier pricing structure per Attachment B of the contract.
Delivery or performance period.
Place of delivery or performance.
Packaging, packing, and shipping instructions, if any.
Any other pertinent information.

At the time delivery orders are received, Task Orders will be attached to this Addendum that specifically define the roles of M&EC and PESI in performance of the delivery order. Task Orders will be numbered in the following manner: Task B3.XX with B3 referring to this addendum and .XX being the sequentially numbered task.

Price for Specific Services

The price for specific services provided by PESI will be determined on a per task basis and will be based on the portion of the work scope performed by PESI.

Contact Person for each Company

East Tennessee Materials and Energy Corporation

Mr. Bill Hillis
109 Jefferson Avenue
Oak Ridge, Tennessee 37830
Phone: (423) 425-1257
Fax: (423) 425-1253

Perma-Fix Environmental Services, Inc.

Mr. Tim Kimball
7928 Ranchitos Loop, N.E.
Albuquerque, New Mexico 87113
Phone: (505) 897-7537
Fax: (505) 898-1832

In addition to the contact persons named above, contact persons may be named for specific tasks.

Additional Conditions Required

All terms and conditions included in Basic Agreement Number 1GB-99448V that govern M&EC's work on this contract also apply to PESI.

APPENDIX B
ADDENDUM B3
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 2 of 1

IN WITNESS WHEREOF, the parties hereto have executed this document as of the day and year of the M&EC representative's signature.

EAST TENNESSEE MATERIALS AND ENERGY CORPORATION

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

Name: /s/ Bill J. Hillis

Name: /s/ Tim Kimball

Title: President

Title: Vice President

Date: 11/5/98

Date: 11/5/98

APPENDIX B
ADDENDUM B3
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 3 of 1

Appendix B
M&EC/PESI General Agreement
Addendum B1
November 6, 1998

Contract Award

On June 23, 1998, East Tennessee Materials and Energy Corporation (M&EC) entered into Basic Agreement 1GB-99446V with Bechtel Jacobs Company LLC for treatment of Treatment Category A: Non-TSCA, RCRA Hazardous Waste with Organics and Metals. Perma-Fix Environmental Services, Inc. (PESI) will serve as a subcontractor to M&EC for performance of the work on this contract. The full text of the Basic Agreement is provided as an attachment to this Addendum.

Scope of Work

PESI will support M&EC in providing mixed waste treatment services to the Department of Energy (DOE) Management and Operating Contractors, Management and Integration Contractors, and designated affiliates as listed in Attachment A of the contract. Any supplies and services to be furnished under the Basic Ordering Agreement shall be ordered by issuance of delivery orders to M&EC by the entities listed in Attachment A of the contract. When an order is received, M&EC will issue a task order to PESI defining each company's role in completing the delivery order.

The waste offered for treatment under this Basic Agreement is generally expected to consist of non-combustible, low-level, contact-handled soils, sludge, and other solid material meeting the Environmental Protection Agency (EPA) definition of debris, all of which is contaminated with organic constituents alone, or organic constituents and Resource Conservation and Recovery Act (RCRA) metals, including mercury. Some of the waste is contaminated with mercury above 260 ppm. The predominant waste codes in this category (Treatment Category A) will be D004 through D011 and F001 through F007. Additional codes that are expected include D018 through D043 and those listed codes that may need similar treatment technology. Polychlorinated Biphenyls (PCBs), at levels requiring regulation under the Toxic Substances Control Act (TSCA) are not present in this waste. Cyanide levels in the raw waste will be less than 30 mg/kg (amenable) and 590 mg/kg (total). The radionuclides in the raw waste will be below licensing levels at the disposal facility and consist of radioactive elements that are accepted for disposal at the disposal facility.

Time Frame for the Project

The term of the Basic Agreement is five years from the date signed (June 28, 1998). Bechtel Jacobs Company has the option of extending this Agreement annually after the initial term has expired.

Roles and Expectations from Each Company

Each delivery order will provide:

A complete description of waste, quantity (in kg) of waste, and unit price of Waste based on the tier pricing structure per Attachment B of the contract.

Delivery or performance period.

Place of delivery or performance.

Packaging, packing, and shipping instructions, if any.

Any other pertinent information.

At the time delivery orders are received, Task Orders will be attached to this Addendum that specifically define the roles of M&EC and PESI in performance of the delivery order. Task Orders will be numbered in the following manner: Task B1.XX with B1 referring to this addendum and .XX being the sequentially numbered task.

Price for Specific Services

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Contact Person for each Company

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In addition to the contact persons named above, contact persons may be named for specific tasks.

Additional Conditions Required

All terms and conditions included in Basic Agreement Number 1GB-99446V that govern M&EC's work on this contract also apply to PESI.

APPENDIX B
ADDENDUM B1
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

IN WITNESS WHEREOF, the parties hereto have executed this document as of the day and year of the M&EC representative's signature.

EAST TENNESSEE MATERIALS AND
ENERGY CORPORATION

PERMA-FIX ENVIRONMENTAL
SERVICES, INC.

Name: /s/ Bill J. Hillis

Name: /s/ Tim Kimball

Title: President

Title: Vice President

Date: 11/5/98

Date: 11/5/98

APPENDIX B
ADDENDUM B1
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 3 of 1

Appendix B

M&EC/PESI General Agreement

Addendum B2

November 6, 1998

Contract Award

On June 23, 1998, East Tennessee Materials and Energy Corporation (M&EC) entered into Basic Agreement 1GB-99447V with Bechtel Jacobs Company LLC for treatment of Treatment Category B: TSCA and RCRA Hazardous Waste with Organics and Metals. Perma-Fix Environmental Services, Inc. (PESI) will serve as a subcontractor to M&EC for performance of the work on this contract. The full text of the Basic Agreement is provided as an attachment to this Addendum.

Scope of Work

PESI will support M&EC in providing mixed waste treatment services to the Department of Energy (DOE) Management and Operating Contractors, Management and Integration Contractors, and designated affiliates as listed in Attachment A of the contract. Any supplies and services to be furnished under the Basic Ordering Agreement shall be ordered by issuance of delivery orders to M&EC by the entities listed in Attachment A of the contract. When an order is received, M&EC will issue a task order to PESI defining each company's role in completing the delivery order.

The waste offered for treatment under this Basic Agreement is generally expected to consist of non-combustible, low-level, contact-handled soils, sludge, and other solid material meeting the Environmental Protection Agency (EPA) definition of debris, all of which is contaminated with Polychlorinated Biphenyls (PCBs) requiring regulation under the Toxic Substances Control Act (TSCA). The waste will also contain organic constituents alone, or organic constituents and Resource Conservation and Recovery Act (RCRA) metals, including mercury. Some of the waste is contaminated with mercury above 260 ppm. The predominant waste codes in this category will be D004 through D011 and F001 through F007. Additional codes that are expected include D018 through D043 and those listed codes that may need similar treatment technology. Cyanide levels in the raw waste will be less than

30 mg/kg (amenable) and 590 mg/kg (total). The radionuclides in the raw waste will be below licensing levels at the disposal facility and consist of radioactive elements that are accepted for disposal at the disposal facility.

Time Frame for the Project

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APPENDIX B
ADDENDUM B2
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 1 of 1

Roles and Expectations from Each Company

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Contact Person for each Company

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APPENDIX B
ADDENDUM B2
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 2 of 1

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EAST TENNESSEE MATERIALS AND
ENERGY CORPORATION

PERMA-FIX ENVIRONMENTAL
SERVICES, INC.

Name: /s/ Bill J. Hillis

Name: /s/ Tim Kimball

Title: President

Title: Vice President

Date: 11/5/98

Date: 11/5/98

APPENDIX B
ADDENDUM B2
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

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Appendix B
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Addendum B3
November 6, 1998

Contract Award

On June 23, 1998, East Tennessee Materials and Energy Corporation (M&EC) entered into Basic Agreement 1GB-99448 with Bechtel Jacobs Company LLC for treatment of Treatment Category D: TSCA and RCRA Hazardous Waste with Organics and Metals and with EPA Waste Codes Requiring Incineration. Perma-Fix Environmental Services, Inc. (PESI) will serve as a subcontractor to M&EC for performance of the work on this contract. The full text of the Basic Agreement is provided as an attachment to this Addendum.

Scope of Work

PESI will support M&EC in providing mixed waste treatment services to the Department of Energy (DOE) Management and Operating Contractors, Management and Integration Contractors, and designated affiliates as listed in Attachment A of the

Basic Agreement. Any supplies and services to be furnished under the Basic Ordering Agreement shall be ordered by issuance of delivery orders to M&EC by the entities listed in Attachment A of the contract. When an order is received, M&EC will issue a task order to PESI defining each company's role in completing the delivery order.

The waste offered for treatment under this Basic Agreement is generally expected to consist of low-level, contact-handled combustible and non-combustible soils and sludges, and may contain some material meeting the Environmental Protection Agency (EPA) definition of debris. All of which is contaminated with Polychlorinated Biphenyls (PCBs) requiring regulation under the Toxic Substances Control Act (TSCA). The waste will also contain Resource Conservation and Recovery Act (RCRA) constituents that require incineration and may contain other RCRA constituents that may be treated by incineration or stabilization. Mercury levels will not exceed 260 ppm. Cyanide levels in the raw waste will be less than 30 mg/kg (amenable) and 590 mg/kg (total). The radionuclides in the raw waste will be below licensing levels at the disposal facility and consist of radioactive elements that are accepted for disposal at the disposal facility.

Time Frame for the Project

The term of the Basic Agreement is five years from the date signed (June 28, 1998). Bechtel Jacobs Company has the option of extending this Agreement annually after the initial term has expired.

APPENDIX B
ADDENDUM B3
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 1 of 1

Roles and Expectations from Each Company

Each delivery order will provide:

A complete description of waste, quantity (in kg) of waste, and unit price of Waste based on the tier pricing structure per Attachment B of the contract.
Delivery or performance period.
Place of delivery or performance.
Packaging, packing, and shipping instructions, if any.
Any other pertinent information.

At the time delivery orders are received, Task Orders will be attached to this Addendum that specifically define the roles of M&EC and PESI in performance of the delivery order. Task Orders will be numbered in the following manner: Task B3.XX with B3 referring to this addendum and .XX being the sequentially numbered task.

Price for Specific Services

The price for specific services provided by PESI will be determined on a per task basis and will be based on the portion of the work scope performed by PESI.

Contact Person for each Company

East Tennessee Materials and Energy Corporation

Mr. Bill Hillis
109 Jefferson Avenue
Oak Ridge, Tennessee 37830
Phone: (423) 425-1257
Fax: (423) 425-1253

Perma-Fix Environmental Services, Inc.

Mr. Tim Kimball
7928 Ranchitos Loop, N.E.
Albuquerque, New Mexico 87113
Phone: (505) 897-7537
Fax: (505) 898-1832

In addition to the contact persons named above, contact persons may be named for specific tasks.

Additional Conditions Required

All terms and conditions included in Basic Agreement Number 1GB-99448V that govern M&EC's work on this contract also apply to PESI.

APPENDIX B
ADDENDUM B3
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 2 of 1

IN WITNESS WHEREOF, the parties hereto have executed this document as of the day and year of the M&EC representative's signature.

EAST TENNESSEE MATERIALS AND ENERGY CORPORATION

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

Name: /s/ Bill J. Hillis

Name: /s/ Tim Kimball

Title: President

Title: Vice President

Date: 11/5/98

Date: 11/5/98

APPENDIX B
ADDENDUM B3
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

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Appendix B
M&EC/PESI General Agreement
Addendum B1
November 6, 1998

Contract Award

On June 23, 1998, East Tennessee Materials and Energy Corporation (M&EC) entered into Basic Agreement 1GB-99446V with Bechtel Jacobs Company LLC for treatment of Treatment Category A: Non-TSCA, RCRA Hazardous Waste with Organics and Metals. Perma-Fix Environmental Services, Inc. (PESI) will serve as a subcontractor to M&EC for performance of the work on this contract. The full text of the Basic Agreement is provided as an attachment to this Addendum.

Scope of Work

PESI will support M&EC in providing mixed waste treatment services to the Department of Energy (DOE) Management and Operating Contractors, Management and Integration Contractors, and designated affiliates as listed in Attachment A of the contract. Any supplies and services to be furnished under the Basic Ordering Agreement shall be ordered by issuance of delivery orders to M&EC by the entities listed in Attachment A of the contract. When an order is received, M&EC will issue a task order to PESI defining each company's role in completing the delivery order.

The waste offered for treatment under this Basic Agreement is generally expected to consist of non-combustible, low-level, contact-handled soils, sludge, and other solid material meeting the Environmental Protection Agency (EPA) definition of debris, all of which is contaminated with organic constituents alone, or organic constituents and Resource Conservation and Recovery Act (RCRA) metals, including mercury. Some of the waste is contaminated with mercury above 260 ppm. The predominant waste codes in this category (Treatment Category A) will be D004 through D011 and F001 through F007. Additional codes that are expected include D018 through D043 and those listed codes that may need similar treatment technology. Polychlorinated Biphenyls (PCBs), at levels requiring regulation under the Toxic Substances Control Act (TSCA) are not present in this waste. Cyanide levels in the raw waste will be less than 30 mg/kg (amenable) and 590 mg/kg (total). The radionuclides in the raw waste will be below licensing levels at the disposal facility and consist of radioactive elements that are accepted for disposal at the disposal facility.

Time Frame for the Project

The term of the Basic Agreement is five years from the date signed (June 28, 1998). Bechtel Jacobs Company has the option of extending this Agreement annually after the initial term has expired.

Roles and Expectations from Each Company

Each delivery order will provide:

A complete description of waste, quantity (in kg) of waste, and unit price of Waste based on the tier pricing structure per Attachment B of the contract.

Delivery or performance period.

Place of delivery or performance.

Packaging, packing, and shipping instructions, if any.

Any other pertinent information.

At the time delivery orders are received, Task Orders will be attached to this Addendum that specifically define the roles of M&EC and PESI in performance of the delivery order. Task Orders will be numbered in the following manner: Task B1.XX with B1 referring to this addendum and .XX being the sequentially numbered task.

Price for Specific Services

The price for specific services provided by PESI will be determined on a per task basis and will be based on the portion of the work scope performed by PESI.

Contact Person for each Company

East Tennessee Materials and Energy Corporation

Mr. Bill Hillis
109 Jefferson Avenue
Oak Ridge, Tennessee 37830
Phone: (423) 425-1257
Fax: (423) 425-1253

Perma-Fix Environmental Services, Inc.

Mr. Tim Kimball
7928 Ranchitos Loop, N.E.
Albuquerque, New Mexico 87113
Phone: (505) 897-7537
Fax: (505) 898-1832

In addition to the contact persons named above, contact persons may be named for specific tasks.

Additional Conditions Required

All terms and conditions included in Basic Agreement Number 1GB-99446V that govern M&EC's work on this contract also apply to PESI.

APPENDIX B
ADDENDUM B1
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

IN WITNESS WHEREOF, the parties hereto have executed this document as of the day and year of the M&EC representative's signature.

EAST TENNESSEE MATERIALS AND
ENERGY CORPORATION

PERMA-FIX ENVIRONMENTAL
SERVICES, INC.

Name: /s/ Bill J. Hillis

Name: /s/ Tim Kimball

Title: President

Title: Vice President

Date: 11/5/98

Date: 11/5/98

APPENDIX B
ADDENDUM B1
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

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Appendix B

M&EC/PESI General Agreement

Addendum B2

November 6, 1998

Contract Award

On June 23, 1998, East Tennessee Materials and Energy Corporation (M&EC) entered into Basic Agreement 1GB-99447V with Bechtel Jacobs Company LLC for treatment of Treatment Category B: TSCA and RCRA Hazardous Waste with Organics and Metals. Perma-Fix Environmental Services, Inc. (PESI) will serve as a subcontractor to M&EC for performance of the work on this contract. The full text of the Basic Agreement is provided as an attachment to this Addendum.

Scope of Work

PESI will support M&EC in providing mixed waste treatment services to the Department of Energy (DOE) Management and Operating Contractors, Management and Integration Contractors, and designated affiliates as listed in Attachment A of the contract. Any supplies and services to be furnished under the Basic Ordering Agreement shall be ordered by issuance of delivery orders to M&EC by the entities listed in Attachment A of the contract. When an order is received, M&EC will issue a task order to PESI defining each company's role in completing the delivery order.

The waste offered for treatment under this Basic Agreement is generally expected to consist of non-combustible, low-level, contact-handled soils, sludge, and other solid material meeting the Environmental Protection Agency (EPA) definition of debris, all of which is contaminated with Polychlorinated Biphenyls (PCBs) requiring regulation under the Toxic Substances Control Act (TSCA). The waste will also contain organic constituents alone, or organic constituents and Resource Conservation and Recovery Act (RCRA) metals, including mercury. Some of the waste is contaminated with mercury above 260 ppm. The predominant waste codes in this category will be D004 through D011 and F001 through F007. Additional codes that are expected include D018 through D043 and those listed codes that may need similar treatment technology. Cyanide levels in the raw waste will be less than

30 mg/kg (amenable) and 590 mg/kg (total). The radionuclides in the raw waste will be below licensing levels at the disposal facility and consist of radioactive elements that are accepted for disposal at the disposal facility.

Time Frame for the Project

The term of the Basic Agreement is five years from the date signed (June 28, 1998). Bechtel Jacobs Company has the option of extending this Agreement annually after the initial term has expired.

APPENDIX B
ADDENDUM B2
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 1 of 1

Roles and Expectations from Each Company

Each delivery order will provide:

A complete description of waste, quantity (in kg) of waste, and unit price of Waste based on the tier pricing structure per Attachment B of the contract.
Delivery or performance period.
Place of delivery or performance.
Packaging, packing, and shipping instructions, if any.
Any other pertinent information.

At the time delivery orders are received, Task Orders will be attached to this Addendum that specifically define the roles of M&EC and PESI in performance of the delivery order. Task Orders will be numbered in the following manner: Task B2.XX with B2 referring to this addendum and .XX being the sequentially numbered task.

Price for Specific Services

The price for specific services provided by PESI will be determined on a per task basis and will be based on the portion of the work scope performed by PESI.

Contact Person for each Company

East Tennessee Materials and Energy Corporation

Mr. Bill Hillis
109 Jefferson Avenue
Oak Ridge, Tennessee 37830
Phone: (423) 425-1257
Fax: (423) 425-1253

Perma-Fix Environmental Services, Inc.

Mr. Tim Kimball
7928 Ranchitos Loop, N.E.
Albuquerque, New Mexico 87113
Phone: (505) 897-7537
Fax: (505) 898-1832

In addition to the contact persons named above, contact persons may be named for specific tasks.

Additional Conditions Required

All terms and conditions included in Basic Agreement Number 1GB-99447V that govern M&EC's work on this contract also apply to PESI.

APPENDIX B
ADDENDUM B2
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 2 of 1

IN WITNESS WHEREOF, the parties hereto have executed this document as of the day and year of the M&EC representative's signature.

EAST TENNESSEE MATERIALS AND
ENERGY CORPORATION

PERMA-FIX ENVIRONMENTAL
SERVICES, INC.

Name: /s/ Bill J. Hillis

Name: /s/ Tim Kimball

Title: President

Title: Vice President

Date: 11/5/98

Date: 11/5/98

APPENDIX B
ADDENDUM B2
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

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Appendix B
M&EC/PESI General Agreement
Addendum B3
November 6, 1998

Contract Award

On June 23, 1998, East Tennessee Materials and Energy Corporation (M&EC) entered into Basic Agreement 1GB-99448 with Bechtel Jacobs Company LLC for treatment of Treatment Category D: TSCA and RCRA Hazardous Waste with Organics and Metals and with EPA Waste Codes Requiring Incineration. Perma-Fix Environmental Services, Inc. (PESI) will serve as a subcontractor to M&EC for performance of the work on this contract. The full text of the Basic Agreement is provided as an attachment to this Addendum.

Scope of Work

PESI will support M&EC in providing mixed waste treatment services to the Department of Energy (DOE) Management and Operating Contractors, Management and Integration Contractors, and designated affiliates as listed in Attachment A of the

Basic Agreement. Any supplies and services to be furnished under the Basic Ordering Agreement shall be ordered by issuance of delivery orders to M&EC by the entities listed in Attachment A of the contract. When an order is received, M&EC will issue a task order to PESI defining each company's role in completing the delivery order.

The waste offered for treatment under this Basic Agreement is generally expected to consist of low-level, contact-handled combustible and non-combustible soils and sludges, and may contain some material meeting the Environmental Protection Agency (EPA) definition of debris. All of which is contaminated with Polychlorinated Biphenyls (PCBs) requiring regulation under the Toxic Substances Control Act (TSCA). The waste will also contain Resource Conservation and Recovery Act (RCRA) constituents that require incineration and may contain other RCRA constituents that may be treated by incineration or stabilization. Mercury levels will not exceed 260 ppm. Cyanide levels in the raw waste will be less than 30 mg/kg (amenable) and 590 mg/kg (total). The radionuclides in the raw waste will be below licensing levels at the disposal facility and consist of radioactive elements that are accepted for disposal at the disposal facility.

Time Frame for the Project

The term of the Basic Agreement is five years from the date signed (June 28, 1998). Bechtel Jacobs Company has the option of extending this Agreement annually after the initial term has expired.

APPENDIX B
ADDENDUM B3
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 1 of 1

Roles and Expectations from Each Company

Each delivery order will provide:

A complete description of waste, quantity (in kg) of waste, and unit price of Waste based on the tier pricing structure per Attachment B of the contract.
Delivery or performance period.
Place of delivery or performance.
Packaging, packing, and shipping instructions, if any.
Any other pertinent information.

At the time delivery orders are received, Task Orders will be attached to this Addendum that specifically define the roles of M&EC and PESI in performance of the delivery order. Task Orders will be numbered in the following manner: Task B3.XX with B3 referring to this addendum and .XX being the sequentially numbered task.

Price for Specific Services

The price for specific services provided by PESI will be determined on a per task basis and will be based on the portion of the work scope performed by PESI.

Contact Person for each Company

East Tennessee Materials and Energy Corporation

Mr. Bill Hillis
109 Jefferson Avenue
Oak Ridge, Tennessee 37830
Phone: (423) 425-1257
Fax: (423) 425-1253

Perma-Fix Environmental Services, Inc.

Mr. Tim Kimball
7928 Ranchitos Loop, N.E.
Albuquerque, New Mexico 87113
Phone: (505) 897-7537
Fax: (505) 898-1832

In addition to the contact persons named above, contact persons may be named for specific tasks.

Additional Conditions Required

All terms and conditions included in Basic Agreement Number 1GB-99448V that govern M&EC's work on this contract also apply to PESI.

APPENDIX B
ADDENDUM B3
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 2 of 1

IN WITNESS WHEREOF, the parties hereto have executed this document as of the day and year of the M&EC representative's signature.

EAST TENNESSEE MATERIALS AND
ENERGY CORPORATION

PERMA-FIX ENVIRONMENTAL
SERVICES, INC.

Name: /s/ Bill J. Hillis

Name: /s/ Tim Kimball

Title: President

Title: Vice President

Date: 11/5/98

Date: 11/5/98

APPENDIX B
ADDENDUM B3
M&EC/PESI - GENERAL AGREEMENT

November 6, 1998

PAGE 3 of 1

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November 5, 1998

Mr. Bob Lindquist
WHCA Partners
Two Prudential Plaza
Suite 5050
1800 North Stetson Avenue
Chicago, IL 60601

Re: Letter of Intent - Chem-Con/Chem-Met Acquisitions

Dear Bob:

1. Perma-Fix Environmental Services, Inc. ("PESI") has completed an initial due diligence of Chemical Conservation Corporation (Florida), Chemical Conservation of Georgia, Inc. and Chem-Met Services, Inc. and is very interested in acquiring these companies by merger or other means acceptable to PESI that qualifies as a pooling of interest. It is the intent that PESI would acquire 100% of the issued and outstanding capital stock of the following companies through a merger with PESI or a subsidiary of PESI or other means acceptable to PESI which qualifies as a pooling of interest:

- * Chemical Conservation Corporation (Florida) and Chemical Conservation of Georgia, Inc. (collectively "Chem-Con").
- * Chem-Met Services, Inc. ("Chem-Met").

2. It is understood that all of the issued and outstanding shares of capital stock of Chem-Con is owned by the Ann L. Sullivan Trust ("ALS Trust"), and all of the issued and outstanding shares of capital stock of Chem-Met is owned by the Thomas P. Sullivan Trust ("TPS Trust"). No other person, firm, entity, trust, corporation, partnership, limited liability company or other enterprise has any options, warrants or other rights to acquire any capital stock or assets of Chem-Con or Chem-Met. Thomas P. Sullivan and Ann L. Sullivan (collectively the "Sullivans"), are husband and wife. The ALS Trust and the TPS Trust collectively called "Trusts".

3. Certain real estate located in Orlando, Florida, and all improvements thereon are currently used by and associated with Chemical Conservation Corporation (Florida) ("Orlando Real Estate"), which Orlando Real Estate is owned by the ALS Trust. Prior to the closing of the acquisition by PESI of Chem-Met and Chem-Con and as a condition precedent to such closing, the owner of the Orlando Real Estate shall convey title in and to the Orlando Real Estate and all improvements thereon to Chemical Conservation Corporation (Florida) in the form of a capital contribution and by a general warranty deed, free and clear of any and all liens, mortgages, encumbrances, security interest, claims and rights of any other party, except for two mortgages currently on the Orlando Real Estate owed to and held by SunTrust Bank in the approximate amount of \$121,000 and Commercial Carrier in the approximate amount of \$142,000 (collectively, the

Page 2

Letter to Bob Lindquist
November 5, 1998

"Orlando Mortgages"). Upon the transfer of title to the Orlando Real Estate to Chemical Conservation Corporation (Florida), Chemical Conservation Corporation (Florida) will assume the Orlando Mortgages. The Orlando Mortgages shall be current and without default and no event shall have occurred under the Orlando Mortgages which would, with the passage of time, result in a default.

4. It is understood and agreed that each of the above transactions are subject to and conditioned upon the closing of the acquisition by PESI of Chem-Con and Chem-Met, and that no transaction may be closed individually. It is the intent that one definitive agreement will be executed for the merger of Chem-Con and Chem-Met into PESI or a subsidiary of PESI. All such merger documents will be drafted by PESI and presented to the shareholders of Chem-Met and Chem-Con for review. This letter and the letters of intent regarding PESI's acquisition of Chem-Con and Chem-Met attached hereto are subject to the terms hereof and the terms and conditions set forth in such separate letters attached hereto.

5. It is understood and agreed that prior to closing of the transactions with PESI as contemplated by this letter and the letters attached hereto relating to PESI's acquisition of Chem-Met and Chem-Con, the Quanta Corporation's ("Quanta") sale transaction, as is currently pending, will be completed. The proposed Quanta sale will be for certain assets (excluding the warehouse facility located on and the 10 acre tract ("the Real Estate") owned by a third party, adjacent to Chem-Met) and certain liabilities, in the manner previously disclosed to PESI. Prior to closing of the transactions contemplated by this letter and the letters attached hereto, but after the sale of Quanta assets, Quanta will be merged into Chem-Met and the then combined officer's note receivable in the sum of approximately \$1,064,000 payable to Chem-Met will be exchanged with the third party owner of the Real Estate, for title to the Real Estate, with such Real Estate being transferred to Chem-Met by a general warranty deed free and clear of any liens, encumbrances, claims, mortgages, security interest or rights of any other party. It is understood and agreed that the final terms and conditions of the Quanta sale cannot, as a condition of closing, violate or break the accounting requirements for this pooling transaction. It is also understood that the combined value of the Real Estate will approximate the recorded amount of the officer note receivable (\$1,064,000 at June 30, 1998).

6. In addition to the indemnification provisions to be contained in the definitive merger agreement relating to PESI's acquisition of Chem-Met and Chem-Con, PESI will be indemnified by the Sullivans and the Trusts, jointly and severally, for any and all federal or state income tax liability which Chem-Con, Chem-Met and/or Quanta may be liable to pay for any reason whatsoever for any and all periods prior to the date of closing of the acquisition of Chem-Con and Chem-Met by PESI. PESI will also be indemnified for all other liabilities as related to Quanta operations. To be negotiated are the number of shares of Common Stock issuable by PESI in connection with the acquisition of Chem-Met and Chem-Con that are to be held in escrow and the terms of such escrow in connection with the indemnification of PESI relating to any tax liability of Chem-Met, Chem-Con and Quanta discussed in this paragraph.

7. The Sullivans and the Trusts shall bear all of the expenses and legal fees incurred by them, following the date of acceptance of this letter and PESI shall bear its own expenses incurred by

Page 3

Letter to Bob Lindquist

November 5, 1998

it in connection with the transactions contemplated by this letter and the attachments. The shareholders of Chem-Con and Chem-Met shall be responsible for any brokerage fees associated with the transactions contemplated by this letter and the attachments.

8. The closing of the acquisition of Chem-Con and Chem-Met by PESI are subject to the terms and conditions of this letter and those separate letters of intent relating to PESI's acquisition of Chem-Con and Chem-Met, both dated as of the date of this letter and attached hereto. In addition to all other conditions precedents, consummation of the transactions contemplated in this letter and the letters attached hereto is subject to the parties negotiating, completing and executing a definitive merger agreement in a form and substance acceptable to the parties hereto and compliance with all of the terms and provisions of the definitive merger agreement and this letter and the letters attached hereto.

9. From the date of this letter until the earlier of (i) February 28, 1998, or (ii) execution of the definitive merger agreement relating to PESI's acquisition of Chem-Con and Chem-Met, neither the Sullivans, the Trusts, Chem-Con, Chem-Met nor any of their respective shareholders, directors, officers, employees, or agents will, directly or indirectly, solicit, initiate or encourage any acquisition proposal (as defined below) as to Chem-Con and/or Chem-Met or any of the stock or assets of Chem-Con and/or Chem-Met, whether by sale, lease or otherwise, nor will Chem-Con or Chem-Met nor any of their respective shareholders, directors, officers, employees or agents participate, directly or indirectly, in any negotiations with any person or party other than PESI with respect to an acquisition proposal of Chem-Con and/or Chem-Met or any stock or assets of Chem-Con and/or Chem-Met, whether by sale, lease or otherwise. The Sullivans will promptly notify PESI of the person or party making any inquiry or proposal relating to an acquisition proposal pursuant to which a person or entity other than PESI would (i) acquire or participate in a merger of other business combination involving Chem-Con or Chem-Met or (ii) acquire assets of Chem-Con or Chem-Met or (iii) acquire any stock from any of Chem-Con, Chem-Met, the Sullivans or the Trusts or acquire any of the outstanding common stock of Chem-Con or Chem-Met.

10. The Sullivans and the Trusts shall cause Chem-Con and Chem-Met to allow PESI, through its employees or agents to examine the business, properties and personnel of Chem-Con and Chem-Met as PESI may deem necessary or advisable. During normal business hours and upon reasonable notice, PESI and its agents shall have full access to the premises and to all the properties, books, contracts, commitments and records of Chem-Con and Chem-Met and Chem-Con and Chem-Met shall furnish to PESI such financial and operating data and other information with respect to the business, properties and personnel of Chem-Con and Chem-Met as

PESI may from time to time reasonably request.

11. This letter and the attachments hereto shall be construed and governed by the laws of the State of Florida.

12. As you appreciate, this letter and the letters attached hereto relating to PESI's acquisition of Chem-Con and Chem-Met are merely an expression of our mutual intent with respect to Page 4

Letter to Bob Lindquist
November 5, 1998

certain terms of a proposed transaction regarding PESI's acquisition of Chem-Met and Chem-Con and except as set forth in paragraphs 7, 9, 10 and 11 is not intended as an offer or any type of commitment by PESI, or any acceptance or commitment by you and any obligation on the part of you or us will be dependent upon the execution and delivery of mutually negotiated definitive merger agreement.

If this proposal is agreeable to the parties involved, please have the Sullivans and the Trust sign in the space indicated below and return an executed copy to me at your convenience.

Sincerely,

/s/Dr. Louis F. Centofanti

Dr. Louis F. Centofanti, Chairman

Agreed and Accepted this 6th day of November, 1998.

/s/Thomas P. Sullivan

Thomas P. Sullivan

/s/Ann L. Sullivan

Ann L. Sullivan

/s/Thomas P. Sullivan

Trustee of the Thomas P. Sullivan Trust

/s/Ann L. Sullivan

Trustee of the Ann L. Sullivan Trust
November 5, 1998

Mr. Bob Lindquist
WHCA Partners
Two Prudential Plaza
Suite 5050
1800 North Stetson Avenue
Chicago, IL 60601

Re: Letter of Intent -
Chemical Conservation Corporation (Florida) and Chemical
Conservation of Georgia, Inc.

Dear Bob:

Please be advised that Perma-Fix Environmental Services, Inc. ("PESI") has completed an initial due diligence of Chemical Conservation Corporation (Florida) and Chemical Conservation of Georgia, Inc. (collectively referred to as "Chem-Con") and is very interested in acquiring Chem-Con by means of a merger or other means acceptable to PESI, with such qualifying as a pooling of interest. We would be interested in acquiring 100% of the capital stock of the following companies:

- * Chemical Conservation Corporation (Florida)
- * Chemical Conservation Corporation of Georgia, Inc.

Certain real estate located in Orlando, Florida and all improvements thereon are currently used by and associated with Chemical Conservation Corporation (Florida) ("Orlando Real Estate"), which Orlando Real Estate is owned by the ALS Trust. Prior to the closing of the acquisition by PESI of Chem-Con and as a condition precedent to such closing, the owner of the Orlando Real Estate shall convey title in and to the Orlando Real Estate and all improvements thereon to Chemical Conservation Corporation (Florida) in the form of a capital contribution by a general warranty deed, with the Orlando Real Estate being free and clear of any and all liens, mortgages, encumbrances, security interest, claims and rights of any other party, except for two mortgages currently on the Orlando Real Estate owed to and held by Sun Trust Bank in the approximate amount of \$121,000 and Commercial Carrier in the approximate amount of \$142,000 (collectively, the "Orlando Mortgages"). Upon the transfer of title to the Orlando Real Estate to Chemical Conservation Corporation (Florida), Chemical Conservation Corporation (Florida) will assume the Orlando Mortgages. The Orlando Mortgages shall be current and without default and no event shall have occurred under the Orlando Mortgages which would, with the passage of time, result in a default.

The following offer is based on the ability to acquire Chem-Con on terms that qualify as a pooling of interest. It would be our intention to expedite the closing and final due diligence process, with a proposed closing to occur by February 28, 1999, subject to shareholder approval and satisfaction of the other

Page 2

Letter to Bob Lindquist
November 5, 1998

conditions specified herein, in the letter of intent dated as of the date hereof and addressed to Bob Lindquist styled "Re: Letter of Intent - Chem-Met Services, Inc. and the letter of intent dated as of the date hereof and addressed to Bob Lindquist styled "Letter of Intent - Chem-Con/Chem-Met Acquisitions." The consideration to be paid for Chem-Con is as follows:

- * \$6.5 million in PESI Common Stock for Chem-Con, with the number of shares of PESI Common Stock to be issued determined by dividing \$6.5 million by the average closing price per share of PESI Common Stock as quoted on the NASDAQ for the five (5) trading days immediately preceding the date of closing.

PESI would, at the closing of the acquisition of Chem-Con by PESI, enter into a four year consulting agreement with Tom Sullivan, based on terms satisfactory to PESI and Mr. Sullivan

and at the rate of \$400,000 in the first year and \$300,000 per year thereafter for the remaining three years.

Environmental Liability Issues:

This offer is conditioned on the assumption that the cost relating to the Valdosta Ground Remediation does not exceed \$1,800,000, which would be assumed and paid by Chem-Con. However, this transaction is also contingent upon PESI's ability to obtain an insurance policy on the Valdosta Ground Remediation liability on terms satisfactory to PESI prior to closing of the PESI acquisition of Chem-Con and based upon the agreed upon and documented costs. We will require the assistance of Chem-Con in this documentation and support process.

This offer is also subject to satisfaction of the following:

- * No material adverse change in financial position of Chem-Con from the June 30, 1998, financial statements;
- * State/EPA approval of permit transfers, where appropriate;
- * Completion of audited financial statements of Chem-Con and Chem-Met Services, Inc. ("Chem-Met") for the twelve month periods ended September 30, 1996, 1997 and 1998, meeting the requirements of Regulation S-X for inclusion in a Form S-1 Registration Statement pursuant to the Securities Act of 1933, as amended. PESI would pay for this audit, unless the audit finds that the combined income of Chem-Con and Chem-Met is 20% less than that represented, prior to the appropriate reversal of officer notes receivable and those adjustments as previously discussed, which adjustments PESI has estimated as described in the Exhibit A attached hereto. Prior to the audit described above, Chem-Met and Chem-Con will make certain adjustments to their financial statements as previously discussed with PESI and estimated in Exhibit A attached hereto;
- * Completion by PESI of a final financial and environmental due diligence;

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Letter to Bob Lindquist
November 5, 1998

- * PESI obtaining the appropriate insurance policy insuring the predetermined liability for remediation of Valdosta;
- * Tom Sullivan would have the right to appoint a board member as long as stock held represented an agreed upon percentage for a period to be negotiated;
- * Completion and execution of a definitive merger agreement in which PESI would acquire Chem-Con and Chem-Met which qualifies as a pooling of interest and is acceptable to respective Board of Directors of PESI, Chem-Con and Chem-Met;
- * Completion of proxy material relating to the acquisition of Chem-Met and Chem-Con in accordance with the requirements of the Securities Exchange Act of 1934, as amended and receipt of

- PESI shareholder approval;
- * No public announcement without prior approval by both parties except as required by law;
 - * Completion of the acquisition of Chem-Met;
 - * Listing of the shares of Common Stock to be issued hereunder on the Boston Stock Exchange and NASDAQ;
 - * Such other terms as reasonably requested by the parties.

If this proposal is agreeable to the parties involved, please have Thomas P. Sullivan, Ann L. Sullivan, the Thomas P. Sullivan Trust and the Ann L. Sullivan Trust sign in the space indicated below and return to me an executed copy of this letter at your convenience.

Sincerely,

/s/Dr. Louis F. Centofanti

 Dr. Louis F. Centofanti, Chairman

Agreed and Accepted this 6th day of November, 1998.

/s/Thomas P. Sullivan

 Thomas P. Sullivan

/s/Ann L. Sullivan

 Ann L. Sullivan

/s/Thomas P. Sullivan

 Trustee of the Thomas P. Sullivan Trust

/s/Ann L. Sullivan

 Trustee of the Ann L. Sullivan Trust

Chem-Con-ChemMet Adjusting Entries
 Pooling Entries

Exhibit A

Description	Amount
P & L Impact	
Increase Allowance for Doubtful Accounts	200,000
Increase Four County Reserve	220,000
Establish Accrued Expenses	600,000
Establish Valdosta Remediation Reserve	1,800,000
Establish Accrued Closure Costs	635,802
TOTAL EXPENSES	3,455,802

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November 5, 1998

Mr. Bob Lindquist
WHCA Partners
Two Prudential Plaza
Suite 5050
1800 North Stetson Avenue
Chicago, IL 60601

Re: Letter of Intent -
Chem-Met Services, Inc.

Dear Bob:

Please be advised that Perma-Fix Environmental Services, Inc. ("PESI") has completed an initial due diligence of Chem-Met Services, Inc. ("Chem-Met") and is very interested in acquiring Chem-Met. We would be interested in acquiring 100% of the capital stock of Chem-Met by means of a merger or other means acceptable to PESI, with such qualifying as a pooling of interest.

The following offer is based on the ability to acquire Chem-Met in a pooling of interest. It would be our intention to expedite the closing and due diligence process, with a proposed closing to occur by February 28, 1999, subject to shareholder approval and satisfaction of the other conditions specified herein, in the separate letter of intent dated as of the date hereof addressed to Bob Lindquist involving the acquisition of Chemical Conservation Corporation (Florida) and Chemical Conservation of Georgia, Inc. (collectively, "Chem-Con") by PESI styled "Re: Letter of Intent - Chemical Conservation Corporation (Florida) and Chemical Conservation of Georgia, Inc. ("Chem-Con Letter") and the letter dated as of the date hereof addressed to Bob Lindquist relating to the proposed acquisition by PESI of Chem-Met and Chem-Con styled "Letter of Intent-Chem-Con/Chem-Met Acquisitions" ("Chem-Met - Chem-Con Letter"). PESI would be willing to pay the following consideration for Chem-Met:

- * \$900,000 in PESI Common Stock for Chem-Met, with the number of shares of PESI Common Stock to be issued determined by dividing \$900,000 by the average closing price per share of PESI Common Stock over the 5 trading days as quoted on the NASDAQ immediately prior to the date of closing of PESI's acquisition of Chem-Met and Chem-Con. As discussed, our analysis has placed a value of \$1.8 million on Chem-Met, less the approximate \$900,000 PRP liability in connection with the Four County Landfill Superfund Site.

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Letter o Bob Lindquist
November 5, 1998

Environmental Liability Issues:

This offer is based on and subject to the assumption that the following balance sheet issues and their respective costs would

be assumed or paid by Chem-Met and the liability of Chem-Met for such shall not exceed the following amounts:

- * Chem-Fix Settlement Agreement, not to exceed \$360,000;
- * Four County Landfill PRP liability, not to exceed \$900,000; and
- * Chem-Met Area 4 Remediation, not to exceed \$2,000,000.

However, this transaction is also contingent upon PESI's obtaining an insurance policy on the Chem-Met Area 4 Remediation liability prior to closing upon terms satisfactory to PESI and based upon the agreed upon and documented costs. We will required the assistance of Chem-Met in this documentation and support process.

This offer is also subject to satisfaction of the following:

- * No material adverse change in financial condition of Chem-Met/Chem-Con from the June 30, 1998, financial statements of Chem-Met and Chem-Con;
- * State/EPA approval of permit transfers, where appropriate;
- * Completion of audited financial statements of Chem-Met and Chem-Con for the twelve month periods ended September 30, 1996, 1997 and 1998, meeting the requirements of Regulation S-X for inclusion in a Form S-1 Registration Statement pursuant to the Securities Act of 1933, as amended. PESI would pay for this audit, unless the audit finds that the combined income of Chem-Met and Chem-Con is 20% less than that represented, prior to the appropriate reversal of officer notes receivable described in paragraphs 5 of the Chem-Met-Chem-Con Letter and those certain adjustments as previously discussed, which adjustments PESI has estimated as described in the attached Exhibit A. Prior to the audit described above, Chem-Met and Chem-Con will make certain adjustments to their financial statements as previously discussed with PESI and estimated in Exhibit A attached hereto;
- * Completion by PESI of a final financial and environmental due diligence of Chem-Met and Chem-Con;
- * PESI obtaining the appropriate insurance policy, insuring the predetermined liability for Chem-Met Area 4 Remediation;
- * The completion of an appropriate and definitive settlement agreement on the Four County Landfill, based upon liability of Chem-Met not to exceed \$900,000 and such settlement approved by an appropriate government agency, all in a manner as recently discussed and satisfactory to PESI;
- * The completion of an appropriate settlement of the Chem-Fix judgement in a manner satisfactory to PESI, based upon a liability not to exceed \$360,000;

- * Tom Sullivan would have the right to appoint a board member as long as stock held represented an agreed upon percentage for a period to be determined;
- * Completion of a definitive merger agreement, in which PESI would acquire Chem-Met and Chem-Con in a transaction qualifying as a pooling of interest, and acceptable to the respective Board of Directors of PESI, Chem-Met and Chem-Con and satisfaction of the conditions precedent thereof;
- * Completion of the required proxy material relating to PESI's acquisition of Chem-Met and Chem-Con pursuant to the requirements of the Securities Exchange Act of 1934, as amended, and receipt of PESI shareholder approval;
- * No public announcement without prior approval by both parties except as required by law;
- * Completion of the acquisition of Chem-Con by PESI;
- * Listing of the shares of Common Stock to be issued hereunder and in connection with the acquisition of Chem-Con on the NASDAQ and Boston Stock Exchange;
- * Such other conditions precedent as reasonably required by the parties.

If this proposal is agreeable to the parties involved, please have Mr. Thomas P. Sullivan, Ann L. Sullivan, the Thomas P. Sullivan Trust and the Ann L. Sullivan Trust sign in the space indicated below and return an executed copy to me at your convenience.

Sincerely,

/s/Dr. Louis F. Centofanti

Dr. Louis F. Centofanti, Chairman

Agreed and Accepted this 6th day of November, 1998.

/s/Thomas P. Sullivan

Thomas P. Sullivan

/s/Ann L. Sullivan

Ann L. Sullivan

/s/Thomas P. Sullivan

Trustee of the Thomas P. Sullivan Trust

/s/Ann L. Sullivan

Trustee of the Ann L. Sullivan Trust

Description	Amount
P & L Impact	
Increase Allowance for Doubtful Accounts	200,000
Establish Accrued Expenses	600,000
Increase Four County Reserve	220,000
Establish Valdosta Remediation Reserve	1,800,000
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