UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2007

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File No. 1-11596

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

Delaware	**58-1954497**
State or other jurisdiction of incorporation or organization	*(IRS Employer Identification Number)*
8302 Dunwoody Place, #250, Atlanta, GA	**30350**
(Address of principal executive offices)	*(Zip Code)*

(770) 587-9898
(Registrant's telephone number)

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

Title of each class	Name of each exchange on which registered
Common Stock, $.001 Par Value	NASDAQ Capital Markets

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes o No x

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes o No x

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 o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Act) Large accelerated filer o Accelerated filer x Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes o No x

The aggregate market value of the Registrant's voting and non-voting common equity held by nonaffiliates of the Registrant computed by reference to the closing sale price of such stock as reported by NASDAQ as of the last business day of the most recently completed second fiscal quarter (June 30, 2007), was approximately $152,855,000. For the purposes of this calculation, all executive officers and directors of the Registrant (as indicated in Item 12) are deemed to be affiliates. Such determination should not be deemed an admission that such directors or officers, are, in fact, affiliates of the Registrant. The Company's Common Stock is listed on the NASDAQ Capital Markets.

As of March 10, 2008, there were 53,704,516 shares of the registrant's Common Stock, $.001 par value, outstanding.

Documents incorporated by reference: none

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

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PART I

ITEM 1. BUSINESS

Company Overview and Principal Products and Services

Perma-Fix Environmental Services, Inc. (the Company, which may be referred to as we, us, or our), an environmental and technology know-how company, is a Delaware corporation organized in 1990, and is engaged through its subsidiaries, in:

- Nuclear Waste Management Services (“Nuclear Segment”), which includes:
  - Treatment, storage, processing and disposal of mixed waste (which is waste that contains both low-level radioactive and hazardous waste) including on and off-site waste remediation and processing;
  - Nuclear, low-level radioactive, and mixed waste treatment, processing and disposal; and
  - Research and development of innovative ways to process low-level radioactive and mixed waste.
- Consulting Engineering Services (“Engineering Segment”), which includes:
  - Consulting services regarding broad-scope environmental issues, including environmental management programs, regulatory permitting, compliance and auditing, landfill design, field testing and characterization.

On May 18, 2007, our Board of Directors authorized the divestiture of our Industrial Segment. Our Industrial Segment provides treatment, storage, processing, and disposal of hazardous and non-hazardous waste, wastewater management services, and environmental services, which includes emergency response, vacuum services, marine environmental and other remediation services. The decision to sell our Industrial Segment is based on our belief that our Nuclear Segment represents a sustainable long-term growth driver of our business. During 2007, we have entered into several letters of intent to sell various portions of our Industrial Segment. All of the letters of intent have expired or terminated without being completed, except: we completed, on January 8, 2008, the sale of substantially all of the assets of Perma-Fix Maryland, Inc. (“PFMD”) for $3,825,000 in cash, subject to a working capital adjustment during 2008, and assumption by the buyer of certain liabilities of PFMD, and during March 2008, we completed the sale of substantially all of the assets of Perma-Fix of Dayton, Inc. (“PFD”) for approximately $2,143,000 in cash, subject to certain working capital adjustments after the closing, plus assumption by the buyer of certain of PFD’s liabilities and obligations, (including, without limitation, certain obligations under the Settlement Agreement entered into by PFD in connection with the settlement of plaintiff’s claims under the Fisher Lawsuit, as discussed and defined in “Legal Proceedings”, and approximately $562,000 in PFD’s obligations for and relating to supplemental environmental projects that PFD is obligated to perform under the Consent Decree entered into with the federal government in settlement of the Government’s Lawsuit as discussed and defined in “Legal Proceedings”) in connection with the Fisher Lawsuit. We are negotiating the sale of Perma-Fix South Georgia, Inc. (“PFSG”). We anticipate that the sale of PFSG will be completed by end of May 2008. The terms of the sale of PFSG are subject to being finalized. We are attempting to sell the other companies and/or operations within our Industrial Segment, but as of the date of this report, we have not entered into any agreements regarding these other companies or operations within our Industrial Segment.

At May 25, 2007, the Industrial Segment met the held for sale criteria under Statement of Financial Accounting Standards (“SFAS”) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”, and therefore, certain assets and liabilities of the Industrial Segment are reclassified as discontinued operations in the Consolidated Balance Sheets, and we have ceased depreciation of the Industrial Segment’s long-lived assets classified as held for sale. The results of operations and cash flows of the Industrial Segment have been reported in the Consolidated Financial Statements as discontinued operations for all periods presented.

We believe that the divestiture of certain facilities within our Industrial Segment has not occurred within the anticipated time period due to the current state of our economy which has impacted potential buyers’ ability to obtain financing. In addition, the original letter of intent entered between us and a potential buyer included the majority of the companies within our Industrial Segment. This sale did not materialize, leading us to pursue the potential sale of each company individually. Although this process has taken more time than anticipated for numerous reasons, we continue to market the facilities within our Industrial Segment for eventual sale.

Our present objective is to focus on the efficient operation of our existing facilities within our Nuclear and Engineering Segments, evaluate strategic acquisitions within the Nuclear Segments, and to continue the research and development of innovative technologies for the treatment of nuclear waste, mixed waste and industrial waste. On June 13, 2007, we completed the acquisition of Nuvotec USA, Inc. (k/n/a Perma-Fix of Northwest, Inc. – "PFNW") and its wholly owned subsidiary, Pacific EcoSolutions, Inc (PEcoS) (k/n/a Perma-Fix of Northwest Richland, Inc. – "PFNWR") for $17.3 million. PFNWR is a hazardous waste, low level radioactive waste and mixed waste (containing both hazardous waste and low level radioactive waste) management company based in Richland, Washington, adjacent to the Department of Energy's ("DOE") Hanford facility. This acquisition provides us with a number of strategic benefits. Foremost, this acquisition secured PFNWR's radioactive and hazardous waste permits and licenses, which further solidified our position within the mixed waste industry. Additionally, the PFNWR facility is located adjacent to the Hanford site, which represents one of the largest environmental clean-up projects in the nation and is expected to be one of the most expansive of DOE's nuclear weapons' facilities to remediate. In addition, the acquisition of PFNWR facility introduced our west coast presence and increases our treatment capacity for radioactive only waste. For 2007, PFNWR generated $8,439,000 in revenue, which represents 15.6% of our consolidated revenue from continuing operations.

We service research institutions, commercial companies, public utilities and governmental agencies nationwide. The distribution channels for our services are through direct sales to customers or via intermediaries.

We were incorporated in December of 1990. Our executive offices are located at 8302 Dunwoody Place, Suite 250, Atlanta, Georgia 30350.

Website access to Company's reports

Our internet website address is www.perma-fix.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission ("Commission"). Additionally, we make available free of charge on our internet website:

- our Code of Ethics;
- the charter of our Corporate Governance and Nominating Committee;
- our Anti-Fraud Policy;
- the charter of our Audit Committee.

Segment Information and Foreign and Domestic Operations and Export Sales

During 2007, we were engaged in two operating segments. Pursuant to FAS 131, we define an operating segment as:

- a business activity from which we may earn revenue and incur expenses;
- whose operating results are regularly reviewed by the president and chief operating officer to make decisions about resources to be allocated and assess its performance; and
- for which discrete financial information is available.

We therefore define our operating segments as each business line that we operate. These segments, however, exclude the corporate and operation headquarters, which do not generate revenue and our Industrial Segment, our discontinued operations, as discussed above.

Most of our activities are conducted nationwide. We do not own any foreign operations and we had no export sales during 2007.

Operating Segments
We have two operating segments, which represent each business line that we operate. The Nuclear Segment, which operates four facilities (including our newly acquired PFNWR facility, as mentioned below), and the Consulting Engineering Services Segment as described below:

NUCLEAR WASTE MANAGEMENT SERVICES, which includes nuclear, low-level radioactive, mixed (waste containing both hazardous and low-level radioactive constituents) hazardous and non-hazardous waste treatment, processing and disposal services through four uniquely licensed (Nuclear Regulatory Commission or state equivalent) and permitted (Environmental Protection Agency or state equivalent) treatment and storage facilities. The presence of nuclear and low-level radioactive constituents within the waste streams processed by this segment creates different and unique operational, processing and permitting/licensing requirements, as discussed below.

Perma-Fix of Florida, Inc. ("PFF"), located in Gainesville, Florida, specializes in the storage, processing, and treatment of certain types of wastes containing both low-level radioactive and hazardous wastes, which are known in the industry as mixed waste ("mixed waste"). PFF is one of the first facilities nationally to operate under both a hazardous waste permit and a radioactive materials license, from which it has built its reputation based on its ability to treat difficult waste streams using its unique processing technologies and its ability to provide related research and development services. PFF has substantially increased the amount and type of mixed waste and low level radioactive waste that it can store and treat. Its mixed waste services have included the treatment and processing of waste Liquid Scintillation Vials (LSVs) since the mid 1980's. LSVs are used for the counting of certain radionuclides. The LSVs are generated primarily by institutional research agencies and biotechnical companies. The business has expanded into receiving and handling other types of mixed waste, primarily from the nuclear utilities, commercial generators, prominent pharmaceutical companies, the Department of Energy ("DOE") and other government facilities as well as select mixed waste field remediation projects. PFF also continues to receive and process certain hazardous and non-hazardous waste streams as a compliment to its expanded nuclear and mixed waste processing activities.

Diversified Scientific Services, Inc. ("DSSI") located in Kingston, Tennessee, specializes in the storage, processing, and destruction of certain types of mixed waste. DSSI, like PFF, is one of only a few facilities nationally to operate under both a hazardous waste permit and a radioactive materials license. Additionally, DSSI is the only commercial facility of its kind in the U.S. that is currently operating and licensed to destroy liquid organic mixed waste, through such a treatment unit. DSSI provides mixed waste disposal services for nuclear utilities, commercial generators, prominent pharmaceutical companies, and agencies and contractors of the U.S. government, including the DOE and the Department of Defense ("DOD"). We are currently working toward permitting the facility for Polychlorinated Biphenyls (PCB) destruction.

East Tennessee Materials & Energy Corporation ("M&EC"), located in Oak Ridge, Tennessee, is another mixed waste facility. M&EC also operates under both a hazardous waste permit and radioactive materials license. M&EC represents the largest of our four mixed waste facilities, covering 150,000 sq. ft., and is located in leased facilities at the DOE East Tennessee Technology Park. In addition to providing mixed waste treatment services to commercial generators, nuclear utilities and various agencies and contractors of the U.S. Government, including the DOD, M&EC was awarded three contracts to treat DOE mixed waste by Bechtel-Jacobs Company, LLC, DOE's Environmental Program Manager, which covers the treatment of mixed waste throughout all DOE facilities. Two of these contracts have been extended through September 2009. In 2007, M&EC completed its facility expansion ("SouthBay") to treat DOE special process wastes from the DOE Portsmouth Gaseous Diffusion Plant located in Piketon, Ohio under the subcontract awarded by LATA/Parallax Portsmouth LLC to our Nuclear Segment in 2006. LATA/Parallax performs environmental remediation services, including groundwater cleanup and waste management activities, under contract to DOE at the Portsmouth site.

PFNWR, which we acquired in June 2007, is located in Richland, Washington. PFNWR is a permitted hazardous, low level radioactive and mixed waste treatment, storage and disposal facility located at the Hanford U.S. DOE site in the eastern part of the state of Washington. The DOE's Hanford site is subject to one of the largest, most complex, and most costly DOE clean up plans. The strategic addition of PFNWR facility provides the Company with immediate access to treat some of the most complex nuclear waste streams in the nation. PFNWR predominately provides waste treatment services to contractors of government agencies, in addition to commercial generators.

For 2007, the Nuclear business (including $8,439,000 in revenue of our PFNWR facility) accounted for $51,704,000 (or 95.6%) of total revenue from continuing operations, as compared to $49,423,000 (or 93.6%) of total revenue for 2006. See " - Dependence Upon a Single or Few Customers" and "Financial Statements and Supplementary Data" for further details and a discussion as to our Nuclear Segment's contracts with the federal government or with others as a subcontractor to the federal government.

CONSULTING ENGINEERING SERVICES, which provides environmental engineering and regulatory compliance consulting services through one subsidiary, as discussed below.

Schreiber, Yonley & Associates ("SYA") is located in Ellisville, Missouri. SYA specializes in environmental management programs, permitting, compliance and auditing, in addition to landfill design, field investigation, testing and monitoring. SYA clients are primarily industrial, including many within the cement manufacturing industry. SYA also provides the necessary support, compliance and training as required by our operating facilities.

During 2007, environmental engineering and regulatory compliance consulting services accounted for approximately $2,398,000 (or 4.4%) of our total revenue from continuing operations, as compared to approximately $3,358,000 (or 6.4%) in 2006. See "Financial Statements and Supplementary Data" for further details.

Discontinued Operations
As stated above, our Industrial Segment, which provides management of hazardous waste, non-hazardous waste, and waste water, are classified as discontinued operations. At the beginning of 2007, the Industrial Segment consisted of six (6) operating companies, as well as two non-operational companies. As stated above, during the first quarter of 2008, we sold PFMD and PFD and are attempting to sell the remaining companies/operations within the Industrial Segment.

Our discontinued operations generated $30,407,000, $35,148,000 and $41,489,000 of revenue in 2007, 2006, and 2005, respectively.

Importance of Patents, Trademarks and Proprietary Technology
We do not believe we are dependent on any particular trademark in order to operate our business or any significant segment thereof. We have received registration to the year 2010 and 2012 for the service marks "Perma-Fix" and "Perma-Fix Environmental Services," respectively, by the U.S. Patent and Trademark Office.

We are active in the research and development ("R&D") of technologies that allow us to address certain of our customers' environmental needs. To date, our R&D efforts have resulted in the granting of six active patents and the filing of several pending patent applications. Our flagship technology, the Perma-Fix Process, is a proprietary, cost effective, treatment technology that converts hazardous waste into non-hazardous material. Subsequently, we developed the Perma-Fix II process, a multi-step treatment process that converts hazardous organic components into non-hazardous material. The Perma-Fix II process is particularly important to our mixed waste strategy. We believe that at least one third of DOE mixed waste contains organic components.

The Perma-Fix II process is designed to remove certain types of organic hazardous constituents from soils or other solids and sludges ("Solids") through a water-based system. Until development of this Perma-Fix II process, we were not aware of a relatively simple and inexpensive process that would remove the organic hazardous constituents from Solids without elaborate and expensive equipment or expensive treating agents. Due to the organic hazardous constituents involved, the disposal options for such materials are limited, resulting in high disposal cost when there is a disposal option available. By reducing the organic hazardous waste constituents in the Solids to a level where the Solids meet Land Disposal Requirements, the generator's disposal options for such waste are substantially increased, allowing the generator to dispose of such waste at substantially less cost. We began commercial use of the Perma-Fix II process in 2000. However, changes to current environmental laws and regulations could limit the use of the Perma-Fix II process or the disposal options available to the generator. See "—Permits and Licenses" and "—Research and Development."

Permits and Licenses

Waste management companies are subject to extensive, evolving and increasingly stringent federal, state and local environmental laws and regulations. Such federal, state and local environmental laws and regulations govern our activities regarding the treatment, storage, processing, disposal and transportation of hazardous, non-hazardous and radioactive wastes, and require us to obtain and maintain permits, licenses and/or approvals in order to conduct certain of our waste activities. Failure to obtain and maintain our permits or approvals would have a material adverse effect on us, our operations and financial condition. The permits and licenses have a term ranging from one to ten years and, provided that we maintain a reasonable level of compliance, renew with minimal effort and cost. Historically, there have been no compelling challenges to the permit and license renewals. Such permits and licenses, however, represent a potential barrier to entry for possible competitors.

Operating Segments:

PFF operates its hazardous, mixed and low-level radioactive waste activities under a RCRA Part B permit and a radioactive materials license issued by the State of Florida.

DSSI operates hazardous, mixed and low-level radioactive waste activities under a RCRA Part B permit and a radioactive materials license issued by the State of Tennessee. We are working toward permitting our DSSI facility for PCB destruction. The permit is expected by mid year 2008.

M&EC operates hazardous and low-level radioactive waste activities under a RCRA Part B permit and a radioactive materials license issued by the State of Tennessee.

PFNWR operates its hazardous, mixed and low-level radioactive waste activities under a RCRA Part B permit and a radioactive materials license issued by the State of Washington.

The combination of a RCRA Part B hazardous waste permit and a radioactive materials license, as held by PFF, DSSI and M&EC, and PFNWR are very difficult to obtain for a single facility and make these facilities very unique.

Perma-Fix of South Georgia, Inc ("PFSG")

Our internal consulting firm, SYA, concluded that a certain air permit at PFSG had expired. PFSG is part of the Industrial Segment, which has been classified as a discontinued operation. An inquiry to the Georgia Environmental Protection Division ("GaEPD") resulted in their determination that the permit was still valid. However, since changes to the operations of the facility had occurred since approval of the air permit, the Company submitted a revised permit application in January 2008. The review of the submitted revised permit application with GaEPD indicated that the changes were deemed relatively minor, as determined by

GaEPD. GaEPD has subsequently notified PFSG that the application would be given a low priority for review.

Seasonality

Historically, we have experienced reduced activities and related billable hours throughout the November and December holiday periods within our Engineering Segment. The DOE and DOD represent major customers for the Nuclear Segment. In conjunction with the federal government's September 30 fiscal year-end, the Nuclear Segment historically experienced seasonably large shipments during the third quarter, leading up to this government fiscal year-end, as a result of incentives and other quota requirements. Correspondingly for a period of approximately three months following September 30, the Nuclear Segment is generally seasonably slow, as the government budgets are still being finalized, planning for the new year is occurring and we enter the holiday season. Since 2005, due to our efforts to work with the various government customers to smooth these shipments more evenly throughout the year, we have seen less fluctuation in the quarters. In 2007, the US Congress did not pass the fiscal year 2007 budget which resulted in no increase of funding to DOE from the previous years 2006 budget allocation. This resulted in a decrease of the start up of new projects; however, we continued to see shipments at expected levels as compared to 2006. The 2008 budget was signed by the President in December 2007 which provides funding for the start of new projects in 2008. We do not anticipate big fluctuations within 2008 even with the passing of the 2008 budget; however, we cannot provide assurance this will be the case.

Backlog

The Nuclear Segment of our Company maintains a backlog of stored waste, which represents waste that has not been processed. The backlog is principally a result of the timing and complexity of the waste being brought into the facilities and the selling price per container. As of December 31, 2007, our Nuclear Segment had a backlog of approximately $14.6 million, which includes $4.7 million for our newly acquired PFNWR facility, as compared to approximately $12.5 million, as of December 31, 2006. Additionally the time it takes to process mixed waste from the time it arrives may increase due to the types and complexities of the waste we are currently receiving. We typically process our backlog during periods of low waste receipts, which historically has been in the first or fourth quarter.

Dependence Upon a Single or Few Customers

Our Nuclear Segment is not dependent upon a single customer, or a few customers; however, our Nuclear Segment has a significant relationship with the federal government, and continues to enter into, contracts with (directly or indirectly as a subcontractor) the federal government. The contracts that we are a party to with the federal government or with others as a subcontractor to the federal government generally provide that the government may terminate on 30 days notice or renegotiate the contracts, at the government's election. Our inability to continue under existing contracts that we have with the federal government (directly or indirectly as a subcontractor) could have a material adverse effect on our operations and financial condition.

We performed services relating to waste generated by the federal government, either directly or indirectly as a subcontractor to the federal government, which represented approximately $30,000,000 (includes approximately $5,568,000 from PFNWR facility) or 55.5% of our total revenue from continuing operations during 2007, as compared to $33,226,000 or 63.0% of our total revenue from continuing operations during 2006, and $29,555,000 or 59.0% of our total revenue from continuing operations during 2005.

Included in the amounts discussed above, are revenues from LATA/Parallax Portsmouth LLC ("LATA/Parallax"). LATA/Parallax is a manager for environmental programs for various agencies of the federal government. Our revenues from LATA/Parallax, as a subcontractor to perform remediation services at certain federal sites, contributed $8,784,000 or 16.2% and $10,341,000 or 19.6% of our revenues from continuing operations for 2007 and 2006, respectively. Our contract with LATA/Parallax is expected to be completed in September 2008. As with most contracts relating to the federal government, LATA/Parallax can terminate the contract with us at any time for convenience, which could have a material adverse effect on our operations.

Our Nuclear Segment has had a significant relationship with Bechtel Jacobs Company, LLC. ("Bechtel Jacobs"). Bechtel Jacobs is the government-appointed manager of the environmental program for Oak Ridge, Tennessee to perform certain treatment and disposal services relating to Oak Ridge, and our Nuclear Segment has been awarded three subcontracts by Bechtel Jacobs to perform certain environmental services at DOE's Oak Ridge, Tennessee sites. Two of our Oak Ridge contracts have been amended for pricing modifications in 2007 and have been extended through September 2009. Our revenues from Bechtel Jacobs have continued to decrease as the DOE site in Oak Ridge continues to complete certain of its clean-up milestones and moves toward completing its closure efforts. As with most such blanket processing agreements, the Oak Ridge contracts contain no minimum or maximum processing guarantees, and may be terminated at any time pursuant to federal contracting terms and conditions. The Nuclear Segment continues to pursue other similar or related services for environmental programs at other DOE and government sites. Consolidated revenues from Bechtel Jacobs for 2007, total $1,812,000 or 3.3% of total revenues from continuing operations, as compared to $6,705,000 or 12.6% for the year ended December 31, 2006 and $14,940,000 or 29.8% for the year ended December 31, 2005.

Our Nuclear Segment has provided treatment of mixed low-level waste, as a subcontractor, for Fluor Hanford since 2004. However, with the acquisition of our PFNWR facility, we now have a significant relationship with Fluor Hanford, a prime contractor to the DOE since 1996. Fluor Hanford manages several major activities at the DOE's Hanford Site, including dismantling former nuclear processing facilities, monitoring and cleaning up the site's contaminated groundwater, and retrieving and processing transuranic waste for off-site shipment. The Hanford site is one of DOE's largest nuclear weapon environmental remediation projects. Our PFNWR facility is located adjacent to the Hanford site and provides treatment of low level radioactive and mixed wastes. We currently have three contracts with Fluor Hanford at our PFNWR facility, with the initial contract dating back to 2003. These three contracts have since been extended to September 2008. As the DOE is currently in the process of re-bidding its contracts with current prime contractors, our future revenue beyond September 2008 from Fluor Hanford is uncertain at this time. Revenues from Fluor Hanford totaled $6,985,000 (approximately $3,100,000 from PFNWR) or 12.9%, $1,229,000 or 2.3%, and $1,732,000 or 3.5% of consolidated revenue from continuing operations for the year ended December 31, 2007, 2006, and 2005, respectively. As with most contracts relating to the federal government, Fluor Hanford can terminate the contracts with us at any time for convenience, which could have a material adverse effect on our operations. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations" — "Significant Customers" for discussion on our relationship with Bechtel Jacobs, LATA/Parallax, Fluor Hanford, and our government contract or subcontracts involving the federal government.

Competitive Conditions

The Nuclear Segment has few competitors and in some niche area does not currently experience significant competitive pressures. This segment's largest competitor is EnergySolutions, which provides treatment and disposal at its Clive, Utah disposal facility and presents the largest challenge in the market. At present, EnergySolutions' Clive, Utah facility is one of the few radioactive disposal sites in the country in which our Nuclear Segment can dispose of its nuclear waste. If EnergySolutions should refuse to accept our waste or cease operations at its Clive, Utah facility, such would have a material adverse effect on us. Our Nuclear Segment solicits business on a nationwide basis.

The permitting and licensing requirements, and the cost to obtain such permits, are barriers to the entry of hazardous waste TSD facilities and radioactive and mixed waste activities as presently operated by our subsidiaries. We believe that there are no formidable barriers to entry into certain of the on-site treatment businesses, and certain of the non-hazardous waste operations, which do not require such permits. If the permit requirements for hazardous waste storage, treatment, and disposal activities and/or the licensing requirements for the handling of low level radioactive matters are eliminated or if such licenses or permits were made less rigorous to obtain, such would allow companies to enter into these markets and provide greater competition.

Environmental engineering and consulting services provided by us through SYA involve competition with larger engineering and consulting firms. We believe that we are able to compete with these firms based on our established reputation in these market areas and our expertise in several specific elements of environmental engineering and consulting such as environmental applications in the cement industry.

Capital Spending, Certain Environmental Expenditures and Potential Environmental Liabilities

Capital Spending

During 2007, our purchases of capital equipment totaled approximately $3,988,000 of which $2,982,000 and $1,006,000 was for our continuing and discontinued operations, respectively. Of the total capital spending, $258,000 and $356,000 was financed for our continuing and discontinued operations, respectively, resulting in total net purchases of $3,374,000 funded out of cash flow. These expenditures were for expansion and improvements to the operations principally within the Nuclear and Industrial Segments. These capital expenditures were funded by the cash provided by operations. We have budgeted approximately $3.1 million for 2008 capital expenditures for our operating segments to expand our operations into new markets, reduce the cost of waste processing and handling, expand the range of wastes that can be accepted for treatment and processing, and to maintain permit compliance requirements. Certain of these budgeted projects are discretionary and may either be delayed until later in the year or deferred altogether. We have traditionally incurred actual capital spending totals for a given year less than the initial budget amount. The initiation and timing of projects are also determined by financing alternatives or funds available for such capital projects.

Environmental Liabilities

We have various remediation projects, which are currently in progress at certain of our permitted facilities. These remediation projects principally entail the removal/remediation of contaminated soil and, in some cases, the remediation of surrounding ground water.

In June 1994, we acquired PFD. PFD is part of our Industrial Segment, which we have classified as discontinued operation. The former owners of PFD had merged Environmental Processing Services, Inc. (“EPS”) with PFD. The party that sold PFD to us agreed to indemnify us for costs associated with remediating the property leased by EPS (“Leased Property”). Such remediation involves soil and/or groundwater restoration. The Leased Property used by EPS to operate its facility is separate and apart from the property on which PFD's facility is located. The contamination of the Leased Property occurred prior to PFD being acquired by us. During 1995, in conjunction with the bankruptcy filing by the selling party, we recognized an environmental liability of approximately $1.2 million for remedial activities at the Leased Property. We have accrued approximately $702,000, at December 31, 2007, for the estimated, remaining costs of remediating the Leased Property used by EPS, which will extend over the next five years. This liability was retained by the Company upon the sale of PFD in March 2008. See “Business-Company Overview and Principal Products and Services” for a discussion of certain obligations that the buyer of PFD assumed when we sold substantially all of the assets of PFD.

In conjunction with the acquisition of Perma-Fix of Memphis, Inc. (“PFM”), we assumed and recorded certain liabilities to remediate gasoline contaminated groundwater and investigate, under the hazardous and solid waste amendments, potential areas of soil contamination on PFM's property. Prior to our ownership of PFM, the owners installed monitoring and treatment equipment to restore the groundwater to acceptable standards in accordance with federal, state and local authorities. We have accrued approximately $476,000 at December 31, 2007, for the estimated, remaining costs of remediating the groundwater contamination, which will extend over the next five years. This environmental liability is included in our continuing operations and will remain the financial obligation of the Company.

In conjunction with the acquisition of PFSG, a subsidiary within our Industrial Segment that has been classified as a discontinued operation, we initially recognized an environmental accrual of $2.2 million for estimated long-term costs to remove contaminated soil and to undergo ground water remediation activities at the acquired facility in Valdosta, Georgia. Initial valuation has been completed, along with the selection of the remedial process, and the planning and approval process. The remedial activities began in 2003. We have accrued approximately $704,000, at December 31, 2007, to complete remediation of the facility, which we anticipate spending over the next six years. If we complete the sale of PFSG facility, we anticipate that the buyer will assume our obligation to remediate the facility.

In conjunction with an oil spill at PFTS, a subsidiary within our Industrial Segment that has been classified as a discontinued operation, we accrued approximately $69,000 to remediate the contaminated soil and ground water at this location. As of December 31, 2007, we have accrued approximately $37,000, for the estimated remaining cost to remediate the area. We expect to complete spending on this remedial project over the next five years.

In conjunction with the acquisition of PFMD in March 2004, we accrued for long-term environmental liabilities of $391,000 as a best estimate of the cost to remediate the hazardous and/or non-hazardous contamination on certain properties owned by PFMD. As previously discussed, we sold substantially all of the assets of the Maryland facility during the first part of 2008. In connection with this sale, the buyer agreed to assume all obligations and liabilities for environmental conditions at the Maryland facility except for fines, assessments, or judgments to governmental authorities prior to the closing of the transaction or third party tort claims existing prior to the closing of the sale.

As a result of the discontinued operations at the PFMI facility, a non-operational facility which is also part of our discontinued operations, we were required to complete certain closure and remediation activities pursuant to our RCRA permit, which were completed in January 2006. In September 2006, PFMI signed a Corrective Action Consent Order with the State of Michigan, requiring performance of studies and development and execution of plans related to the potential clean-up of soils in portions of the property. The level and cost of the clean-up and remediation are determined by state mandated requirements. Upon discontinuation of operations in 2004, we engaged our engineering firm, SYA, to perform an analysis and related estimate of the cost to complete the RCRA portion of the closure/clean-up costs and the potential long-term remediation costs. Based upon this analysis, we estimated the cost of this environmental closure and remediation liability to be $2,464,000. During 2006, based on state-mandated criteria, we re-evaluated our required activities to close and remediate the facility, and during the quarter ended June 30, 2006, we began implementing the modified methodology to remediate the facility. As a result of the reevaluation and the change in methodology, we reduced the accrual by $1,182,000. We have spent approximately $710,000 for closure costs since September 30, 2004, of which $81,000 has been spent during 2007 and $74,000 was spent in 2006. In the 4th quarter of 2007, we reduced our reserve by $9,000 as a result of our reassessment of the cost of remediation. We have $563,000 accrued for the closure, as of December 31, 2007, and we anticipate spending $401,000 in 2008 with the remainder over the next five years. Based on the current status of the Corrective Action, we believe that the remaining reserve is adequate to cover the liability.

No insurance or third party recovery was taken into account in determining our cost estimates or reserves, nor do our cost estimates or reserves reflect any discount for present value purposes.

The nature of our business exposes us to significant risk of liability for damages. Such potential liability could involve, for example, claims for cleanup costs, personal injury or damage to the environment in cases where we are held responsible for the release of hazardous materials; claims of employees, customers or third parties for personal injury or property damage occurring in the course of our operations; and claims alleging negligence or professional errors or omissions in the planning or performance of our services. In addition, we could be deemed a responsible party for the costs of required cleanup of any property, which may be contaminated by hazardous substances generated or transported by us to a site we selected, including properties owned or leased by us (see "Legal Proceedings" in Part I, Item 3). We could also be subject to fines and civil penalties in connection with violations of regulatory requirements.

Research and Development

Innovation and technical know-how by our operations is very important to the success of our business. Our goal is to discover, develop and bring to market innovative ways to process waste that address unmet environmental needs. We conduct research internally, and also through collaborations with other third parties. The majority of our research activities are performed as we receive new and unique waste to treat; as such, we recognize these expenses as a part of our processing costs. We feel that our investments in research have been rewarded by the discovery of the Perma-Fix Process and the Perma-Fix II process. Our competitors also devote resources to research and development and many such competitors have greater resources at their disposal than we do. We have estimated that during 2005, 2006, and 2007, we spent approximately $489,000, $422,000, and $715,000 respectively, in Company-sponsored research and development activities.

Number of Employees

In our service-driven business, our employees are vital to our success. We believe we have good relationships with our employees. As of December 31, 2007, we employed approximately 522 full time persons, of which approximately 16 were assigned to our corporate office, approximately 23 were assigned to our Operations Headquarters, approximately 23 to our Engineering Segment, approximately 286 to the Nuclear Segment, and approximately 174 to the Industrial Segment. We have no union employees at any of our segments.

Governmental Regulation

Environmental companies and their customers are subject to extensive and evolving environmental laws and regulations by a number of national, state and local environmental, safety and health agencies, the principal of which being the EPA. These laws and regulations largely contribute to the demand for our services. Although our customers remain responsible by law for their environmental problems, we must also comply with the requirements of those laws applicable to our services. We cannot predict the extent to which our operations may be affected by future enforcement policies as applied to existing laws or by the enactment of new environmental laws and regulations. Moreover, any predictions regarding possible liability are further complicated by the fact that under current environmental laws we could be jointly and severally liable for certain activities of third parties over whom we have little or no control. Although we believe that we are currently in substantial compliance with applicable laws and regulations, we could be subject to fines, penalties or other liabilities or could be adversely affected by existing or subsequently enacted laws or regulations. The principal environmental laws affecting our customers and us are briefly discussed below.

The Resource Conservation and Recovery Act of 1976, as amended ("RCRA")

RCRA and its associated regulations establish a strict and comprehensive permitting and regulatory program applicable to hazardous waste. The EPA has promulgated regulations under RCRA for new and existing treatment, storage and disposal facilities including incinerators, storage and treatment tanks, storage containers, storage and treatment surface impoundments, waste piles and landfills. Every facility that treats, stores or disposes of hazardous waste must obtain a RCRA permit or must obtain interim status from the EPA, or a state agency, which has been authorized by the EPA to administer its program, and must comply with certain operating, financial responsibility and closure requirements

The Safe Drinking Water Act, as amended (the "SDW Act")

SDW Act regulates, among other items, the underground injection of liquid wastes in order to protect usable groundwater from contamination. The SDW Act established the Underground Injection Control Program ("UIC Program") that provides for the classification of injection wells into five classes. Class I wells are those which inject industrial, municipal, nuclear and hazardous wastes below all underground sources of drinking water in an area. Class I wells are divided into non-hazardous and hazardous categories with more stringent regulations imposed on Class I wells which inject hazardous wastes. PFTS' permit to operate its underground injection disposal wells is limited to non-hazardous wastewaters.

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

Health and Safety Regulations
The operation of our environmental activities is subject to the requirements of the Occupational Safety and Health Act ("OSHA") and comparable state laws. Regulations promulgated under OSHA by the Department of Labor require employers of persons in the transportation and environmental industries, including independent contractors, to implement hazard communications, work practices and personnel protection programs in order to protect employees from equipment safety hazards and exposure to hazardous chemicals.

Atomic Energy Act
The Atomic Energy Act of 1954 governs the safe handling and use of Source, Special Nuclear and Byproduct materials in the U.S. and its territories. This act authorized the Atomic Energy Commission (now the Nuclear Regulatory Commission "USNRC") to enter into "Agreements with States to carry out those regulatory functions in those respective states except for Nuclear Power Plants and federal facilities like the VA hospitals and the DOE operations." The State of Florida (with the USNRC oversight), Office of Radiation Control, regulates the radiological program of the PFF facility, and the State of Tennessee (with the USNRC oversight), Tennessee Department of Radiological Health, regulates the radiological program of the DSSI and M&EC facilities. The State of Washington (with the USNRC oversight) Department of Ecology, regulates the radiological operations of the Perma-Fix Northwest Richland, Inc. facility.

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

Insurance
We believe we maintain insurance coverage adequate for our needs and similar to, or greater than, the coverage maintained by other companies of our size in the industry. There can be no assurances, however, that liabilities, which we may incur will be covered by our insurance or that the dollar amount of such liabilities, which are covered will not exceed our policy limits. Under our insurance contracts, we usually accept self-insured retentions, which we believe is appropriate for our specific business risks. We are required by EPA regulations to carry environmental impairment liability insurance providing coverage for

damages on a claims-made basis in amounts of at least $1 million per occurrence and $2 million per year in the aggregate. To meet the requirements of customers, we have exceeded these coverage amounts.

In June 2003, we entered into a 25-year finite risk insurance policy, which provides financial assurance to the applicable states for our permitted facilities in the event of unforeseen closure. Prior to obtaining, and at all times while operating under our permits, we are required to provide financial assurance that guarantees to the states that, in the event of closure, our permitted facilities will be closed in accordance with the regulations. The policy provides a maximum $35 million of financial assurance coverage, and thus far has provided $30.1 million in financial assurance.

In August 2007, we entered into a second finite risk insurance policy for our Perma-Fix Northwest Richland, Inc. facility, which was acquired on June 13, 2007. The policy provides an initial $7.8 million of financial assurance coverage with annual growth rate of 1.5%, which at the end of the four year term policy, will provide maximum coverage of $8.2 million. The policy will renew automatically on an annual basis at the end of the four year term and will not be subject to any renewal fees.

ITEM 1A. RISK FACTORS

The following are certain risk factors that could affect our business, financial performance, and results of operations. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this Form 10-K, as the forward-looking statements are based on current expectations, and actual results and conditions could differ materially from the current expectations. Investing in our securities involves a high degree of risk, and before making an investment decision, you should carefully consider these risk factors as well as other information we include or incorporate by reference in the other reports we file with the Securities and Exchange Commission ("SEC").

Risk Factors Regarding Our Business:

Our Industrial Segment (discontinued operations) has sustained losses for the past eight years, including 2007.
Our Industrial Segment has sustained losses in each year since 2000. On May 18, 2007, our Board of Directors authorized management to sell all, or a part of, our Industrial Segment. During the first quarter of 2008, we completed the sale of PFMD and sale of PFD and are negotiating the sale of PFSG within our Industrial Segment. We are also attempting to sell the remaining operations within the Industrial Segment. If we fail to divest the majority of our remaining facilities within our Industrial Segment and the majority of our Industrial Segment facilities fails to become profitable on an annualized basis in the foreseeable future, this could have a material adverse effect on our results of operations, liquidity and our potential growth.

The inability to maintain existing government contracts or win new government contracts over an extended period could have a material adverse effect on our operations and adversely affect our future revenues.
A material amount of our Nuclear Segment's revenues are generated through various U.S. government contracts or subcontracts involving the U.S. government. Our revenues from government sources were approximately $30,000,000 and $33,226,000, representing 55.5% and 63.0%, respectively, of our consolidated operating revenues from continuing operations for 2007 and 2006. Most of our government contracts or our subcontracts granted under government contracts are awarded through a regulated competitive bidding process. Some government contracts are awarded to multiple competitors, which increase overall competition and pricing pressure and may require us to make sustained post-award efforts to realize revenues under these government contracts. In addition, government clients can generally terminate or modify their contracts at their convenience. If we fail to maintain or replace these relationships, our revenues and future operations could be adversely affected.

If we cannot maintain our governmental permits or cannot obtain required permits, we may not be able to continue or expand our operations.
We are a waste management company. Our business is subject to extensive, evolving, and increasingly stringent federal, state, and local environmental laws and regulations. Such federal, state, and local environmental laws and regulations govern our activities regarding the treatment, storage, recycling, disposal, and transportation of hazardous and non-hazardous waste and low-level radioactive waste. We must obtain and maintain permits or licenses to conduct these activities in compliance with such laws and regulations. Failure to obtain and maintain the required permits or licenses would have a material adverse effect on our operations and financial condition. If any of our facilities are unable to maintain currently held permits or licenses or obtain any additional permits or licenses which may be required to conduct its operations, we may not be able to continue those operations at these facilities, which could have a material adverse effect on us.

Loss of certain key personnel could have a material adverse effect on us.
Our success depends on the contributions of our key management, environmental and engineering personnel, especially Dr. Louis F. Centofanti, Chairman, President, and Chief Executive Officer. The loss of Dr. Centofanti could have a material adverse effect on our operations, revenues, prospects, and our ability to raise additional funds. Our future success depends on our ability to retain and expand our staff of qualified personnel, including environmental specialists and technicians, sales personnel, and engineers. Without qualified personnel, we may incur delays in rendering our services or be unable to render certain services. We cannot be certain that we will be successful in our efforts to attract and retain qualified personnel as their availability is limited due to the demand for hazardous waste management services and the highly competitive nature of the hazardous waste management industry. We do not maintain key person insurance on any of our employees, officers, or directors.

We believe our proprietary technology is important to us.
We believe that it is important that we maintain our proprietary technologies. There can be no assurance that the steps taken by us to protect our proprietary technologies will be adequate to prevent misappropriation of these technologies by third parties. Misappropriation of our proprietary technology could have an adverse effect on our operations and financial condition. Changes to current environmental laws and regulations also could limit the use of our proprietary technology.

Changes in environmental regulations and enforcement policies could subject us to additional liability and adversely affect our ability to continue certain operations.
We cannot predict the extent to which our operations may be affected by future governmental enforcement policies as applied to existing laws, by changes to current environmental laws and regulations, or by the enactment of new environmental laws and regulations. Any predictions regarding possible liability under such laws are complicated further by current environmental laws which provide that we could be liable, jointly and severally, for certain activities of third parties over whom we have limited or no control.

The refusal to accept our waste for disposal by, or a closure of, the end disposal site that our Nuclear Segment utilizes to dispose of its waste could subject us to significant risk and limit our operations.
Our Nuclear Segment has limited options available for disposal of its waste. If this disposal site ceases to accept waste or closes for any reason or refuses to accept the waste of our Nuclear Segment, for any reason, we could have nowhere to dispose of our Nuclear waste or have significantly increased costs from disposal alternatives. With nowhere to dispose of our nuclear waste, we would be subject to significant risk from the implications of storing the waste on our site, and we would have to limit our operations to accept only waste that we can dispose of.

Our Nuclear Segment and Industrial Segment (discontinued operations) subject us to substantial potential environmental liability.
Our business of rendering services in connection with management of waste, including certain types of hazardous waste, low-level radioactive waste, and mixed waste (waste containing both hazardous and low-

level radioactive waste), subjects us to risks of liability for damages. Such liability could involve, without limitation:

- claims for clean-up costs, personal injury or damage to the environment in cases in which we are held responsible for the release of hazardous or radioactive materials;
- claims of employees, customers, or third parties for personal injury or property damage occurring in the course of our operations; and
- claims alleging negligence or professional errors or omissions in the planning or performance of our services.

Our operations are subject to numerous environmental laws and regulations. We have in the past, and could in the future, be subject to substantial fines, penalties, and sanctions for violations of environmental laws and substantial expenditures as a responsible party for the cost of remediating any property which may be contaminated by hazardous substances generated by us and disposed at such property, or transported by us to a site selected by us, including properties we own or lease.

As our operations expand, we may be subject to increased litigation, which could have a negative impact on our future financial results.
Our operations are highly regulated and we are subject to numerous laws and regulations regarding procedures for waste treatment, storage, recycling, transportation, and disposal activities, all of which may provide the basis for litigation against us. In recent years, the waste treatment industry has experienced a significant increase in so-called "toxic-tort" litigation as those injured by contamination seek to recover for personal injuries or property damage. We believe that, as our operations and activities expand, there will be a similar increase in the potential for litigation alleging that we have violated environmental laws or regulations or are responsible for contamination or pollution caused by our normal operations, negligence or other misconduct, or for accidents, which occur in the course of our business activities. Such litigation, if significant and not adequately insured against, could adversely affect our financial condition and our ability to fund our operations. Protracted litigation would likely cause us to spend significant amounts of our time, effort, and money. This could prevent our management from focusing on our operations and expansion.

If we cannot maintain adequate insurance coverage, we will be unable to continue certain operations.
Our business exposes us to various risks, including claims for causing damage to property and injuries to persons that may involve allegations of negligence or professional errors or omissions in the performance of our services. Such claims could be substantial. We believe that our insurance coverage is presently adequate and similar to, or greater than, the coverage maintained by other companies in the industry of our size. If we are unable to obtain adequate or required insurance coverage in the future, or if our insurance is not available at affordable rates, we would violate our permit conditions and other requirements of the environmental laws, rules, and regulations under which we operate. Such violations would render us unable to continue certain of our operations. These events would have a material adverse effect on our financial condition.

Breach of financial covenants in existing credit facility could result in a default, triggering repayment of outstanding debt under the credit facility.
Our credit facility with our bank contains financial covenants. A breach of any of these covenants could result in a default under our credit facility triggering our lender to immediately require the repayment of all outstanding debt under our credit facility and terminate all commitments to extend further credit. In the past, none of our covenants have been restrictive to our operations; however, in 2007, our fixed charge coverage ratio fell below the minimum requirement pursuant to the covenant. We have obtained a waiver from our lender for this non-compliance as of December 31, 2007. We do not expect to be in compliance with the fixed charge coverage ratio as of the end of the first and second quarters of 2008 and, as a result, we were required under generally accepted accounting principles to reclassify the long term portion of this debt to current. Furthermore, we have a cross default provision on our 8.625% promissory note with a separate bank and have reclassified the long term portion of that debt to current as well. If we are unable to

meet the fixed charge coverage ratio, we believe that our lender will waive this non-compliance or will revise this covenant so that we are in compliance, but there is no assurance that we will be able to secure a waiver or revision from our lender. If we fail to meet our fixed charge coverage ratio in the future and our lender does not waive the non-compliance or revise this covenant so that we are in compliance, our lender could accelerate the repayment of borrowings under our credit facility. In the event that our lender accelerates the payment of our borrowing, we may not have sufficient liquidity to repay our debt under our credit facility and other indebtedness. In addition to the waiver that we have obtained from our lender for our non-compliance of our fixed charge coverage ratio as of December 31, 2007, our lender has amended our present covenant to exclude certain allowable charges in determining our minimum fixed charge coverage ratio. This amendment may improve our ability to maintain compliance of the fixed charge coverage ratio in the future.

Due to our inability to demonstrate that we will comply with the fixed charge coverage ratio in our loan agreement as of the end of the first and second quarters of 2008, resulting in the long-term portion of our indebtedness to certain of our lenders of approximately $11.4 million being reclassified to current, our working capital deficit of approximately $17.2 million and certain of our lenders' ability to accelerate our indebtedness under our credit facilities, there is substantial doubt as to our ability to continue as a going concern. Consequently, our independent registered public accounting firm has included an explanatory paragraph addressing this uncertainty in their report. Although we believe our lender will waive our failure or potential failure to meet this financial covenant or revise the covenant so that we are in compliance, as of the date of this report our lender has not issued this waiver or revision. There are no assurances that our lender will waive or revise this covenant.

Failure of our Nuclear Segment to be profitable could have a material adverse effect.
Our Nuclear Segment has historically been profitable. With the divestiture and impending divestiture of certain facilities within our Industrial Segment and the acquisition of our PFNWR facility in June 2007, the Nuclear Segment represents the Company's largest revenue segment. The Company's main objectives are to increase focus on the efficient operation of our existing facilities within our Nuclear Segment and to further evaluate strategic acquisitions within the Nuclear Segment. If our Nuclear Segment fails to continue to be profitable in the future, this could have a material adverse effect on the Company's results of operations, liquidity and our potential growth.

Our operations are subject to seasonal factors, which cause our revenues to fluctuate.
We have historically experienced reduced revenues and losses during the first and fourth quarters of our fiscal years due to a seasonal slowdown in operations from poor weather conditions, overall reduced activities during these periods resulting from holiday periods, and finalization of government budgets during the fourth quarter of each year. During our second and third fiscal quarters there has historically been an increase in revenues and operating profits. If we do not continue to have increased revenues and profitability during the second and third fiscal quarters, this will have a material adverse effect on our results of operations and liquidity.

If environmental regulation or enforcement is relaxed, the demand for our services will decrease.
The demand for our services is substantially dependent upon the public's concern with, and the continuation and proliferation of, the laws and regulations governing the treatment, storage, recycling, and disposal of hazardous, non-hazardous, and low-level radioactive waste. A decrease in the level of public concern, the repeal or modification of these laws, or any significant relaxation of regulations relating to the treatment, storage, recycling, and disposal of hazardous waste and low-level radioactive waste would significantly reduce the demand for our services and could have a material adverse effect on our operations and financial condition. We are not aware of any current federal or state government or agency efforts in which a moratorium or limitation has been, or will be, placed upon the creation of new hazardous or radioactive waste regulations that would have a material adverse effect on us; however, no assurance can be made that such a moratorium or limitation will not be implemented in the future.

Our amount of debt and floating rates of interest could adversely affect our operations.
At December 31, 2007, our aggregate consolidated debt was approximately $18.8 million. If our floating rates of interest experienced an upward increase of 1%, our debt service would increase by approximately $189,000 annually. Our secured revolving credit facility (the "Credit Facility") provides for an aggregate commitment of $25 million, consisting of an $18 million revolving line of credit and a term loan of $7 million. The maximum we can borrow under the revolving part of the Credit Facility is based on a percentage of the amount of our eligible receivables outstanding at any one time. The Credit Facility is due September 30, 2009. As of December 31, 2007, we have borrowings under the revolving part of our Credit Facility of $6.9 million and borrowing availability of up to an additional $5.7 million based on our outstanding eligible receivables. A forecast of our first quarter and second quarter 2008 results indicates the possibility that we could be in default of our fixed charge coverage ratio covenant. We expect that this will place us in "technical default" of our covenant and thus our debt under our credit facility has been classified as current. If we become in default under this covenant, our lenders could accelerate approximately $14.4 million of indebtness. See "Risk Factor - Breach of financial covenants in existing credit facility could result in a default, triggering repayment of outstanding debt under the credit facility." A lack of operating results could have material adverse consequences on our ability to operate our business. Our ability to make principal and interest payments, or to refinance indebtedness, will depend on both our and our subsidiaries' future operating performance and cash flow. Prevailing economic conditions, interest rate levels, and financial, competitive, business, and other factors affect us. Many of these factors are beyond our control.

We may be unable to utilize loss carryforwards in the future.
We have approximately $22.7 million in net operating loss carryforwards which will expire from 2008 to 2024 if not used against future federal income tax liabilities. Our net loss carryforwards are subject to various limitations. We anticipate the net loss carryforwards will be used to reduce the federal income tax payments which we would otherwise be required to make with respect to income, if any, generated in future years.

We and our customers operate in a politically sensitive environment, and the public perception of nuclear power and radioactive materials can affect our customers and us.
We and our customers operate in a politically sensitive environment. Opposition by third parties to particular projects can limit the handling and disposal of radioactive materials. Adverse public reaction to developments in the disposal of radioactive materials, including any high profile incident involving the discharge of radioactive materials, could directly affect our customers and indirectly affect our business. Adverse public reaction also could lead to increased regulation or outright prohibition, limitations on the activities of our customers, more onerous operating requirements or other conditions that could have a material adverse impact on our customers' and our business.

We may not be successful in winning new business mandates from our government and commercial customers.
We must be successful in winning mandates from our government and commercial customers to replace revenues from projects that are nearing completion and to increase our revenues. Our business and operating results can be adversely affected by the size and timing of a single material contract.

The elimination or any modification of the Price-Anderson Acts indemnification authority could have adverse consequences for our business.
The Atomic Energy Act of 1954, as amended, or the AEA, comprehensively regulates the manufacture, use, and storage of radioactive materials. The Price-Anderson Act supports the nuclear services industry by offering broad indemnification to DOE contractors for liabilities arising out of nuclear incidents at DOE nuclear facilities. That indemnification protects DOE prime contractor, but also similar companies that work under contract or subcontract for a DOE prime contract or transporting radioactive material to or from a site. The indemnification authority of the DOE under the Price-Anderson Act was extended through 2025 by the Energy Policy Act of 2005.

The Price-Anderson Act's indemnification provisions generally do not apply to our processing of radioactive waste at governmental facilities, and do not apply to liabilities that we might incur while performing services as a contractor for the DOE and the nuclear energy industry. If an incident or evacuation is not covered under Price-Anderson Act indemnification, we could be held liable for damages, regardless of fault, which could have an adverse effect on our results of operations and financial condition. If such indemnification authority is not applicable in the future, our business could be adversely affected if the owners and operators of new facilities fail to retain our services in the absence of commercial adequate insurance and indemnification.

Our existing and future customers may reduce or halt their spending on nuclear services from outside vendors, including us.
A variety of factors may cause our existing or future customers to reduce or halt their spending on nuclear services from outside vendors, including us. These factors include, but are not limited to:

- accidents, terrorism, natural disasters or other incidents occurring at nuclear facilities or involving shipments of nuclear materials;
- failure of the federal government to approve necessary budgets, or to reduce the amount of the budget necessary, to fund remediation of DOE and DOD sites;
- civic opposition to or changes in government policies regarding nuclear operations; or
- a reduction in demand for nuclear generating capacity.

These events also could adversely affect us to the extent that they result in the reduction or elimination of contractual requirements, lower demand for nuclear services, burdensome regulation, disruptions of shipments or production, increased operational costs or difficulties or increased liability for actual or threatened property damage or personal injury.

Economic downturns and reductions in government funding could have a negative impact on our businesses.
Demand for our services has been, and we expect that demand will continue to be, subject to significant fluctuations due to a variety of factors beyond our control, including economic conditions, inability of the federal government to adopt its budget or reductions in the budget for spending to remediate federal sites. During economic downturns, the ability of private and government entities to spend on nuclear services may decline significantly. We cannot be certain that economic or political conditions will be generally favorable or that there will not be significant fluctuations adversely affecting our industry as a whole. In addition, our operations depend, in part, upon government funding, particularly funding levels at the DOE. Significant changes in the level of government funding (for example, the annual budget of the DOE) or specifically mandated levels for different programs that are important to our business could have an unfavorable impact on our business, financial position, results of operations and cash flows.

The loss of one or a few customers could have an adverse effect on us.
One or a few governmental customers have in the past, and may in the future, account for a significant portion of our revenue in any one year or over a period of several consecutive years. Because customers generally contract with us for specific projects, we may lose these significant customers from year to year as their projects with us are completed. Our inability to replace the business with other projects could have an adverse effect on our business and results of operations.

As a government contractor, we are subject to extensive government regulation, and our failure to comply with applicable regulations could subject us to penalties that may restrict our ability to conduct our business.
Our government contracts, which are primarily with the DOE, are a significant part of our business. Allowable costs under U.S. government contracts are subject to audit by the U.S. government. If these audits result in determinations that costs claimed as reimbursable are not allowed costs or were not allocated

in accordance with applicable regulations, we could be required to reimburse the U.S. government for amounts previously received.

Government contracts are often subject to specific procurement regulations, contract provisions and a variety of other requirements relating to the formation, administration, performance and accounting of these contracts. Many of these contracts include express or implied certifications of compliance with applicable regulations and contractual provisions. If we fail to comply with any regulations, requirements or statutes, our existing government contracts could be terminated or we could be suspended from government contracting or subcontracting. If one or more of our government contracts are terminated for any reason, or if we are suspended or debarred from government work, we could suffer a significant reduction in expected revenues and profits. Furthermore, as a result of our government contracting, claims for civil or criminal fraud may be brought by the government or violations of these regulations, requirements or statutes.

We are engaged in highly competitive businesses and typically must bid against other competitors to obtain major contracts.
We are engaged in highly competitive business in which most of our government contracts and some of our commercial contracts are awarded through competitive bidding processes. We compete with national and regional firms with nuclear services practices, as well as small or local contractors. Some of our competitors have greater financial and other resources than we do, which can give them a competitive advantage. In addition, even if we are qualified to work on a new government contract, we might not be awarded the contract because of existing government policies designed to protect certain types of businesses and underrepresented minority contractors. Competition also places downward pressure on our contract prices and profit margins. Intense competition is expected to continue for nuclear service contracts. If we are unable to meet these competitive challenges, we could lose market share and experience on overall reduction in our profits.

Our failure to maintain our safety record could have an adverse effect on our business.
Our safety record is critical to our reputation. In addition, many of our government and commercial customers require that we maintain certain specified safety record guidelines to be eligible to bid for contracts with these customers. Furthermore, contract terms may provide for automatic termination in the event that our safety record fails to adhere to agreed-upon guidelines during performance of the contract. As a result, our failure to maintain our safety record could have a material adverse effect on our business, financial condition and results of operations.

We have a material weakness in our Internal Controls over Financial Reporting (“ICFR”) as of December 31, 2007.
During our evaluation of our ICFR, we noted that the monitoring of pricing, invoicing, and the corresponding inventory for transportation and disposal process controls at certain facilities within the Company's Industrial Segment were ineffective and were not being applied consistently, which resulted in a material weakness to our ICFR, and could result in sales being priced and invoiced at amounts which were not approved by the customer, or the appropriate level of management, and inaccurate, corresponding transportation and disposal expense. This has resulted in our disclosure that our ICFR were ineffective as of December 31, 2007. Although this material weakness did not result in an adjustment to our quarterly or annual financial statements, if we are unable to remediate this material weakness, there is a reasonable possibility that a misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Delaware law, certain of our charter provisions, our stock option plans and outstanding warrants and our preferred stock may inhibit a change of control under circumstances that could give you an opportunity to realize a premium over prevailing market prices.
We are a Delaware corporation governed, in part, by the provisions of Section 203 of the General Corporation Law of Delaware, an anti-takeover law. In general, Section 203 prohibits a Delaware public corporation from engaging in a “business combination” with an “interested stockholder” for a period of

three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. As a result of Section 203, potential acquirers may be discouraged from attempting to effect acquisition transactions with us, thereby possibly depriving our security holders of certain opportunities to sell, or otherwise dispose of, such securities at above-market prices pursuant to such transactions. Further, certain of our option plans provide for the immediate acceleration of, and removal of restrictions from, options and other awards under such plans upon a "change of control" (as defined in the respective plans). Such provisions may also have the result of discouraging acquisition of us.

We have authorized and unissued 21,295,484 shares of Common Stock and 2,000,000 shares of Preferred Stock as of December 31, 2007. These unissued shares could be used by our management to make it more difficult, and thereby discourage, an attempt to acquire control of us.

Risk Factors Regarding our Common Stock:

The significant amount of outstanding options could affect our stock performance.
As of December 31, 2007, we had outstanding options to purchase 2,590,026 shares of Common Stock at exercise prices from $1.22 to $2.98 per share. The existence of this quantity of rights to purchase our Common Stock could result in a significant dilution in the percentage ownership interest of our stockholders and the dilution in ownership value. Future sales of the shares issuable could also depress the market price of our Common Stock.

The price of our Common Stock is volatile.
The trading price of our Common Stock has historically been volatile, and subject to large swings over short periods of time. As a result of the volatility of our Common Stock, an investment in our stock holds significant risk.

We do not intend to pay dividends on our Common Stock in the foreseeable future.
Since our inception, we have not paid cash dividends on our Common Stock, and we do not anticipate paying any cash dividends in the foreseeable future. Our credit facility prohibits us from paying cash dividends on our Common Stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Our principal executive office is in Atlanta, Georgia. Our Operations headquarters is located in Oak Ridge, Tennessee. Our Nuclear Segment facilities are located in Gainesville, Florida; Kingston, Tennessee; Oak Ridge, Tennessee, and our newly acquired facility in Richland, Washington. Our Consulting Engineering Services is located in Ellisville, Missouri. Our Industrial Segment facilities are located in Orlando and Ft. Lauderdale, Florida; Dayton, Ohio; Tulsa, Oklahoma; Valdosta, Georgia; and Baltimore, Maryland. Our Industrial Segment also has two non-operational facilities: Brownstown, Michigan, where we still maintain the property; and Pittsburgh, Pennsylvania, for which the leased property was released back to the owner in 2006 upon final remedation of the leased property. We also maintain Field Service offices in Stafford, Virginia; and Salisbury, Maryland.

We operate eleven facilities, five within our continuing operations with the remaining facilities within our discontinued operations. All of the facilities are in the United States. Five of our facilities are subject to mortgages as placed by our senior lender, with two (Kingston, Tennessee and Gainesville, Florida) within our continuing operations and three (Dayton, Ohio; Orlando, Florida; and Baltimore, Maryland) within our discontinued operations. On January 8, 2008, and March 14, 2008, we completed the sale of our Perma-Fix of Maryland, Inc. and Perma-Fix of Dayton, Inc. facilities, respectively, resulting in the release of the mortgages as placed by our senior lender for these facilities. As a result, four of our facilities now are subject to mortgages as placed by our senior lender. With the sale of our Perma-Fix Maryland, Inc., we no longer maintain Field Service offices.

We also lease properties for office space, all of which are located in the United States as described above. Included in our leased properties is M&EC's 150,000 square-foot facility, located on the grounds of the DOE East Tennessee Technology Park located in Oak Ridge, Tennessee.

We believe that the above facilities currently provide adequate capacity for our operations and that additional facilities are readily available in the regions in which we operate, which could support and supplement our existing facilities.

ITEM 3. LEGAL PROCEEDINGS

Perma-Fix of Dayton, Inc. ("PFD")
A subsidiary within our Industrial Segment, PFD was defending a lawsuit styled *Barbara Fisher v. Perma-Fix of Dayton, Inc.*, in the United States District Court, Southern District of Ohio (the "Fisher Lawsuit"). This citizen's suit was brought under the Clean Air Act alleging, among other things, violations by PFD of state and federal clean air statutes connected with the operation of PFD's facility located in Dayton, Ohio. As further previously disclosed, the U.S. Department of Justice, on behalf of the Environmental Protection Agency, intervened in the Fisher Lawsuit alleging, among other things, substantially similar violations alleged in the Fisher Lawsuit (the "Government's Lawsuit").

During December, 2007, PFD and the federal government entered into a Consent Decree formalizing settlement of the government's portion of the above described lawsuit, which Consent Decree was approved by the federal court during the first quarter of 2008. Pursuant to the Consent Decree, the settlement with the federal government resolved the government's claims against PFD and requires PFD to:

- pay a civil penalty of $360,000;
- complete three supplemental environmental projects costing not less than $562,000 to achieve air emission controls that go above and beyond those required by any current environmental regulations.
- implement a variety of state and federal air permit pollution control measures; and
- take a variety of voluntary steps to reduce the potential for emissions of air pollutants.

During December 2007, PFD and Plaintiff, Fisher, entered into a Settlement Agreement formalizing settlement of the Plaintiff's claims in the above lawsuit. The settlement with Plaintiff Fisher resolved the Plaintiff's claims against PFD and, subject to certain conditions set forth in the Settlement Agreement, requires PFD to pay a total of $1,325,000. Our insurer has agreed to contribute $662,500 toward the settlement cost of the citizen's suit portion of the litigation, which we received on March 13, 2008. Based on discussion with our insurer, our insurer will not pay any portion of the settlement with the federal government in the Government Lawsuit.

In connection with PFD's sale of substantially all of its assets during March, 2008, as discussed in "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", the buyer has agreed to assume certain of PFD's obligations under the Consent Decree and Settlement Agreement, including, without limitation, PFD's obligation to implement supplemental environmental projects costing not less than $562,000, implement a variety of state and federal air permit control measures and reduce the potential for emissions of air pollutants.

As previously reported, on April 12, 2007 our insurer agreed to reimburse PFD for reasonable defense costs of litigation incurred prior to our insurer's assumption of the defense, but this agreement to defend and indemnify PFD was subject to the our insurer's reservation of its rights to deny indemnity pursuant to various policy provisions and exclusions, including, without limitation, payment of any civil penalties and fines, as well as our insurer's right to recoup any defense cost it has advanced if our insurer later determines that its policy provides no coverage. When, our insurer withdrew its prior coverage denial and agreed to defend and indemnify PFD in the above described lawsuits, subject to certain reservation of rights, we had incurred more than $2.5 million in costs in vigorously defending against the Fisher and the Government Lawsuits. To date, our insurer has reimbursed PFD approximately $2.5 million for legal defense fees and disbursements, which we recorded as a recovery within our discontinued operations in the second quarter of 2007. Partial reimbursement from our insurer of $750,000 was received on July 11, 2007. A second reimbursement of approximately $1.75 million was received on August 17, 2007. Our insurer has advised us that they will reimburse us for approximately another $82,000 in legal fees and disbursements, which we recorded as a recovery within our discontinued operations in the 4th quarter 2007. This reimbursement is subject to our insurer's reservation of rights as noted above. On February 12, 2008, we received reimbursement of approximately $24,000 from our insurer. We anticipate receiving the remaining reimbursement by the end of the second quarter of 2008.

Perma-Fix of Orlando, Inc. ("PFO")
In 2007, PFO was named as a defendant in four cases related to a series of toxic tort cases, the "Brottem Litigation" that are pending in the Circuit Court of Seminole County, Florida. All of the cases involve allegations of toxic chemical exposure at a former telecommunications manufacturing facility located in Lake Mary, Florida, known generally as the "Rinehart Road Plant". PFO is presently a defendant, together with numerous other defendants, in the following four cases: *Brottem v. Siemens, et al.; Canada v. Siemens et al.; Bennett v. Siemens et al.* and the recently filed *Culbreath v. Siemens et al.* All of the cases seek unspecified money damages for alleged personal injuries or wrongful death. With the exception of PFO, the named defendants are all present or former owners of the subject property, including several prominent manufacturers that operated the Rinehart Road Plant. The allegations in all of the cases are essentially identical.

The basic allegations are that PFO provided "industrial waste management services" to the Defendants and that PFO negligently "failed to prevent" the discharge of toxic chemicals or negligently "failed to warn" the plaintiffs about the dangers presented by the improper handling and disposal of chemicals at the facility. The complaints make no attempt to specify the time and manner of the alleged exposures in connection with PFO's "industrial waste management services." PFO has moved to dismiss for failure to state a cause of action.

At this time, the cases involve a large number of claims involving personal injuries. At this very early stage, it is not possible to accurately assess PFO's potential liability. Our insurer has agreed to defend and indemnify us in these lawsuits, excluding our deductible of $250,000, subject to a reservation of rights to deny indemnity pursuant to various provisions and exclusions under our policy.

Perma-Fix of Dayton ("PFD"), Perma-Fix of Florida ("PFF"), Perma-Fix of Orlando ("PFO"), Perma-Fix of South Georgia ("PFSG"), and Perma-Fix of Memphis ("PFM")
In May 2007, the above facilities were named Partially Responsible Parties ("PRPs") at the Marine Shale Superfund site in St. Mary Parish, Louisiana ("Site"). Information provided by the EPA indicates that, from 1985 through 1996, the Perma-Fix facilities above were responsible for shipping 2.8% of the total waste volume received by Marine Shale. Subject to finalization of this estimate by the PRP group, PFF, PFO and PFD could be considered de-minimus at .06%, .07% and .28% respectively. PFSG and PFM would be major at 1.12% and 1.27% respectively. However, at this time the contributions of all facilities are consolidated.

As of the date of this report, Louisiana DEQ ("LDEQ") has collected approximately $8.4 million for the remediation of the site and is proceeding with the remediation of the site. The EPA's unofficial estimate to remediate the site is between $9 and $12 million; however, based on preliminary outside consulting work hired by the PRP group, which we are a party to, the remediation costs can be below EPA's estimation. As part of the PRP Group, we have paid an initial assessment of $10,000 in the fourth quarter of 2007, which was allocated among the facilities. As of the date of this report, we cannot accurately access our liability.

In addition to the above matters and in the normal course of conducting our business, we are involved in various other litigations. We are not a party to any litigation or governmental proceeding which our management believes could result in any judgments or fines against us that would have a material adverse affect on our financial position, liquidity or results of future operations.

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

None

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

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

NAME	AGE	POSITION
Dr. Louis F. Centofanti	64	Chairman of the Board, President and Chief Executive Officer
Mr. Steven T. Baughman	49	Chief Financial Officer, Vice President, and Secretary
Mr. Larry McNamara	58	Chief Operating Officer
Mr. Robert Schreiber, Jr.	57	President of SYA, Schreiber, Yonley & Associates, a subsidiary of the Company, and Principal Engineer

Dr. Louis F. Centofanti
Dr. Centofanti has served as Chairman of the Board since he joined the Company in February 1991. Dr. Centofanti also served as President and Chief Executive Officer of the Company from February 1991 until September 1995 and again in March 1996 was elected to serve as President and Chief Executive Officer of the Company. From 1985 until joining the Company, Dr. Centofanti served as Senior Vice President of USPCI, Inc., a large hazardous waste management company, where he was responsible for managing the treatment, reclamation and technical groups within USPCI. In 1981 he founded PPM, Inc., a hazardous waste management company specializing in the treatment of PCB contaminated oils, which was subsequently sold to USPCI. From 1978 to 1981, Dr. Centofanti served as Regional Administrator of the U.S. Department of Energy for the southeastern region of the United States. Dr. Centofanti has a Ph.D. and a M.S. in Chemistry from the University of Michigan, and a B.S. in Chemistry from Youngstown State University.

Mr. Steven T. Baughman
Mr. Baughman was appointed as Vice President and Chief Financial Officer of the Company by the Company’s Board of Directors in May 2006. Mr. Baughman was previously employed by Waste Management, Inc. from 1994 to 2005, serving in various capacities, including: Vice President Finance, Control and Analysis from 2001 to 2005, and Vice President, International Controller from 1999 to 2001. Mr. Baughman has BS degrees in Accounting and Finance from Miami University (Ohio), and is a Certified Public Accountant.

Mr. Larry McNamara
Mr. McNamara has served as Chief Operating Officer since October 2005. From October 2000 to October 2005, he served as President of the Nuclear Waste Management Services segment. From December 1998 to October 2000, he served as Vice President of the Company's Nuclear Waste Management Services Segment. Between 1997 and 1998, he served as Mixed Waste Program Manager for Waste Control Specialists (WCS) developing plans for the WCS mixed waste processing facilities, identifying markets and directing proposal activities. Between 1995 and 1996, Mr. McNamara was the single point of contact for the DOD to all state and federal regulators for issues related to disposal of Low Level Radioactive Waste and served on various National Committees and advisory groups. Mr. McNamara served, from 1992 to 1995, as Chief of the Department of Defense Low Level Radioactive Waste office. Between 1986 and

1992, he served as the Chief of Planning for the Department of Army overseeing project management and program policy for the Army program. Mr. McNamara has a B.S. from the University of Iowa.

Mr. Robert Schreiber, Jr.

Mr. Schreiber has served as President of SYA since the Company acquired the environmental engineering firm in 1992. Mr. Schreiber co-founded the predecessor of SYA, Lafser & Schreiber in 1985, and served in several executive roles in the firm until our acquisition of SYA. From 1978 to 1985, Mr. Schreiber served as Director of Air programs and all environmental programs for the Missouri Department of Natural Resources. Mr. Schreiber provides technical expertise in wide range of areas including the cement industry, environmental regulations and air pollution control. Mr. Schreiber has a B.S. in Chemical Engineering from the University of Missouri – Columbia.

Certain Relationships

There are no family relationships between any of our Directors or executive officers. Dr. Centofanti is the only Director who is our employee.

PART II

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

Our Common Stock, is traded on the NASDAQ Capital Markets ("NASDAQ") under the symbol "PESI" on NASDAQ. The following table sets forth the high and low market trade prices quoted for the Common Stock during the periods shown. The source of such quotations and information is the NASDAQ online trading history reports.

		2007		2006	
		Low	High	Low	High
Common Stock	1st Quarter	$ 2.07	$ 2.57	$ 1.31	$ 2.15
	2nd Quarter	2.13	3.25	1.70	2.20
	3rd Quarter	1.74	3.40	2.01	2.60
	4th Quarter	2.25	3.05	1.90	2.40

As of March 10, 2008, there were approximately 300 stockholders of record of our Common Stock, including brokerage firms and/or clearing houses holding shares of our Common Stock for their clientele (with each brokerage house and/or clearing house being considered as one holder). However, the total number of beneficial stockholders as of March 10, 2008, was approximately 3,472.

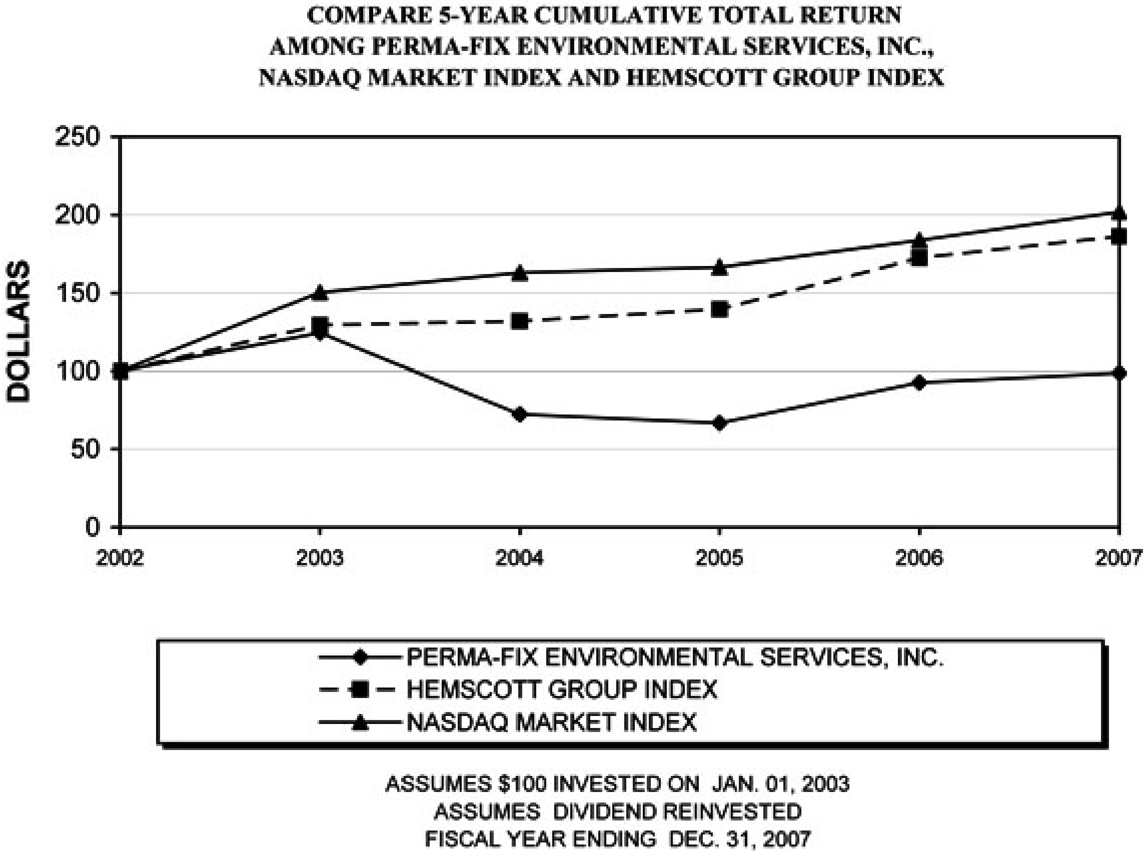
Since our inception, we have not paid any cash dividends on our Common Stock and have no dividend policy. Our loan agreement prohibits paying any cash dividends on our Common Stock without prior approval from the lender. We do not anticipate paying cash dividends on our outstanding Common Stock in the foreseeable future.

No sales of unregistered securities, other than the securities sold by us during 2007, as reported in our Forms 10-Q for the quarters ended March 31, 2007, June 30, 2007, September 30, 2007, and Form 8-K filed with the SEC on January 2, 2008, which were not registered under the Securities Act of 1933, as amended, were issued during 2007. There were no purchases made by us or on behalf of us or any of our affiliated members of shares of our Common Stock during the last quarter of 2007.

Common Stock Price Performance Graph

The following Common Stock price performance graph compares the yearly change in the Company's cumulative total stockholders' returns on the Common Stock during the years 2003 through 2007, with the cumulative total return of the NASDAQ Market Index and the published industry index prepared by Hemscott and known as Hemscott Industry Group 637-Waste Management Index ("Industry Index") assuming the investment of $100 on January 1, 2003.

The stockholder returns shown on the graph below are not necessarily indicative of future performance, and we will not make or endorse any predications as to future stockholder returns.



Assumes $100 invested in the Company on January 1, 2003, the Industry Index and the NASDAQ Market Index, and the reinvestment of dividends. The above five-year Cumulative Total Return Graph shall not be deemed to be "soliciting material" or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference by any general statement incorporating by reference this Form 10-K into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 (collectively, the "Acts"), except to the extent that the Company specifically incorporates this information by reference, and shall not be deemed to be soliciting material or to be filed under such Acts.

ITEM 6. SELECTED FINANCIAL DATA

The financial data included in this table has been derived from our audited consolidated financial statements, which have been audited by BDO Seidman, LLP. As a result of the Company's Industrial Segment meeting the held for sale criteria under Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", the Company's previously reported consolidated statement of operations data for the years noted below have been reclassified to present discontinued operations separately from continuing operations. Certain prior year amounts have been reclassified t o conform with current year presentations. Amounts are in thousands, except for per share amounts. The information set forth below should be read in conjunction with "Management's Discussion Analysis of Financial Condition and Results of Operations" and the consolidated financial statements of the Company and the notes thereto included elsewhere herein.

Statement of Operations Data:

	2007(1)(2)	2006(1)	2005	2004(3)	2003
Revenues	$ 54,102	$ 52,781	$ 50,098	$ 45,883	$ 40,641
Income from continuing operations	517	5,644	4,501	3,322	3,500
Loss from discontinued operations	(9,727)	(933)	(762)	(22,683)	(382)
Net (loss) income	(9,210)	4,711	3,739	(19,361)	3,118
Preferred stock dividends	—	—	(156)	(190)	(189)
Net (loss) income applicable to Common Stock	(9,210)	4,711	3,583	(19,551)	2,929
Income (loss) per common share - Basic					
Continuing operations	.01	.12	.10	.08	.09
Discontinued operations	(.19)	(.02)	(.02)	(.56)	(.01)
Net income (loss) per share	(.18)	.10	.08	(.48)	.08
Income (loss) per common share - Diluted					
Continuing operations	.01	.12	.10	.07	.08
Discontinued operations	(.18)	(.02)	(.02)	(.51)	(.01)
Net income (loss) per share	(.17)	.10	.08	(.44)	.07
Basic number of shares used in computing net income (loss) per share	52,549	48,157	42,605	40,478	34,982
Diluted number of shares and potential common shares used in computing net income (loss) per share	53,294	48,768	44,804	44,377	39,436

Balance Sheet Data:

	December 31,				
	2007	2006	2005	2004	2003
Working capital (deficit)	$ (5,751)	$ 12,810	$ 5,916	$ (497)	$ 4,159
Total assets	126,031	106,662	98,525	100,455	110,215
Current and long-term debt	18,836	8,329	13,375	18,956	29,088
Total liabilities	66,018	40,924	50,087	56,922	58,488
Preferred Stock of subsidiary	1,285	1,285	1,285	1,285	1,285
Stockholders' equity	58,728	64,453	47,153	42,248	50,442

(1) Includes recognized stock option expense of $457,000 and $338,000 for 2007 and 2006, respectively pursuant to the adoption of SFAS 123R which became effective January 1, 2006.

(2) Includes financial data of PFNWR acquired during 2007 and accounted for using the purchase method of accounting in which the results of operations are reported from the date of acquisition, June 13, 2007 (see "Note 5 – Acquisition" in "Notes to Consolidated Financial Statement" for accounting treatment).

(3) Includes financial data of PFMD and PFP acquired during 2004 and accounted for using the purchase method of accounting in which the results of operations are reported from the date of acquisition, March 23, 2004.

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

Certain statements contained within this "Management's Discussion and Analysis of Financial Condition and Results of Operations" 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"). See "Special Note regarding Forward-Looking Statements" contained in this report.

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

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

Overview

2007 has been a year of many changes for us starting with the decision of the Company to divest our Industrial Segment and the acquisition of Nuvotec USA, Inc. and its subsidiary, which we now call Perma-Fix Northwest Richland, Inc. ("PFNWR"), on June 13, 2007. Excluding the results of our discontinued operations, we reported revenue of $54,102,000 and income from continuing operations applicable to Common Stock of $517,000 for the year ended December 31, 2007. Excluding the revenue of our newly acquired PFNWR facility of $8,439,000, our Nuclear Segment revenue decreased $6,158,000 or 12.5% from 2006. The primary driver of this decrease was reduction in waste receipts from the federal government and brokers. The acquisition of our PFNWR facility positions the Nuclear Segment's future revenue stream well as the facility is located adjacent to the Hanford site, which represents one of the most expansive of DOE's nuclear weapons' facilities to remediate. Our Engineering Segment had revenues of $2,398,000, a decrease of $960,000 from 2006, representing a 28.6% decrease from the previous year. The decrease was due to lower billable hours as more resources were internalized to support the acquisition of the PFNWR facility and the divestiture of the Industrial Segment. The backlog of stored waste within the Nuclear Segment was reduced to $9,964,000, which excludes $4,683,000 in backlog from our PFNWR facility at December 31, 2007, down from $12,492,000 in 2006, reflecting our emphasis on improved processing and disposal.

In 2007, our balance sheet was heavily impacted by the acquisition of the PFNWR facility, as well as the reclassification of approximately $11,403,000 of debt owed to certain of our lenders from long term to current. Working capital at December 31, 2007 is a negative $17,154,000 as compared to positive $12,810,000 at December 31, 2006. As of December 31, 2007, our fixed charge coverage ratio contained in our PNC loan agreement fell below the minimum requirement. Although we have obtained a waiver from our lender for this non-compliance as of December 31, 2007, we do not expect to be in compliance with this fixed charge coverage ratio as of the end of the first and second quarters of 2008 and, as a result, we were required under generally accepted accounting principles to reclassify the long term portion of this debt to current due to this likelihood of future default. Furthermore, we have a cross default provision on our 8.625% promissory note with a separate bank and have reclassified the long term portion of that debt to current as well. These reclassifications negatively impacted our working capital. If we are unable to meet the fixed charge coverage ratio in the future, we believe that our lender will waive this non-compliance or will revise this covenant so that we are in compliance; however, there is no assurance that we will be able to secure a waiver or revision from our lender. If we fail to meet our fixed charge coverage ratio in the future and our lender does not waive the non-compliance or revise this covenant so that we are in compliance, our lenders could accelerate the repayment of borrowings under our credit facility. In the event that our lender accelerates the payment of our borrowings, we may not have sufficient liquidity to repay our debt under our credit facilities and other indebtedness. Our working capital was also negatively impacted by the pending sale of certain facilities within our Industrial Segment and certain debt obligations, in addition to the $11,403,000 mentioned above, which will become due in 2008 and were reclassify from long term to current. We anticipate restructuring certain debt in 2008 to improve our working capital position. Our working capital continues to be impacted by certain liabilities associated with our discontinued operations.

Due to our inability to demonstrate that we will comply with the fixed charge coverage ratio in our loan agreement as of the end of the first and second quarters of 2008, resulting in the long-term portion of our indebtedness to certain of our lenders of approximately $11,403,000 being reclassified to current, our working capital deficit of approximately $17,154,000 and certain of our lenders' ability to accelerate our indebtedness under our credit facilities, there is substantial doubt as to our ability to continue as a going concern. Consequently, our independent registered public accounting firm has included an explanatory paragraph addressing this uncertainty. Although we believe our lender will waive our failure or potential failure to meet this financial covenant or revise the covenant so that we are in compliance, as of the date of this report our lender has not issued this waiver or revision. There are no assurances that our lender will waive or revise this covenant.

Results of Operations

The reporting of financial results and pertinent discussions are tailored to two reportable segments: Nuclear Waste Management Services ("Nuclear") and Consulting Engineering Services ("Engineering").

Below are the results of continuing operations for our years ended December 31, 2007, 2006, and 2005 (amounts in thousands):

(Consolidated)	2007	%	2006	%	2005	%
Net Revenues	$ 54,102	100.0	$ 52,781	100.0	$ 50,098	100.0
Cost of goods sold	36,837	68.1	31,054	58.8	31,328	62.5
Gross Profit	17,265	31.9	21,727	41.2	18,770	37.5
Selling, general and administrative	15,406	28.5	14,320	27.1	12,136	24.3
Loss on disposal of property and equipment	71	.1	48	—	6	—
Income from operations	1,788	3.3	7,359	14.1	6,628	13.2
Interest income	312	.6	280	.5	126	.2
Interest expense	(1,302)	(2.4)	(1,241)	(2.4)	(1,502)	(3.0)
Interest expense – financing fees	(196)	(.4)	(192)	(.4)	(318)	(.6)
Other	(85)	(.1)	(55)	(.1)	(1)	—
Income from continuing operations before taxes	517	1.0	6,151	11.7	4,933	9.8
Income tax expense	—	—	507	1.0	432	.9
Income from continuing operations	517	1.0	5,644	10.7	4,501	8.9
Preferred Stock dividends	—	—	—	—	(156)	(.3)

Summary - Years Ended December 31, 2007 and 2006

Net Revenue

Consolidated revenues from continuing operations increased $1,321,000 for the year ended December 31, 2007, compared to the year ended December 31, 2006, as follows:

(In thousands)	2007	% Revenue	2006	% Revenue	Change	% Change
Nuclear						
Bechtel Jacobs	$ 1,812	3.3	$ 6,705	12.7	$ (4,893)	(73.0)
LATA/Parallax	8,784	16.2	10,341	19.6	(1,557)	(15.1)
Fluor Hanford	3,885(1)	7.2	1,229	2.3	2,656	216.1
Government waste	9,951	18.5	14,951	28.3	(5,000)	(33.4)
Hazardous/non-hazardous	5,068	9.4	3,343	6.3	1,725	51.6
Other nuclear waste	13,765	25.4	12,854	24.4	911	7.1
Recent acquisition 6/07 (PFNWR)	8,439(1)	15.6	—	—	8,439	100.0
Total	51,704	95.6	49,423	93.6	2,281	4.6
Engineering	2,398	4.4	3,358	6.4	(960)	(28.6)
Total	$ 54,102	100.0	$ 52,781	100.0	$ 1,321	2.5

(1) Revenue of $8,439,000 from PFNWR for 2007 includes approximately $5,568,000 relating to wastes generated by the federal government, either directly or indirectly as a subcontractor to the federal government. Of the $5,568,000 in revenue, approximately $3,100,000 was from Fluor Hanford, a contractor to the federal government. Revenue in 2007 from Fluor Hanford totaled approximately $6,985,000 or 12.9 % of total consolidated revenue.

The Nuclear Segment experienced a $2,281,000 increase in revenue for the year ended December 31, 2007 over the same period in 2006. Total revenue within the Nuclear Segment included $8,439,000 of revenue from our PFNWR facility, which was acquired on June 13, 2007. Excluding the revenue of our PFNWR facility, revenue from our Nuclear Segment decreased approximately $6,158,000 or 12.5% as compared to the same period of 2006. Revenue from government generators (which includes Bechtel Jacobs, LATA/Parallax and Fluor Hanford) decreased $8,794,000 (excluding government revenue of $5,568,000 from our PFNWR facility) or 26.5% due to overall lower government receipts. Due to varying waste constituencies, waste received and its related pricing can vary. 2007 saw a decline in average pricing of 21.6% while volume increased 7.9%. Although our receipts were down, the increase in volume was the result of the Company's continued effort to process and dispose more of its backlog. The backlog of stored waste within the Nuclear Segment was reduced to $9,964,000, excluding the backlog of our PFNWR facility of $4,683,000 at December 31, 2007, down from $12,492,000 in 2006, which reflects increases in processing and disposal for the year. Waste backlog will continue to fluctuate in 2008 depending on the complexity of waste streams and the timing of receipts and processing of materials. The high levels of backlog material continue to position the segment well for increases in future processing revenue prospective. The Bechtel Jacobs contract in Oak Ridge is continuing at reduced waste volumes due to the large legacy waste clean-up project completion in 2005. 2006 revenues of our Nuclear Segment include approximately $1.1 million recognized from Bechel Jacobs as a result of a settlement of a lawsuit in connection with a dispute over surcharges from waste treated in 2003. The decrease for LATA/Parallax is due to significant progress made by LATA/Parallax in completing legacy waste removal actions as part of their clean-up project at Portsmouth for the Department of Energy. Fluor Hanford revenue increased approximately $2,656,000 (excluding approximately $3,100,000 from PFNWR) or 216.1% due mainly to increased receipts at our DSSI facility. Hazardous and non-hazardous revenue increased approximately $1,725,000 or 51.6% as compared to the same period of 2006 due to a combination of increased volume of 19.6% and price increases of 26.7% in per drum equivalent of waste processed. Revenue from the Engineering Segment decreased $960,000 or 28.6% due to less billable hours and related reimbursable costs in part to a large event project in 2006 which did not repeat in 2007 and more hours spent supporting the divestiture of the Industrial Segment facilities that are for sale.

Cost of Goods Sold

Cost of goods sold increased $5,783,000 for the year ended December 31, 2007, as compared to the year ended December 31, 2006, as follows:

(In thousands)	2007	% Revenue	2006	% Revenue	Change
Nuclear	$ 30,261	69.9	$ 28,493	57.7	$ 1,768
Engineering	1,638	68.3	2,561	76.3	(923)
Acquisition (PFNWR)	4,938	58.5	—	—	4,938
Total	$ 36,837	68.1	$ 31,054	58.8	$ 5,783

Excluding the cost of goods sold of approximately $4,938,000 for the PFNWR facility, the Nuclear Segment's cost of goods sold for the year ending December 31, 2007 were up approximately $1,768,000. Processing and disposal costs increased due to increased volume as well as different mix of waste. In addition, costs related to the new "SouthBay" area at M&EC increased due to labor and analytical expenses. In 2007, M&EC completed its facility expansion ("SouthBay") to treat DOE special process wastes from the DOE Portsmouth Gaseous Diffusion Plant located in Piketon, Ohio under the subcontract awarded by LATA/Parallax Portsmouth LLC to our Nuclear Segment in 2006. The Engineering Segment costs fell due to lower reimbursable expenses related to a large event project i n 2006. Included within cost of goods sold is depreciation and amortization expense of $3,750,000 and $2,919,000 for the year ended December 31, 2007 and 2006, respectively, reflecting an increase of $831,000 over 2006 resulting primarily from the completion of the "SouthBay" area and the acquisition of PFNWR.

Gross Profit

Gross profit for the year ended December 31, 2007, decreased $4,462,000 over 2006, as follows:

(In thousands)	2007	% Revenue	2006	% Revenue	Change
Nuclear	$ 13,004	30.1	$ 20,930	42.3	$ (7,926)
Engineering	760	31.7	797	23.7	(37)
Acquisition (PFNWR)	3,501	41.5	—	—	3,501
Total	$ 17,265	31.9	$ 21,727	41.2	$ (4,462)

The Nuclear Segment gross profit, excluding approximately $3,501,000 from PFNWR facility, saw a decrease of 13% from 2006 primarily due to lower volume of waste received. In addition, revenue mix shifted to processing and disposal of higher volumes of lower price waste resulting in higher costs of sales. In addition, surcharges were significantly lower in 2007 which impacted gross profit and gross margin. The Bechtel Jacobs surcharge of $1.1 million in 2006 had no associated costs which increased prior year's gross profit. The Engineering Segment gross profit decreased though its gross profit percentage increased. The sizable portion of the large event project in 2006 included low margin pass through expenses, resulting in higher gross profit and lower margins in 2006.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses increased $1,086,000 for the year ended December 31, 2007, as compared to the corresponding period for 2006, as follows:

(In thousands)	2007	% Revenue	2006	% Revenue	Change
Administrative	$ 5,457	—	$ 5,627	—	$ (170)
Nuclear	7,754	17.9	8,147	16.5	(393)
Engineering	517	21.6	546	16.3	(29)
Acquisition (PFNWR)	1,678	19.9	—	—	1,678
Total	$ 15,406	28.5	$ 14,320	27.1	$ 1,086

Excluding the SG&A of our PFNWR facility, our 2007 SG&A expenses decreased throughout the Company over 2006. The decrease in administrative SG&A was the result of lower payroll related expense totaling approximately $688,000 related to a reduction in general labor and bonus expenses. This decrease was offset by higher public company expense totaling approximately $250,000 due to an increase in director fees for our Board of Director services and payment of a one time fee to a member of our Board of Directors as compensation for his service in negotiating the agreement in principal to resolve a certain legal matter with the EPA against our PFD facility. In addition, we had higher outside service fees of approximately $268,000 related to consulting and the adoption of FASB Interpretation 48, "Accounting for Uncertainty in Income Taxes – An Interpretation of FASB No.109" (FIN 48) and other tax related issues. The Nuclear Segment's SG&A decrease is due to lower payroll related expenses as commissions were down consistent with reduced revenues and severance expense was down from 2006. The Engineering Segment decrease was the result of a decrease in payroll related expenses as commissions and headcount were down but were offset by an increase in bad debt expense. Included in SG&A expenses is depreciation and amortization expense of $117,000 and $127,000 for the years ended December 31, 2007 and 2006, respectively.

Loss (Gain) on Disposal of Property and Equipment

The loss on fixed asset disposal for the year ended December 31, 2007, was $71,000, as compared to a loss of $48,000 for the same period in 2006. The loss for 2007 was attributed mainly to the disposal of idle equipment at our M&EC and DSSI facilities and the loss for 2006 was attributed mainly to the disposal of idle equipment at our DSSI facility.

Interest Income

Interest income increased $32,000 for the year ended December 31, 2007, as compared to 2006. The increase is attributable to interest on the finite risk sinking fund which was increased by $1,000,000 in February of 2007, as well as an additional increase of $258,000 for our PFNWR facility closure policy. In addition, the increase in 2007 is also attributed to interest earned from additional cash in the Company's sweep account during the first six months of 2007.

Interest Expense

Interest expense increased $61,000 for the year ended December 31, 2007, as compared to the corresponding period of 2006.

(In thousands)		2007		2006		Change	%
PNC interest	$	702	$	728	$	(26)	(3.6)
Other		600		513		87	17.0
Total	$	1,302	$	1,241	$	61	4.9

The increase in 2007 is due primarily to increased external debt related to the Nuvotec acquisition of approximately $272,000. In addition, revolver debt at PNC increased due to increased borrowings made necessary for the acquisition, resulting in approximately $59,000 in additional interest expense. Offsetting these increases were reduced interest expense of approximately $85,000 on term note, capitalized interest of approximately $144,000 related to the "SouthBay" construction completed in 2007, and reduced interest expense from diminishing principal on other equipment related loans.

Interest Expense - Financing Fees

Interest expense-financing fees remained constant for the year ended December 31, 2007, as compared to the corresponding period of 2006.

Income Tax

We have provided a valuation allowance on substantially all of our deferred tax assets. We will continue to monitor the realizability of these net deferred tax assets and will reverse some or all of the valuation allowance as appropriate. In making this determination, we consider a number of factors including whether there is a historical pattern of consistent and significant profitability in combination with our assessment of forecasted profitability in the future periods. Such patterns and forecasts allow us to determine whether our most significant deferred tax assets such as net operating losses will be realizable in future years, in whole or in part. These deferred tax assets in particular will require us to generate taxable income in the applicable jurisdictions in future years in order to recognize their economic benefits. We do not believe that we have sufficient evidence to conclude that some or all of the valuation allowance on deferred tax assets should be reversed. However, facts and circumstances could change in future years and at such point we may reverse the allowance as appropriate. For the years ended December 31, 2007 and 2006, we had $0 and approximately $83,000, respectively, in federal income tax expense, as a result of a 100% valuation allowance against the deferred tax asset and our alternative minimum tax liability at December 31, 2007, and $0 and $424,000, respectively, in state income taxes primarily for our subsidiary, M&EC, in Oak Ridge, Tennessee. See "Note 12" to "Notes to Consolidated Financial Statements" for a reconciliation between taxes at the statutory rate and the provision for income taxes as reported.

Summary - Years Ended December 31, 2006 and 2005

Net Revenue

Consolidated revenues from continuing operations increased for the year ended December 31, 2006, compared to the year ended December 31, 2005, as follows:

(In thousands)	2006	% Revenue	2005	% Revenue	Change	% Change
Nuclear						
Bechtel Jacobs	$ 6,705	12.6	$ 14,940	29.8	$ (8,235)	(55.1)
LATA/Parallax	10,341	19.6	—	—	10,341	100.0
Fluor Hanford	1,229	2.3	1,732	3.5	(503)	(29.0)
Government waste	14,951	28.3	12,883	25.7	2,068	16.1
Hazardous/non-hazardous	3,343	6.3	4,308	8.6	(965)	(22.4)
Other nuclear waste	12,854	24.4	13,382	26.7	(528)	(3.9)
Total	49,423	93.6	47,245	94.3	2,178	4.6
Engineering	3,358	6.4	2,853	5.7	505	17.7
Total	$ 52,781	100.0	$ 50,098	100.0	$ 2,683	5.4

Nuclear Segment revenue for the year ended December 31, 2006 improved over 2005 by 4.6% of consolidated revenue or $2,178,000. Revenue of our Nuclear Segment under contracts with Bechtel Jacobs is decreasing as projects at Oak Ridge are near completion and as a result of certain other projects with the federal government in which we have been issued subcontracts previously managed by Bechtel Jacobs being assumed by Latax/Parallax. 2006 revenues of our Nuclear Segment include approximately $1.1 million recognized as a result of a settlement of a lawsuit in connection with a dispute over surcharges from waste treated in 2003. While this settlement was finalized in January 2007, it was estimatable and probable as of December 31, 2006. This amount did not exceed contract costs through December 31, 2006 and no contingencies existed in regards to this matter at year-end. Waste received directly from the government increased as government volume normally varies year over year due to funding, volume, and other factors. Hazardous and non hazardous revenue was down reflecting the completion of a special event soil project from existing industrial customers in 2005 which did not repeat in 2006. See "Known Trends and Uncertainties – Significant Customers" later in this Managements' Discussion and Analysis for further discussion on our revenues and contracts with the government and their contractors. The backlog of stored waste at December 31, 2006 was $12,492,000 compared to $16,374,000 at December 31, 2005. Waste receipts were consistent with 2005, but the backlog reflects increases in processing and disposal for the year. The high levels of backlog material continue to position the segment well from future processing revenue prospective. The Engineering Segment experienced an increase in revenue in 2006 as a result of a special event project.

Cost of Goods Sold

Cost of goods sold decreased $274,000 for the year ended December 31, 2006, as compared to the year ended December 31, 2005, as follows:

(In thousands)	2006	% Revenue	2005	% Revenue	Change
Nuclear	$ 28,493	57.7	$ 29,144	61.7	$ (651)
Engineering	2,561	76.3	2,184	76.6	377
Total	$ 31,054	58.8	$ 31,328	62.5	$ (274)

The Nuclear Segment's cost of goods sold for the year ended December 31, 2006 was down slightly from 2005 despite increased revenue. Transportation and disposal costs were down due to increased government revenue, where disposal and transportation costs are often paid for by the customer. In addition, we recognized all costs related to the Bechtel Jacobs surcharge settlement when they were incurred, and therefore we did not have any costs in the current year related to $1,119,000 in revenue in 2006. The Engineering Segment expense increases reflected increased reimbursable expenses related to the large event project in 2006. Included within cost of goods sold is depreciation and amortization expense of $2,919,000 and $2,765,000 for the year ended December 31, 2006 and 2005, respectively, reflecting an increase of $154,000 over 2005.

Gross Profit
Gross profit for the year ended December 31, 2006, increased $2,957,000 over 2005, as follows:

(In thousands)	2006	% Revenue	2005	% Revenue	Change
Nuclear	$ 20,930	42.3	$ 18,101	38.3	$ 2,829
Engineering	797	23.7	669	23.4	$ 128
Total	$ 21,727	41.2	$ 18,770	37.5	$ 2,957

The gross profit for the Nuclear Segment increased $2,829,000 in 2006 over 2005 as we received more government waste, which typically does not require transportation and disposal expense, and produces higher margins. In addition, the surcharge settlement with Bechtel Jacobs did not have any costs of goods sold, and thus increased the gross margin. The gross profit of the Engineering Segment increased as a result of increased revenue.

Selling, General and Administrative
Selling, general and administrative ("SG&A") expenses increased approximately $2,184,000 for the year ended December 31, 2006, as compared to the corresponding period for 2005, as follows:

(In thousands)	2006	% Revenue	2005	% Revenue	Change
Administrative	$ 5,627	—	$ 4,800	—	$ 827
Nuclear	8,147	16.5	6,863	14.5	1,284
Engineering	546	16.3	473	16.6	73
Total	$ 14,320	27.1	$ 12,136	24.2	$ 2,184

We experienced an increase in SG&A expenses throughout the Company over 2005. The increase in corporate administrative overhead was primarily payroll related. We incurred corporate expenses that were higher than 2005 for management incentives, costs related to expensing of stock options under SFAS 123R (see "Note 3 – Share Based Compensation" of Consolidated Financial Statements), costs related to the relocation of the corporate office and internal costs related to the due diligence of a potential acquisition. The Nuclear Segment increased its SG&A expenses to expand its management staff to more effectively bid on new contracts, manage its facilities and increase its efforts towards compliance with corporate policies and regulatory agencies. The increase in SG&A costs in our Engineering Segment were payroll related. Included in SG&A expenses is depreciation and amortization expense of $127,000 and $135,000 for the years ended December 31, 2006 and 2005, respectively.

Loss (Gain) on Disposal of Property and Equipment
The loss on fixed asset disposal/impairment for the year ended December 31, 2006, was $48,000, as compared to a loss of $6,000 for the same period in 2005. The losses for 2006 and 2005 were attributed mainly to the disposal of idle equipment at our Nuclear facility, specifically our DSSI facility.

Interest Income
Interest income increased $154,000 for the year ended December 31, 2006, as compared to the 2005. The increase was due to proceeds from warrants and options exercised and employee stock purchase plan proceeds which totaled $12,079,000. Also, an additional funding of our finite risk insurance policy resulted in additional interest earned for the year. See later in this Management's Discussion and Analysis – "Liquidity and Capital Resources" for further discussion on the finite risk insurance policy.

Interest Expense
Interest expense decreased $261,000 for the year ended December 31, 2006, as compared to the corresponding period of 2005.

(In thousands)	2006	2005	Change	%
PNC interest	$ 728	$ 834	$ (106)	(12.7)
Other	513	668	(155)	(23.2)
Total	$ 1,241	$ 1,502	$ (261)	(17.4)

The decrease in 2006 is principally a result of the overall improvement in our debt position accelerated by the exercise of warrants and options for purchase of 7,106,790 shares of our Common Stock, as well as proceeds from our employee stock purchase plan, which added $12,709,000 in cash. Reduced borrowing on the revolver, along with diminishing principal on other equipment related loans continues to reduce our interest expense.

Interest Expense - Financing Fees
Interest expense-financing fees decreased $126,000 for the year ended December 31, 2006, as compared to the corresponding period of 2005. Expenses in 2006 reflect the amortization of our prepaid financing fee for our term loan which expires in May of 2008. Expense for 2005 includes a fee paid to PNC for the increase in the term note by approximately $4,400,000 (See "Financing Activities" in this Management Discussion & Analysis). The remaining financing fees are principally associated with the PNC revolving credit and term loan and are amortized to expense over the term of the loan agreements. As of December 31, 2006, the unamortized balance of prepaid financing fees is $267,000. These prepaid financing fees will be amortized through May 2008 at a rate of $16,000 per month which approximates the rate using the effective interest method.

Income Tax
For the years ended December 31, 2006 and 2005, we had approximately $83,000 and $50,000, respectively, in federal income tax expense, as a result of a 100% valuation allowance against the deferred tax asset resulting from our alternative minimum tax liability at December 31, 2006, and $424,000 and $382,000, respectively, in state income taxes primarily for our subsidiary, M&EC, in Oak Ridge, Tennessee. See "Note 12" to "Notes to Consolidated Financial Statements" for a reconciliation between taxes at the statutory rate and the provision for income taxes as reported.

Discontinued Operations
Our Industrial Segment has sustained losses in each year since 2000. The facilities in our Industrial Segment provide on-and-off site treatment, storage, processing and disposal of hazardous and non-hazardous industrial waste, and wastewater. Certain of our facilities within the Industrial Segment provide waste management services to governmental agencies. On May 18, 2007, our Board of Directors authorized management to divest all or a part of our Industrial Segment. The decision to consider the possible sale of all, or a part of, our Industrial Segment is based on our belief that our Nuclear Segment represents a sustainable long-term growth driver of our business. During 2007, we have entered into several letters of intent to sell various portions of our Industrial Segment. All of the letters of intent have expired or terminated without being completed, except for the following: we completed, on January 8, 2008, the sale of substantially all of the assets of Perma-Fix Maryland, Inc. ("PFMD") for $3,825,000 in cash, subject to a

working capital adjustment during 2008, and assumption by the buyer of certain liabilities of PFMD and during March 2008, we completed the sale of substantially all of the assets of Perma-Fix of Dayton, Inc. ("PFD") for approximately $2,143,000 in cash, subject to certain working capital adjustments after the closing, plus assumption of certain of PFD's liabilities and obligations by the buyer, (including, without limitation, certain obligations under the Settlement Agreement entered into by PFD in connection with the settlement of plaintiff's claims under the Fisher Lawsuit, as discussed and defined below, and approximately $562,000 in PFD's obligations for and relating to supplemental environmental projects that PFD is obligated to perform under the Consent Decree entered into with the federal government in settlement of the Government's Lawsuit as discussed and defined below) in connection with the Fisher Lawsuit. We are negotiating the sale of Perma-Fix South Georgia, Inc. ("PFSG"). We anticipate that the sale of PFSG will be completed by the end of May 2008. The terms of the sale of PFSG are subject to being finalized. We are attempting to sell the other companies and/or operations within our Industrial Segment, but as of the date of this report, we have not entered into any agreements regarding these other companies or operations within our Industrial Segment.

At May 25, 2007, the Industrial Segment met the held for sale criteria under Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", and therefore, certain assets and liabilities of the Industrial Segment reclassified as discontinued operations in the Consolidated Balance Sheets, and we have ceased depreciation of the Industrial Segment's long-lived assets classified as held for sale. The results of operations and cash flows of the Industrial Segment have been reported in the Consolidated Financial Statements as discontinued operations for all periods presented.

We believe that the divestiture of certain facilities within our Industrial Segment has not occurred within the anticipated time period due to the current state of our economy which has impacted potential buyers' ability to obtain financing. In addition, the original letter of intent entered between us and a potential buyer included the majority of the companies within our Industrial Segment. This sale did not materialize, leading us to pursue the potential sale of each company individually. Although this process has taken more time than anticipated for numerous reasons, we continue to market the facilities within our Industrial Segment for eventual sale.

Our Industrial Segment generated revenues of $30,407,000, $35,148,000, and $41,489,000 for the years ended December 31, 2007, 2006, and 2005, respectively, and had net loss, net of taxes, of $9,727,000, $933,000 and $762,000 for the same periods, respectively. Our net loss, net of taxes, for 2007 was impacted by a number of items listed below. The decline in revenues since 2005 is due to termination of certain government and commercial contracts.

A subsidiary within our Industrial Segment, PFD, was defending a lawsuit styled *Barbara Fisher v. Perma-Fix of Dayton, Inc.*, in the United States District Court, Southern District of Ohio (the "Fisher Lawsuit"). This citizen's suit was brought under the Clean Air Act alleging, among other things, violations by PFD of state and federal clean air statutes connected with the operation of PFD's facility located in Dayton, Ohio. As further previously disclosed, the U.S. Department of Justice, on behalf of the Environmental Protection Agency, intervened in the Fisher Lawsuit alleging, among other things, substantially similar violations alleged in the Fisher Lawsuit (the "Government's Lawsuit").

During December, 2007, PFD and the federal government entered into a Consent Decree formalizing settlement of the government's portion of the above described lawsuit, which Consent Decree was approved by the federal court during the first quarter of 2008. Pursuant to the Consent Decree, the settlement with the federal government resolved the government's claims against PFD and requires PFD to:

- pay a civil penalty of $360,000;

- complete three supplemental environmental projects costing not less than $562,000 to achieve air emission controls that go above and beyond those required by any current environmental regulations.

- implement a variety of state and federal air permit pollution control measures; and

- take a variety of voluntary steps to reduce the potential for emissions of air pollutants.

During December 2007, PFD and Plaintiff, Fisher, entered into a Settlement Agreement formalizing settlement of the Plaintiff's claims in the above lawsuit. The settlement with Plaintiff Fisher resolved the Plaintiff's claims against PFD and, subject to certain conditions set forth in the Settlement Agreement, requires PFD to pay a total of $1,325,000. Our insurer has agreed to contribute $662,500 toward the settlement cost of the citizen's suit portion of the litigation, which we received on March 13, 2008. Based on discussion with our insurer, our insurer will not pay any portion of the settlement with the federal government in the Government Lawsuit.

As of December 31, 2007, we have recorded a total of $1,625,000 of charges in our discontinued operations for settlement by PFD of the Fisher Lawsuit and the Government Lawsuit.

In connection with PFD's sale of substantially all of its assets during March, 2008, as discussed in this "Management's Discussion and Analysis of Financial Condition and Results of Operations", the buyer has agreed to assume certain of PFD's obligations under the Consent Decree and Settlement Agreement, including, without limitation, PFD's obligation to implement supplemental environmental projects costing not less than $562,000, implement a variety of state and federal air permit control measures and reduce the potential for emissions of air pollutants.

As previously reported, on April 12, 2007 our insurer agreed to reimburse PFD for reasonable defense costs of litigation incurred prior to our insurer's assumption of the defense, but this agreement to defend and indemnify PFD was subject to the our insurer's reservation of its rights to deny indemnity pursuant to various policy provisions and exclusions, including, without limitation, payment of any civil penalties and fines, as well as our insurer's right to recoup any defense cost it has advanced if our insurer later determines that its policy provides no coverage. When, our insurer withdrew its prior coverage denial and agreed to defend and indemnify PFD in the above described lawsuits, subject to certain reservation of rights, we had incurred more than $2.5 million in costs in vigorously defending against the Fisher and the Government Lawsuits. To date, our insurer has reimbursed PFD approximately $2.5 million for legal defense fees and disbursements, which we recorded as a recovery within our discontinued operations in the second quarter of 2007. Partial reimbursement from our insurer of $750,000 was received on July 11, 2007. A second reimbursement of approximately $1.75 million was received on August 17, 2007. Our insurer has advised us that they will reimburse us for approximately another $82,000 in legal fees and disbursements, which we recorded as a recovery within our discontinued operations in the 4th quarter 2007. This reimbursement is subject to our insurer's reservation of rights as noted above. On February 12, 2008, we received reimbursement of approximately $24,000 from our insurer. We anticipate receiving the remaining reimbursement by the end of the second quarter of 2008.

As conditions warranted, we performed an updated internal analysis on the tangible and intangible assets to test for impairment in the Industrial Segment as required by Statement of Financial Accounting Standard (SFAS) 144, "Accounting for the Impairment or disposal of Long-Lived Assets" and SFAS 142, "Goodwill and Other Intangible Assets". Our analysis, as required by SFAS 144, included the comparison of the offered sale price less cost to sell to the carrying value of the investment under each LOI separately. Based on our analysis, we concluded that the carrying value of the tangible assets for Perma-Fix Dayton, Inc., Perma-Fix of Treatment Services, Inc., Perma-Fix of Orlando, Inc., and Perma-Fix of South Georgia, Inc. facilities exceeded its fair value, less cost to sell. Consequently, in 2007, we recorded $2,727,000, $1,804,000, $507,000 and $1,329,000, respectively, in tangible asset impairment loss for each of the facilities, which are included in "Loss from discontinued operations, net of taxes" on our Consolidated Statements of Operations for the year ended December 31, 2007. We also performed financial valuations on the intangible assets of the Industrial Segment as a whole to test for impairment as required by SFAS 142. We concluded that no other tangible and intangible impairments existed as of December 31, 2007.

Assets related to discontinued operations total $14,341,000 and $22,750,000 as of December 31, 2007, and 2006, respectively, and liabilities related to discontinued operations total $11,949,000 and $10,632,000 as of December 31, 2007 and 2006, respectively (see "Note 6 – Discontinued Operations" in "Notes to Consolidated Financial Statements" for assets and liabilities of discontinued operations held for sale).

Non Operational Facilities

The Industrial Segment includes two previously shut-down facilities which were and continue to be presented as discontinued operations in prior years. These facilities include Perma-Fix of Pittsburgh, Inc. ("PFP") and Perma-Fix of Michigan, Inc ("PFMI"). Our decision to discontinue operations at PFP was due to our reevaluation of the facility and our inability to achieve profitability at the facility. During February 2006, we completed the remediation of the leased property and the equipment at PFP, and released the property back to the owner. Our decision to discontinue operations at PFMI was principally a result of two fires that significantly disrupted operations at the facility in 2003, and the facility's continued drain on the financial resources of our Industrial Segment. As a result of the discontinued operations at the PFMI facility, we were required to complete certain closure and remediation activities pursuant to our RCRA permit, which were completed in January 2006. In September 2006, PFMI signed a Corrective Action Consent Order with the State of Michigan, requiring performance of studies and development and execution of plans related to the potential clean-up of soils in portions of the property. The level and cost of the clean-up and remediation are determined by state mandated requirements. Upon discontinuation of operations in 2004, we engaged our engineering firm, SYA, to perform an analysis and related estimate of the cost to complete the RCRA portion of the closure/clean-up costs and the potential long-term remediation costs. Based upon this analysis, we estimated the cost of this environmental closure and remediation liability to be $2,464,000. During 2006, based on state-mandated criteria, we re-evaluated our required activities to close and remediate the facility, and during the quarter ended June 30, 2006, we began implementing the modified methodology to remediate the facility. As a result of the reevaluation and the change in methodology, we reduced the accrual by $1,182,000. We have spent approximately $710,000 for closure costs since September 30, 2004, of which $81,000 has been spent during 2007 and $74,000 was spent in 2006. In the 4th quarter of 2007, we reduced our reserve by $9,000 as a result of our reassessment of the cost of remediation. We have $563,000 accrued for the closure, as of December 31, 2007, and we anticipate spending $401,000 in 2008 with the remainder over the next five years. Based on the current status of the Corrective Action, we believe that the remaining reserve is adequate to cover the liability.

As of December 31, 2007, PFMI has a pension payable of $1,287,000. The pension plan withdrawal liability, is a result of the termination of the union employees of PFMI. The PFMI union employees participate in the Central States Teamsters Pension Fund ("CST"), which provides that a partial or full termination of union employees may result in a withdrawal liability, due from PFMI to CST. The recorded liability is based upon a demand letter received from CST in August 2005 that provided for the payment of $22,000 per month over an eight year period. This obligation is recorded as a long-term liability, with a current portion of $158,000 that we expect to pay over the next year.

Liquidity and Capital Resources

Our capital requirements consist of general working capital needs, scheduled principal payments on our debt obligations and capital leases, remediation projects and planned capital expenditures. Our capital resources consist primarily of cash generated from operations, funds available under our revolving credit facility and proceeds from issuance of our Common Stock. Our capital resources are impacted by changes in accounts receivable as a result of revenue fluctuation, economic trends, collection activities, and the profitability of the segments.

At December 31, 2007, we had cash of $102,000. The following table reflects the cash flow activities during 2007.

(In thousands)	2007
Cash provided by continuing operations	$ 5,927
Cash provided by discontinued operations	771
Cash used in investing activities of continuing operations	(7,218)
Cash used in investing activities of discontinued operations	(359)
Cash used in financing activities of continuing operations	(1,181)
Principal repayment of long-term debt for discontinued operations	(366)
Decrease in cash	$ (2,426)

We are in a net borrowing position and therefore attempt to move all excess cash balances immediately to the revolving credit facility, so as to reduce debt and interest expense. We utilize a centralized cash management system, which includes remittance lock boxes and is structured to accelerate collection activities and reduce cash balances, as idle cash is moved without delay to the revolving credit facility or the Money Market account, if applicable. The cash balance at December 31, 2007, primarily represents minor petty cash and local account balances used for miscellaneous services and supplies.

Operating Activities

Accounts Receivable, net of allowances for doubtful accounts, totaled $13,536,000, an increase of $4,048,000 over the December 31, 2006, balance of $9,488,000. Our newly acquired PFNWR facility accounted for $1,373,000 of the increase. Excluding the increase of PFNWR facility, the increase of approximately $2,886,000 in account receivables in our Nuclear Segment relates to an increase in billing of unbilled receivables of approximately $1,200,000 and a large shipment received late in the year resulting in invoicing totaling approximately $1,500,000. The Engineering Segment decreased by $211,000 which relates to lower revenue in 2007.

Unbilled receivables are generated by differences between invoicing timing and the percentage of completion methodology used for revenue recognition purposes. As major processing phases are completed and the costs incurred, we recognize the corresponding percentage of revenue. We experience delays in processing invoices due to the complexity of the documentation that is required for invoicing, as well as, the difference between completion of revenue recognition milestones and agreed upon invoicing terms, which results in unbilled receivables. The timing differences occur for several reasons. Partially from delays in the final processing of all wastes associated with certain work orders and partially from delays for analytical testing that is required after we have processed waste but prior to our release of waste for disposal. The difference also occurs due to our end disposal sites requirement of pre-approval prior to our shipping waste for disposal and our contract terms with the customer that we dispose of the waste prior to invoicing. These delays usually take several months to complete. As of December 31, 2007, unbilled receivables totaled $14,093,000, a decrease of $820,000 from the December 31, 2006, balance of $14,913,000. Perma-Fix Northwest Richland, Inc. facility accounted for $1,712,000 of the unbilled as of December 31, 2007. Excluding the unbilled receivables of our Perma-Fix Northwest Richland, Inc. facility, the reduction of $2,532,000 of the unbilled receivable was the result of continued efforts to reduce this balance. The delays in processing invoices, as mentioned above, usually take several months to complete but are normally considered collectible within twelve months. However, as we now have historical data to review the timing of these delays, we realize that certain issues, including but not limited to delays at our third party disposal site, can exacerbate collection of some of these receivables greater than twelve months. Therefore, we have segregated the unbilled receivables between current and long term. The current portion of the unbilled receivables as of December 31, 2007 is $10,321,000, a decrease of $1,992,000 from the balance of $12,313,000 as of December 31, 2006. The long term portion as of December 31, 2007 is $3,772,000, an increase of $1,172,000 from the balance of $2,600,000 as of December 31, 2006.

As of December 31, 2007, total consolidated accounts payable was $5,010,000, an increase of $2,555,000 from the December 31, 2006, balance of $2,455,000. Perma-Fix Northwest Richland, Inc. accounted for $1,110,000 of this increase. The remaining increase of $1,445,000 is the result of our continued efforts to manage payment terms with our vendors to maximize our cash position throughout all segments. Accounts payable can increase in conjunction with decreases in accrued expenses depending on the timing of vendor invoices. We continue to manage payment terms with our vendors to maximize our cash position throughout all segments.

Accrued Expenses as of December 31, 2007, totaled $9,207,000, an increase of $4,457,000 over the December 31, 2006, balance of $4,750,000. Accrued expenses are made up of accrued compensation, interest payable, insurance payable, certain tax accruals, and other miscellaneous accruals. Perma-Fix Northwest Richland, Inc. accounted for $362,000 of this balance. The remainder of the increase is primarily due to reclass of interests payable of approximately $2,568,000 from long term to current for two notes due to the IRS payable by December 31, 2008, resulting from the acquisition of M&EC in 2001 (see "Financing Activities in this Management's Discussion and Analysis of Financial Condition and Results of Opeations"). The remaining increase is due primarily to our insurance payable resulting from renewal of the Company's general insurance policies.

Disposal/transportation accrual as of December 31, 2007, totaled $6,677,000, an increase of $3,309,000 over the December 31, 2006 balance of $3,368,000. Perma-Fix Northwest Richland, Inc. accounted for $4,118,000 of the accrual. Excluding the accrual of Perma-Fix Northwest Richland, Inc., the decrease of $809,000 was attributable to the Company's continued efforts to dispose of waste at the lowest possible cost. Disposal accrual can vary based on revenue mix as government waste generally is disposed of by the generator and is not an expense to us. In 2007, we established a new disposal outlet at the Nevada Test Site which eliminated our disposal expense for certain waste streams.

Our working capital position at December 31, 2007 was a negative $17,154,000, which includes the working capital of our discontinued operations, as compared to our positive working capital position of $12,810,000 at December 31, 2006. Our working capital in 2007 was negatively impacted by the reclassification of approximately $11,403,000 of debt owed to certain of our lenders from long term to current. As of December 31, 2007, the fixed charge coverage ratio contained in our PNC loan agreement fell below the minimum requirement. We obtained a waiver from our lender for this non-compliance as of December 31, 2007. At this time however, we do not expect to be in compliance with the fixed charge coverage ratio as of the end of the first and second quarters of 2008 and, as a result, we were required under generally accepted accounting principles to reclassify the long term portion of this debt to current due to the likelihood of future default. Furthermore, we have a cross default provision on our 8.625% promissory note with a separate bank and have reclassified the long term portion of that debt to current as well. If we are unable to meet the fixed charge coverage ratio in the future, we believe that our lender will waive this non-compliance or will revise this covenant so that we are in compliance; however, there is no assurance that we will be able to secure a waiver or revision from our lender. If we fail to meet our fixed charge coverage ratio in the future and our lender does not waive the non-compliance or revise our covenant so that we are in compliance, our lender could accelerate the repayment of borrowings under our credit facility. In the event that our lender accelerates the payment of our borrowings, we may not have sufficient liquidity to repay our debt under our credit facilities and other indebtedness. In addition to the waiver that we have obtained from our lender for the non-compliance of our fixed charge coverage ratio as of December 31, 2007, our lender has amended our present covenant to exclude certain allowable charges in determining our minimum fixed charge coverage ratio. This amendment may improve our ability to maintain compliance of the fixed charge coverage ratio in the future. Our working capital for the year was also impacted by approximately $8,600,000 expended to acquire PFNWR. The working capital of PFNWR was also impacted by the current portion of a short term loan of $2,000,000 which was set up for the acquisition as a "bridge" until we restructure our credit facility. In addition, a large disposal accrual related to the legacy waste acquired increased our current liabilities by approximately $3,300,000. We are required to dispose of this legacy waste on or before August 31, 2008. Other reductions to our current assets or increases to our current liabilities which impacted our working capital was the annual cash payment to the finite risk sinking fund of $1,000,000, our semi-annual payment to the IRS related to our two notes at our M&EC facility of approximately $1,000,000 and the reclass of interests on the two notes from long term to current of approximately $2,568,000. Our working capital position continues to experience the negative impact of certain liabilities associated with discontinued operations.

Investing Activities
Our purchases of capital equipment for the year ended December 31, 2007 totaled approximately $3,988,000 of which $2,982,000 and $1,006,000 was for our continuing and discontinued operations, respectively. Of the total capital spending, $258,000 and $356,000 was financed for our continuing and discontinued operations, respectively, resulting in total net purchases of $3,374,000 funded out of cash flow. These expenditures were for expansion and improvements to the operations principally within the Nuclear and Industrial Segments. These capital expenditures were funded by the cash provided by operations. We have budgeted capital expenditures of approximately $3,100,000 for fiscal year 2008 for our operating segments to expand our operations into new markets, reduce the cost of waste processing and handling, expand the range of wastes that can be accepted for treatment and processing, and to maintain permit compliance requirements. We expect to fund these capital expenditures through our operations. Certain of these budgeted projects are discretionary and may either be delayed until later in the year or deferred altogether. We have traditionally incurred actual capital spending totals for a given year less than the initial budget amount. The initiation and timing of projects are also determined by financing alternatives or funds available for such capital projects. We anticipate funding these capital expenditures by a combination of lease financing and internally generated funds.

In June 2003, we entered into a 25-year finite risk insurance policy, which provides financial assurance to the applicable states for our permitted facilities in the event of unforeseen closure. Prior to obtaining or renewing operating permits we are required to provide financial assurance that guarantees to the states that in the event of closure our permitted facilities will be closed in accordance with the regulations. The policy provides a maximum $35 million of financial assurance coverage of which the coverage amount totals $30,096,000 at December 31, 2007, and has available capacity to allow for annual inflation and other performance and surety bond requirements. This finite risk insurance policy required an upfront payment of $4.0 million, of which $2,766,000 represented the full premium for the 25-year term of the policy, and the remaining $1,234,000, was deposited in a sinking fund account representing a restricted cash account. In February 2007, we paid our fourth of nine required annual installments of $1,004,000, of which $991,000 was deposited in the sinking fund account, the remaining $13,000 represents a terrorism premium. As of December 31, 2007, we have recorded $5,772,000 in our sinking fund on the balance sheet, which includes interest earned of $575,000 on the sinking fund as of December 31, 2007. We recorded $264,000 of interest income during 2007 on the sinking fund for 2007. On the fourth and subsequent anniversaries of the contract inception, we may elect to terminate this contract. If we so elect, the Insurer will pay us an amount equal to 100% of the sinking fund account balance in return for complete releases of liability from both us and any applicable regulatory agency using this policy as an instrument to comply with financial assurance requirements.

In August 2007, we entered into a second finite risk insurance policy for our Perma-Fix Northwest Richland, Inc. facility, which was acquired on June 13, 2007. The policy provides an initial $7.8 million of financial assurance coverage with annual growth rate of 1.5%, which at the end of the four year term policy, will provide maximum coverage of $8.2 million. The policy will renew automatically on an annual basis at the end of the four year term and will not be subject to any renewal fees. The policy requires total payment of $4.4 million, consisting of an annual payment of $1.4 million, and two annual payments of $1.5 million, starting July 31, 2007. In July 2007, we paid the first of our three annual payments of $1.4 million, of which $1.1 million represented premium on the policy and the remaining $258,000 was deposited into a sinking fund account. Each of the two remaining $1.5 million payments will consist of $176,000 in premium with the remaining $1.3 million to be deposited into a sinking fund. As of December 31, 2007, we have recorded $262,000 in our sinking fund on the balance sheet, which includes interest earned of $4,000 on the sinking fund for the year ended December 31, 2007.

On June 13, 2007, the Company completed its acquisition of Nuvotec and its wholly owned subsidiary, Pacific Ecosolutions, Inc (PEcoS), pursuant to the terms of the Merger Agreement, between Perma-Fix, Perma-Fix's wholly owned subsidiary, Transitory, Nuvotec, and PEcoS, dated April 27, 2007, which was subsequently amended on June 13, 2007. The Company acquired 100% of the voting shares of Nuvotec. The acquisition was structured as a reverse subsidiary merger, with Transitory being merged into Nuvotec, and Nuvotec being the surviving corporation. As a result of the merger, Nuvotec became a wholly owned subsidiary of Perma-Fix Environmental Services Inc. (PESI). Nuvotec's name was changed to Perma-Fix Northwest, Inc. ("PFNW"). PEcoS, whose name was changed to Perma-Fix Northwest Richland, Inc. ("PFNWR") on August 2, 2007, is a wholly-owned subsidiary of PFNW. PEcoS is a permitted hazardous, low level radioactive and mixed waste treatment, storage and disposal facility located in the Hanford U.S. Department of Energy site in the eastern part of the state of Washington. The strategic addition of Nuvotec and its wholly owned subsidiary, PEcoS provides the Company with immediate access to treat some of the most complex nuclear waste streams in the nation and should provide significant growth opportunity in the coming years.

Under the terms of the Merger Agreement, the purchase price paid by the Company in connection with the acquisition was $17.3 million, consisting of as follows:

(a) $2.3 million in cash at closing of the merger, with $1.5 million payable to unaccredited shareholders and $0.8 million payable to shareholders of Nuvotec that qualified as accredited investors pursuant to Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended (the "Act").

(b) Also payable only to the shareholders of Nuvotec that qualified as accredited investors:

- $2.5 million, payable over a four year period, unsecured and nonnegotiable and bearing an annual rate of interest of 8.25%, with (i) accrued interest only payable on June 30, 2008, (ii) $833,333.33, plus accrued and unpaid interest, payable on June 30, 2009, (iii) $833,333.33, plus accrued and unpaid interest, payable on June 30, 2010, and (iv) the remaining unpaid principal balance, plus accrued and unpaid interest, payable on June 30, 2011 (collectively, the "Installment Payments"). The Installment Payments may be prepaid at any time by Perma-Fix without penalty; and

- 709,207 shares of Perma-Fix common stock, which were issued on July 23, 2007, with such number of shares determined by dividing $2.0 million by 95% of average of the closing price of the common stock as quoted on the NASDAQ during the 20 trading days period ending five business days prior to the closing of the merger. The value of these shares on June 13, 2007 was $2.2 million, which was determined by the average closing price of the common stock as quoted on the NASDAQ four days prior to and following the completion date of the acquisition, which was June 13, 2007.

(c) The assumption of $9.4 million of debt, $8.9 million of which was payable to KeyBank National Association which represents debt owed by PFNW under a credit facility. As part of the closing, the Company paid down $5.4 million of this debt resulting in debt remaining of $4.0 million.

(d) Transaction costs totaling $0.9 million.

In addition to the above, an agreement to a contingency of an earn-out amount not to exceed $4.4 million over a four year period ("Earn-Out Amount"). The earn-out amounts will be earned if certain annual revenue targets are met by the Company's Nuclear Segment. The first $1.0 million of the earn-out amount, when earned, will be placed in an escrow account to satisfy certain indemnification obligations under the

Merger Agreement of Nuvotec, PEcoS, and the shareholders of Nuvotec to Perma-Fix that are identified by Perma-Fix within the escrow period as provided in the Merger Agreement. The earn-out amount, if and when paid, will increase goodwill. As of December 31, 2007 the Company has not made or accrued any earn-out payments to Nuvotec shareholders because such revenue targets have not been met.

On July 28, 2006, our Board of Directors has authorized a common stock repurchase program to purchase up to $2,000,000 of our Common Stock, through open market and privately negotiated transactions, with the timing, the amount of repurchase transactions and the prices paid under the program as deemed appropriate by management and dependent on market conditions and corporate and regulatory considerations. We plan to fund any repurchases under this program through our internal cash flow and/or borrowing under our line of credit. As of the date of this report, we have not repurchased any of our Common Stock under the program as we continue to evaluate this repurchase program within our internal cash flow and/or borrowings under our line of credit.

Financing Activities
We entered into a Revolving Credit, Term Loan and Security Agreement ("Agreement") with PNC Bank, National Association, a national banking association ("PNC") acting as agent ("Agent") for lenders, and as issuing bank. The Agreement provided for a term loan ("Term Loan") in the amount of $7,000,000, which requires principal repayments based upon a seven-year amortization, payable over five years, with monthly installments of $83,000 and the remaining unpaid principal balance due on November 27, 2008. The Agreement also provided for a revolving line of credit ("Revolving Credit") with a maximum principal amount outstanding at any one time of $18,000,000. The Revolving Credit advances are subject to limitations of an amount up to the sum of (a) up to 85% of Commercial Receivables aged 90 days or less from invoice date, (b) up to 85% of Commercial Broker Receivables aged up to 120 days from invoice date, (c) up to 85% of acceptable Government Agency Receivables aged up to 150 days from invoice date, and (d) up to 50% of acceptable unbilled amounts aged up to 60 days, less (e) reserves the Agent reasonably deems proper and necessary. As of December 31, 2007, the excess availability under our revolving credit was $5,700,000 based on our eligible receivables.

On March 26, 2008, we entered into an amendment with PNC, which extended the due date of the $25 million credit facility from November 27, 2008 to September 30, 2009. Pursuant to the amendment, we may terminate the agreement upon 60 days' prior written notice upon payment in full of the obligation. The amendment also waived the Company's violation of the fixed charge coverage ratio as of December 31, 2007, as discussed below. In addition, the amendment changed our present covenant to exclude certain allowable charges in determining our minimum fixed charge coverage ratio. As a condition to this amendment, we have agreed to pay PNC a fee of $25,000.

Our credit facility with PNC contains financial covenants. A breach of any of these covenants, unless waived by PNC, could result in a default under our credit facility triggering our lender to immediately require the repayment of all outstanding debt under our credit facility and terminate all commitments to extend further credit. In the past, none of our covenants have been restrictive to our operations; however, in 2007, our fixed charge coverage ratio fell below the minimum requirement pursuant to the covenant. We have obtained a waiver from our lender for this non-compliance as of December 31, 2007. At this time however, we do not expect to be in compliance with the fixed charge coverage ratio as of the end of the first and second quarters of 2008 and as a result, we were required under generally accepted accounting principles to reclassify the long term portion of debt to current. Furthermore, we have a cross default provision on our 8.625% KeyBank National Association promissory note and have reclassified the long term portion of that debt to current as well. If we are unable to meet the fixed charge coverage ratio in the future, we believe that our lender will waive this non-compliance or will revise this covenant so that we are in compliance; however, there is no assurance that we will be able to secure a waiver or revision from our lender. If we fail to meet our fixed charge coverage ratio in the future and our lender does not waive the non-compliance or revise this covenant so that we are in compliance, our lender could accelerate the repayment of borrowings under our credit facility. In the event that our lender accelerates the payment of our borrowing, we may not have sufficient liquidity to repay our debt under our credit facility and other indebtedness. In addition to the waiver that we have obtained from our lender for our non-compliance of our fixed charge coverage ratio as of December 31, 2007, our lender has amended our present covenant to exclude certain allowable charges in determining our minimum fixed charge coverage ratio. This amendment may improve our ability to maintain compliance of the fixed charge coverage ratio in the future.

In conjunction with our acquisition of M&EC, M&EC issued a promissory note for a principal amount of $3.7 million to Performance Development Corporation ("PDC"), dated June 25, 2001, for monies advanced to M&EC for certain services performed by PDC. The promissory note is payable over eight years on a semiannual basis on June 30 and December 31. The note is due on December 31, 2008, with principal repayment of $400,000 to be made in June 2008 and the remaining $235,000 to be made by December 31, 2008. Interest is accrued at the applicable law rate ("Applicable Rate") pursuant to the provisions of section 6621 of the Internal Revenue Code of 1986 as amended (10% on December 31, 2007) and payable in one lump sum at the end of the loan period. On December 31, 2007, the outstanding balance was $2,704,000 including accrued interest of approximately $2,069,000. PDC has directed M&EC to make all payments under the promissory note directly to the IRS to be applied to PDC's obligations under its installment agreement with the IRS.

Additionally, M&EC entered into an installment agreement with the Internal Revenue Service ("IRS") for a principal amount of $923,000 effective June 25, 2001, for certain withholding taxes owed by M&EC. The installment agreement is payable over eight years on a semiannual basis on June 30 and December 31. The agreement is due on December 31, 2008, with principal repayments of approximately $100,000 to be made in June 2008 and the remaining $53,000 to be made by December 31, 2008. Interest is accrued at the Applicable Rate, and is adjusted on a quarterly basis and payable in lump sum at the end of the installment period. On December 31, 2007, the rate was 10%. On December 31, 2007, the outstanding balance was $652,000 including accrued interest of approximately $499,000.

In conjunction with our acquisition of Nuvotec (n/k/a Perma-Fix of Northwest, Inc.) and PEcoS (n/k/a Perma-Fix of Northwest Richland, Inc.), (collectively called "PFNWR") which was completed on June 13, 2007, we entered into a promissory note for a principal amount of $4.0 million to KeyBank National Association, dated June 13, 2007, which represents debt assumed by us as result of the acquisition. The promissory note is payable over a two years period with monthly principal repayment of $160,000 starting July 2007 and $173,000 starting July 2008, along with accrued interest. Interest is accrued at prime rate plus 1.125%. On December 31, 2007, the outstanding principal balance was $3,039,000 and has been classified as current due to this note's cross default provisions addressed above.

Additionally, in conjunction with our acquisition of PFNWR, we agreed to pay shareholders of Nuvotec that qualified as accredited investors pursuant to Rule 501 of Regulation D promulgated under the Securities Act of 1933, $2.5 million, with principal payable in equal installment of $833,333 on June 30, 2009, June 30, 2010, and June 30, 2011. Interest is accrued on outstanding principal balance at 8.25% starting in June 2007 and is payable on June 30, 2008, June 30, 2009, June 30, 2010, and June 30, 2011. As of December 31, 2007, we had accrued interest of approximately $110,000.

During 2007, we issued 234,927 shares of our Common Stock upon exercise of 237,225 employee stock options, at exercise prices from $1.25 to $2.19 per share. An optionee surrendered 2,298 shares of personally held Common Stock of the Company as payment for the exercise of the 4,000 options. We also issued 563,633 shares of our Common Stock upon exercise of 1,281,731 Warrants on a cashless basis by two investors, pursuant to the Note and Warrant Purchase Agreements issued by the Company on July 31, 2001, resulting in surrender of the remaining 718,098 Warrants. Total proceeds received during 2007 related to warrant and option exercises totaled approximately $472,000, which includes $418,000 from employee stock option exercises and $54,000 from repayment of stock subscription resulting from exercise of warrants to purchase 60,000 shares of our Common Stock on a loan by the Company at an arms length basis in 2006.

In summary, the acquisition of PFNWR and the reclassification of debts due to certain of our lenders resulting from the non-compliance of our fixed charge coverage ratio, pursuant to`our loan agreement with PNC have heavily impacted our liquidity. We continue to draw funds from our revolver to make the payments on debt that we assumed as result of the acquisition. Cash (net of collateralized portion held by our credit facility) received from the sale of PFMD and PFD in the first quarter of 2008 was used to reduce our term note, with the remaining cash used to reduce our revolver. Cash to be received subject from the sale of any remaining facilities/operations within our Industrial Segment (net of the collateralized portion held by our credit facility) will be used to reduce our term note, with any remaining cash used to reduce our revolver. We continue to take steps to improve our operations and liquidity and to invest working capital into our facilities to fund capital additions in the Nuclear Segment. As a result of the Company's uncertainty in its ability to comply with its fixed charge coverage ratio in the first and second quarters of 2008 under our loan agreement, there is substantial doubt as to the Company's ability to continue as a going concern. Though there can be no assurances, we anticipate that we will be able to address these doubts by revising the covenant thresholds with our lender to ensure that we will stay compliant with our covenants in the future.

Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2007, and the effect such obligations are expected to have on our liquidity and cash flow in future periods, (in thousands):

		Payments due by period			
Contractual Obligations	Total	2008	2009-2011	2012-2013	After 2013
Long-term debt	$ 18,016	$ 15,292	$ 2,714	$ 10	$ —
Interest on long-term debt (1)	3,195	2,782	413	—	—
Interest on variable rate debt (2)	595	422	173	—	—
Operating leases	2,245	677	1,418	150	—
Finite risk policy (3)	10,814	5,278	4,532	1,004	—
Pension withdrawal liability (4)	1,287	158	574	483	72
Environmental contingencies (5)	1,741	911	608	222	—
Purchase obligations (6)	—	—	—	—	—
Total contractual obligations	$ 37,893	$ 25,520	$ 10,432	$ 1,869	$ 72

(1) Our IRS Note and PDC Note agreements call for interest to be paid at the end of the term, December 2008. In conjunction with our acquisition of PFNWR, which was completed on June 13, 2007, we agreed to pay shareholders of Nuvotec that qualified as accredited investors pursuant to Rule 501 of Regulation D promulgated under the Securities Act of 1933, $2.5 million, with principal payable in equal installment of $833,333 on June 30, 2009, June 30, 2010, and June 30, 2011. Interest is accrued

on outstanding principal balance at 8.25% starting in June 2007 and is payable on June 30, 2008, June 30, 2009, June 30, 2010, and June 30, 2011.

(2) We have variable interest rates on our Term Loan and Revolving Credit of 1% and 1/2% over the prime rate of interest, respectively, and as such we have made certain assumptions in estimating future interest payments on this variable interest rate debt. We assume an increase in prime rate of 0.25% in each of the years 2008 through 2009. Pursuant to the terms of our credit facility, proceeds from the sale of our Industrial Segment facilities must be used to pay down our term note first, with the remaining to pay down our revolver. As such, we anticipate a full repayment of our Term Loan by June 2008. In addition, we anticipate a full repayment of our Revolver by September 30, 2009. As result of the acquisition of our new Perma-Fix Northwest facility on June 13, 2007, we have entered into a promissory note for a principal amount $4.0 million to KeyBank National Association which has variable interest rate of 1.125% over the prime rate, and as such, we also have assumed an increase in prime rate of 0.25% through July 2009, when the note is due.

(3) Our finite risk insurance policy provides financial assurance guarantees to the states in the event of unforeseen closure of our permitted facilities. See Liquidity and Capital Resources – Investing activities earlier in this Management's Discussion and Analysis for further discussion on our finite risk policy.

(4) The pension withdrawal liability is the estimated liability to us upon termination of our union employees at our discontinued operation, PFMI. See Discontinued Operations earlier in this section for discussion on our discontinued operation.

(5) The environmental contingencies and related assumptions are discussed further in the Environmental Contingencies section of this Management's Discussion and Analysis, and are based on estimated cash flow spending for these liabilities. The environmental contingencies noted are for Perma-Fix of Michigan, Inc., Perma-Fix of Memphis, Inc., and Perma-Fix of Dayton, Inc., which are the financial obligations of the Company. The environmental liability of PFD was retained by the Company upon the sale of PFD in March 2008.

(6) We are not a party to any significant long-term service or supply contracts with respect to our processes. We refrain from entering into any long-term purchase commitments in the ordinary course of business.

Critical Accounting Estimates

In preparing the consolidated financial statements in conformity with generally accepted accounting principles in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as, the reported amounts of revenues and expenses during the reporting period. We believe the following critical accounting policies affect the more significant estimates used in preparation of the consolidated financial statements:

Revenue Recognition Estimates. We utilize a percentage of completion methodology for purposes of revenue recognition in our Nuclear Segment. As we accept more complex waste streams in this segment, the treatment of those waste streams becomes more complicated and time consuming. We have continued to enhance our waste tracking capabilities and systems, which has enabled us to better match the revenue earned to the processing phases achieved. The major processing phases are receipt, treatment/processing and shipment/final disposition. Upon receiving mixed waste we recognize a certain percentage (generally 33%) of revenue as we incur costs for transportation, analytical and labor associated with the receipt of mixed wastes. As the waste is processed, shipped and disposed of we recognize the remaining 67% revenue and the associated costs of transportation and burial. The waste streams in our Industrial Segment are much less complicated, and services are rendered shortly after receipt, as such we do not use percentage of completion estimates in our Industrial segment. We review and evaluate our revenue recognition estimates and policies on a quarterly basis.

Allowance for Doubtful Accounts. The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts, which is a valuation allowance that reflects management's best estimate of the amounts that are uncollectible. We regularly review all accounts receivable balances that exceed 60 days from the invoice date and based on an assessment of current credit worthiness, estimate the portion, if any, of the balances that are uncollectible. Specific accounts that are deemed to be uncollectible are reserved at 100% of their outstanding balance. The remaining balances aged over 60 days have a percentage applied by aging category (5% for balances 61-90 days, 20% for balances 91-120 days and 40% for balances over 120 days aged), based on a historical valuation, that allows us to calculate the total reserve required. This allowance was approximately 0.3% of revenue for 2007 and 1.0%, of accounts receivable as of December 31, 2007. Additionally, this allowance was approximately 0.3% of revenue for 2006 and 1.7% of accounts receivable as of December 31, 2006.

Intangible Assets. Intangible assets relating to acquired businesses consist primarily of the cost of purchased businesses in excess of the estimated fair value of net identifiable assets acquired ("goodwill") and the recognized permit value of the business. We continually reevaluate the propriety of the carrying amount of permits and goodwill to determine whether current events and circumstances warrant adjustments to the carrying value. We test goodwill and permits, separately, for impairment, annually as of October 1. Our annual impairment test as of October 1, 2007 and 2006 resulted in no impairment of goodwill and permits. The methodology utilized in performing this test estimates the fair value of our operating segments using a discounted cash flow valuation approach. This approach is dependent on estimates for future sales, operating income, working capital changes, and capital expenditures, as well as, expected growth rates for cash flows and long-term interest rates, all of which are impacted by economic conditions related to our industry as well as conditions in the U.S. capital markets.

As result of classifying our Industrial Segment as discontinued operations in 2007, we performed internal financial valuations on the intangible assets of the Industrial Segment as a whole based on the LOIs and offers received to test for impairment as required by SFAS 142. We concluded that no intangible impairments existed as of December 31, 2007.

Property and Equipment

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

In accordance with Statement 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", long-lived assets, such as property, plant and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet. As result of the approved divestiture of our Industrial Segment by our Board of Directors and the subsequent letters of intent entered and prospective interests received, we performed updated financial valuations on the tangibles on the Industrial Segment to test for impairment as required by Statement of Financial Accounting Standards 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Our analysis included the comparison of the offered sale price less cost to sell to the carrying value of the investment under each LOI separately in the Industrial Segment. Based on our analysis, we concluded that the carrying value of the tangible assets for Perma-Fix Dayton, Inc., Perma-Fix of Treatment Services, Inc., Perma-Fix of Orlando, Inc., and Perma-Fix of South Georgia, Inc. facilities exceeded its fair value, less cost to sell. Consequently, we recorded $2,727,000, $1,804,000, $507,000 and $1,329,000, respectively, in tangible asset impairment loss for each of the facilities, which are included in "loss from discontinued operations, net of taxes" on our Consolidated Statements of Operations for the year ended December 31, 2007.

Accrued Closure Costs. Accrued closure costs represent a contingent environmental liability to clean up a facility in the event we cease operations in an existing facility. The accrued closure costs are estimates based on guidelines developed by federal and/or state regulatory authorities under Resource Conservation and Recovery Act ("RCRA"). Such costs are evaluated annually and adjusted for inflationary factors and for approved changes or expansions to the facilities. Increases due to inflationary factors for 2007 and 2006, have been approximately 2.9%, and 2.77%, respectively, and based on the historical information, we do not expect future inflationary changes to differ materially from the last three years. Increases or decreases in accrued closure costs resulting from changes or expansions at the facilities are determined based on specific RCRA guidelines applied to the requested change. This calculation includes certain estimates, such as disposal pricing, external labor, analytical costs and processing costs, which are based on current market conditions. However, except for the Michigan and Pittsburgh facilities, we have no current intention to close any of our facilities.

Accrued Environmental Liabilities. We have five remediation projects currently in progress within our discontinued operations. The current and long-term accrual amounts for the projects are our best estimates based on proposed or approved processes for clean-up. It is contemplated that the remediation project at PFSG will be assumed by the buyer of the facility if the proposed sale of the facility is completed. The circumstances that could affect the outcome range from new technologies that are being developed every day to reduce our overall costs, to increased contamination levels that could arise as we complete remediation which could increase our costs, neither of which we anticipate at this time. In addition, significant changes in regulations could adversely or favorably affect our costs to remediate existing sites or potential future sites, which cannot be reasonably quantified. Our environmental liabilities also include $391,000 in accrued long-term environmental liability for our Maryland facility acquired in March 2004. As previously discussed, we sold substantially all of the assets of the Maryland facility during the first part of 2008. In connection with this sale, the buyer agreed to assume all obligations and liabilities for environmental conditions at the Maryland facility except for fines, assessments, or judgments to governmental authorities prior to the closing of the transaction or third party tort claims existing prior to the closing of the sale.

Disposal/Transportation Costs. We accrue for waste disposal based upon a physical count of the total waste at each facility at the end of each accounting period. Current market prices for transportation and disposal costs are applied to the end of period waste inventories to calculate the disposal accrual. Costs are calculated using current costs for disposal, but economic trends could materially affect our actual costs for disposal. As there are limited disposal sites available to us, a change in the number of available sites or an increase or decrease in demand for the existing disposal areas could significantly affect the actual disposal costs either positively or negatively.

Share-Based Compensation. On January 1, 2006, we adopted Financial Accounting Standards Board ("FASB") Statement No. 123 (revised) ("SFAS 123R"), *Share-Based Payment*, a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, superseding APB Opinion No. 25, *Accounting for Stock Issued to Employees,* and its related implementation guidance. This Statement establishes accounting standards for entity exchanges of equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative upon adopting SFAS 123R. We adopted SFAS 123R utilizing the modified prospective method in which compensation cost is recognized beginning with the effective date based on SFAS 123R requirements for all (a) share-based payments granted after the effective date and (b) awards granted to employees prior to the effective date of SFAS 123R that remain unvested on the effective date. In accordance with the modified prospective method, the consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R.

Prior to our adoption of SFAS 123R, on July 28, 2005, the Compensation and Stock Option Committee of the Board of Directors approved the acceleration of vesting for all the outstanding and unvested options to purchase Common Stock awarded to employees as of the approval date. The Board of Directors approved the accelerated vesting of these options based on the belief that it was in the best interest of our stockholders to reduce future compensation expense that would otherwise be required in the statement of operations upon adoption of SFAS 123R, effective beginning January 1, 2006. The accelerated vesting triggered the re-measurement of compensation cost under current accounting standards.

Pursuant to the adoption of SFAS 123R, we recorded stock-based compensation expense for the director stock options granted prior to, but not yet vested, as of January 1, 2006, using the fair value method required under SFAS 123R. For the employee stock option grants on March 2, 2006 and May 15, 2006, and the director stock option grant on July 27, 2006 and August 2, 2007, we have estimated compensation expense based on the fair value at grant date using the Black-Scholes valuation model and have recognized compensation expense using a straight-line amortization method over the vesting period. As SFAS 123R requires that stock-based compensation expense be based on options that are ultimately expected to vest, stock-based compensation for the March 2, 2006 grant has been reduced for estimated forfeitures at a rate of 8.5% for the second year of vesting. We estimated forfeiture rate of 5.7% for the first year of vesting on the March 2, 2006 grant, however, our actual rate of forfeiture was approximately 1.7%, resulting in employee option expense of approximately $30,000. We estimated 0% forfeiture rate for our March 15, 2006 employee option grant and director stock option grants of July 27, 2006 and August 2, 2007. When estimating forfeitures, we considered trends of actual option forfeitures.

We calculated a fair value of $0.868 for each March 2, 2006 option grant on the date of grant using the Black-Scholes option pricing model with the following assumptions: no dividend yield; an expected life of four years; expected volatility of 54.0%; and a risk free interest rate of 4.70%. We calculated a fair value of $0.877 for the May 15, 2006 option grant on the date of grant with the following assumptions: no dividend yield; an expected life of four years; an expected volatility of 54.6%; and a risk-free interest rate of 5.03%. No employee options were granted 2005. We calculated a fair value of $1.742 for each July 27, 2006 director option grant on the date of the grant with the following assumptions: no dividend yield; an expected life of ten years; an expected volatility of 73.31%; and a risk free interest rate of 4.98%. For the director option grant of August 2, 2007, we calculated a fair value of $2.30 for each option grant with the following assumptions using the Black-Scholes option pricing model: no dividend yield; an expected life of ten years; an expected volatility of 67.60%; and a risk free interest rate of 4.77%.

Our computation of expected volatility is based on historical volatility from our traded common stock. Due to our change in the contractual term and vesting period, we utilized the simplified method, defined in the Securities and Exchange Commission's Staff Accounting Bulletin No. 107, to calculate the expected term for our 2006 grants. The interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant.

FIN 48

In July 2006, the FASB issued FIN 48, *Accounting for Uncertainty in Income Taxes*, which attempts to set out a consistent framework for preparers to use to determine the appropriate level of tax reserve to maintain for uncertain tax positions. This interpretation of FASB Statement No. 109 uses a two-step approach wherein a tax benefit is recognized if a position is more-likely-than-not to be sustained. The amount of the benefit is then measured to be the highest tax benefit which is greater than 50% likely to be realized. FIN 48 also sets out disclosure requirements to enhance transparency of an entity's tax reserves. The Company adopted this Interpretation as of January 1, 2007. The adoption of FIN 48 did not have a material impact on our financial statements.

Known Trends and Uncertainties

Seasonality. Historically, we have experienced reduced activities and related billable hours throughout the November and December holiday periods within our Engineering Segment. The DOE and DOD represent major customers for the Nuclear Segment. In conjunction with the federal government's September 30 fiscal year-end, the Nuclear Segment historically experienced seasonably large shipments during the third quarter, leading up to this government fiscal year-end, as a result of incentives and other quota requirements. Correspondingly for a period of approximately three months following September 30, the Nuclear Segment is generally seasonably slow, as the government budgets are still being finalized, planning for the new year is occurring and we enter the holiday season. Since 2005, due to our efforts to work with the various government customers to smooth these shipments more evenly throughout the year, we have seen smaller fluctuation in the quarters. In 2007, the US Congress did not pass the fiscal year 2007 budget which resulted in no increase of funding to DOE from the previous years 2006 budget allocation. This resulted in a decrease of the start up of new projects; however, we continued to see shipments at expected levels as compared to 2006. The 2008 budget was signed by the President in December 2007 which provides funding for the start of new projects in 2008. We do not anticipate big fluctuations within 2008 even with the passing of the 2008 budget; however, we cannot provide assurance this will be the case. In addition, our revenue recognition policy further reduces this impact on our revenue. See "Revenue Recognition Estimates" in this "Management Discussion and Analysis of Financial Condition and Results of Operations".

Economic Conditions. With much of our Nuclear Segment customer base being government or prime contractors treating government waste, economic upturns or downturns do not usually have a significant impact on the demand for our services. Our Engineering Segment relies more on commercial customers though this segment makes up a very small percentage of our revenue.

Significant Customers. Our revenues are principally derived from numerous and varied customers. However, we have a significant relationship with the federal government, and have continued to enter into contracts with (directly or indirectly as a subcontractor) the federal government. The contracts that we are a party to with the federal government or with others as a subcontractor to the federal government generally provide that the government may terminate on 30 days notice or renegotiate the contracts, at the government's election. Our inability to continue under existing contracts that we have with the federal government (directly or indirectly as a subcontractor) could have a material adverse effect on our operations and financial condition.

We performed services relating to waste generated by the federal government, either directly or indirectly as a subcontractor (including LATA/Parallax, Bechtel Jacobs, and Fluor Hanford as discussed below) to the federal government, representing approximately $30,000,000 (includes approximately $5,568,000 from PFNWR facility) or 55.5% of our total revenue from continuing operations during 2007, as compared to $33,226,000 or 63.0% of our total revenue from continuing operations during 2006, and $29,555,000 or 59.0% of our total revenue from continuing operations during 2005.

Included in the amounts discussed above, are revenues from LATA/Parallax Portsmouth LLC ("LATA/Parallax"). LATA/Parallax is a manager for environmental programs for various agencies of the federal government. Our revenues from LATA/Parallax, as a subcontractor to perform remediation services at certain federal sites, contributed $8,784,000 or 16.2% and $10,341,000 or 19.6% of our revenues from continuing operations for 2007 and 2006, respectively. Our contract with LATA/Parallax is expected to be completed in September 2008. As with most contracts relating to the federal government, LATA/Parallax can terminate the contract with us at any time for convenience, which could have a material adverse effect on our operations.

Our Nuclear Segment has had a significant relationship with Bechtel Jacobs Company, LLC. ("Bechtel Jacobs"). Bechtel Jacobs is the government-appointed manager of the environmental program for Oak Ridge, Tennessee to perform certain treatment and disposal services relating to Oak Ridge, and our Nuclear Segment has been awarded three subcontracts by Bechtel Jacobs to perform certain environmental services at DOE's Oak Ridge, Tennessee sites. Two of our Oak Ridge contracts have been amended for pricing modifications in 2007 and have been extended through September 2009. Our revenues from Bechtel Jacobs have continued to decrease as the DOE site in Oak Ridge continues to complete certain of its clean-up milestones and moves toward completing its closure efforts. As with most such blanket processing agreements, the Oak Ridge contracts contain no minimum or maximum processing guarantees, and may be terminated at any time pursuant to federal contracting terms and conditions. The Nuclear Segment continues to pursue other similar or related services for environmental programs at other DOE and government sites. Consolidated revenues from Bechtel Jacobs for 2007 total $1,812,000 or 3.3% of total revenues from continuing operations, as compared to $6,705,000 or 12.6% for the year ended December 31, 2006 and $14,940,000 or 29.8% for the year ended December 31, 2005.

Our Nuclear Segment has provided treatment of mixed low-level waste, as a subcontractor, for Fluor Hanford since 2004. However, with the acquisition of our PFNWR facility, we now have a significant relationship with Fluor Hanford, a prime contractor to the DOE since 1996. Fluor Hanford manages several major activities at the DOE's Hanford Site, including dismantling former nuclear processing facilities, monitoring and cleaning up the site's contaminated groundwater, and retrieving and processing transuranic waste for off-site shipment. The Hanford site is one of DOE's largest nuclear weapon environmental remediation projects. Our PFNWR facility is located adjacent to the Hanford site and provides treatment of low level radioactive and mixed wastes. We currently have three contracts with Fluor Hanford at our PFNWR facility, with the initial contract dating back to 2003. These three contracts have since been extended to September 2008. As the DOE is currently in the process of re-bidding its contracts with current prime contractors, our future revenue beyond September 2008 from Fluor Hanford is uncertain at this time. Revenues from Fluor Hanford totaled $6,985,000 (approximately $3,100,000 from PFNWR) or 12.9%, $1,229,000 or 2.3%, and $1,732,000 or 3.5% of consolidated revenue for the year ended December 31, 2007, 2006, and 2005, respectively. As with most contracts relating to the federal government, Fluor Hanford can terminate the contracts with us at any time for convenience, which could have a material adverse effect on our operations.

Insurance. We maintain insurance coverage similar to, or greater than, the coverage maintained by other companies of the same size and industry, which complies with the requirements under applicable environmental laws. We evaluate our insurance policies annually to determine adequacy, cost effectiveness and desired deductible levels. Due to the downturn in the economy and changes within the environmental insurance market, we have no guarantee that we will be able to obtain similar insurance in future years, or that the cost of such insurance will not increase materially.

Environmental Contingencies

We are 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, we are subject to rigorous federal, state and local regulations. These regulations mandate strict compliance and therefore are a cost and concern to us. Because of their integral role in providing quality environmental services, we make every reasonable attempt to maintain complete compliance with these regulations; however, even with a diligent commitment, we, along with many of our competitors, may be required to pay fines for violations or investigate and potentially remediate our waste management facilities.

We routinely use third party disposal companies, who ultimately destroy or secure landfill residual materials generated at our facilities or at a client's site. We, compared to certain of our competitors, dispose of significantly less hazardous or industrial by-products from our 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 our aggressive compliance and auditing procedures for disposal of wastes, we could further be notified, in the future, that we are a PRP at a remedial action site, which could have a material adverse effect.

We have budgeted for 2008, $1,168,000 in environmental remediation expenditures to comply with federal, state and local regulations in connection with remediation of certain contaminates at our facilities. As previously discussed under “Business — Capital Spending, Certain Environmental Expenditures and Potential Environmental Liabilities,” our facilities where the remediation expenditures will be made are the Leased Property in Dayton, Ohio (EPS), a former RCRA storage facility as operated by the former owners of PFD, PFM's facility in Memphis, Tennessee, PFSG's facility in Valdosta, Georgia, PFTS's facility in Tulsa, Oklahoma, PFMD’s facility in Baltimore, Maryland, and PFMI's facility in Detroit, Michigan. With the impending divestiture of our Industrial Segment, we anticipate the environmental liabilities for all the facilities noted above will be part of the divestiture with the exception of PFM, PFD, and PFMI, which will remain the financial obligations of the Company. While no assurances can be made that we will be able to do so, we expect to fund the expenses to remediate the three sites from funds generated internally.

At December 31, 2007, we had total accrued environmental remediation liabilities of $2,873,000 of which $1,168,000 is recorded as a current liability, which reflects a decrease of $405,000 from the December 31, 2006, balance of $3,278,000. The decrease represents payments on remediation projects, increase in our reserve in PFSG and decrease in our reserves at PFM and PFMI due to reevaluation of our remediation estimates. As previously discussed, we sold substantially all of the assets of the Maryland facility during the first part of 2008. In connection with this sale, the buyer agreed to assume all obligations and liabilities for environmental conditions at the Maryland facility except for fines, assessments, or judgments to governmental authorities prior to the closing of the transaction or third party tort claims existing prior to the closing of the sale. The December 31, 2007, current and long-term accrued environmental balance is recorded as follows:

	Current Accrual	Long-term Accrual	Total
PFD	$ 285,000	$ 417,000	$ 702,000
PFM	225,000	251,000	476,000
PFSG	250,000	454,000	704,000
PFTS	7,000	30,000	37,000
PFMD	—	391,000	391,000
PFMI	401,000	162,000	563,000
Total Liability	$ 1,168,000	$ 1,705,000	$ 2,873,000

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS 157, “Fair Value Measurements”. SFAS 157 simplifies and codifies guidance on fair value measurements under generally accepted accounting principles. This standard defines fair value, establishes a framework for measuring fair value and prescribes expanded disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the effect, if any, the adoption of SFAS 157 will have on our financial condition, results of operations and cash flows; however, we do not expect the adoption of SFAS No. 157 to have a material impact on our financial position or results of operations.

In February 2007, the FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities". SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunities to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting financial instruments. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November, 15, 2007. We are currently evaluating the effect, if any, the adoption of SFAS 159 will have on our financial condition, results of operations and cash flow; however, we do not expect the adoption of SFAS 159 to have a material impact on our financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations*. SFAS No. 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, any business combinations the Company engages in will be recorded and disclosed following existing GAAP until December 31, 2008. The Company expects SFAS No. 141R will have an impact on its consolidated financial statements when effective, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of acquisitions it consummates after the effect date. The Company is still assessing the impact of this standard on its future consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB 51*. SFAS No. 160 changes the accounting and reporting for minority interest. Minority interest will be recharacterized as noncontrolling interest and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interest that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. SFAS No. 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim period within those fiscal years, except for the presentation and disclosure requirements, which will apply retrospectively. This standard is not expected to have a material impact on the Company's future consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the year 2007, we were exposed to certain market risks arising from adverse changes in interest rates, primarily due to the potential effect of such changes on our variable rate loan arrangements with PNC and variable rate promissory note agreement with KeyBank National Association. The interest rates payable to PNC and KeyBank National Association are based on a spread over prime rate. If our floating rates of interest experienced an upward increase of 1%, our debt service would have increased by approximately $99,000 for the year ended December 31, 2007. As of December 31, 2007, we had no interest swap agreements outstanding.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained within this report may be deemed "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (collectively, the "Private Securities Litigation Reform Act of 1995"). All statements in this report other than a statement of historical fact are forward-looking statements that are subject to known and unknown risks, uncertainties and other factors, which could cause actual results and performance of the Company to differ materially from such statements. The words "believe," "expect," "anticipate," "intend," "will," and similar expressions identify forward-looking statements. Forward-looking statements contained herein relate to, among other things,

- ability or inability to continue and improve operations and achieve profitability on an annualized basis;
- ability to comply with our general working capital requirements;
- ability to retain or receive certain permits, licenses, or patents;
- ability to renew permits and licenses with minimal effort and costs;
- ability to be able to continue to borrow under our revolving line of credit;
- ability to meet our fixed charge coverage ratio in the future;
- in the event that we are unable to meet our fixed charge coverage ration in the future and we are unable to obtain a waiver for this non-compliance, our lender could accelerate the repayment of borrowing under our credit facility;
- we may not have sufficient liquidity to repay our debt under our credit facilities and other indebtedness in the event that our lender accelerates the repayment of borrowings under our credit facility;
- ability to generate sufficient cash flow from operations to fund all costs of operations;
- ability to close and remediate certain contaminated sites for projected amounts;
- our ability to develop or adopt new and existing technologies in the conduct of our operations;
- ability to fund budgeted capital expenditures during 2008 through our operations and lease financing;
- we are working toward permitting our DSSI facility for PCB destruction. The permit is expected by mid year 2008;
- we believe that there are no formidable barriers to entry into certain of the on-site treatment businesses, and certain of the non-hazardous waste operations, which do not require such permits;
- we believe that we are able to compete in the market based on our established reputation in these market areas and our expertise in several specific elements of environmental engineering and consulting such as environmental applications in the cement industry;
- we believe we maintain insurance coverage adequate for our needs and similar to, or greater than the coverage maintained by other companies of our size in the industry;
- under our insurance contracts, we usually accept self-insured retentions, which we believe is appropriate for our specific business risks;
- although we believe that we are currently in substantial compliance with applicable laws and regulations, we could be subject to fines, penalties or other liabilities or could be adversely affected by existing or subsequently enacted laws or regulations;
- due to the downturn in the economy and changes within the environmental insurance market, we have no guarantee that we will be able to obtain similar insurance in future years, or that the cost of such insurance will not increase materially;
- our inability to continue under existing contracts that we have with the federal government (directly or indirectly as a subcontractor) could have a material adverse effect on our operations and financial condition;
- as with most contracts relating to the federal government, LATA/Parallax and/or Fluor Hanford can terminate the contract with us at any time for convenience, which could have a material adverse effect on our operations;
- Our contract with LATA/Parallax is expected to be completed in September 2008;
- we believe that at least one third of DOE mixed waste contains organic components;

- if EnergySolutions should refuse to accept our waste or cease operations at its Clive, Utah facility, such would have a material adverse effect on us;
- we do not anticipate big fluctuations in our government receipts within 2008 even with the passing of the 2008 budget; however, we cannot provide assurance this will be the case;
- we believe that the range of waste management and environmental consulting, treatment, processing, and remediation services we provide affords us a competitive advantage with respect to certain of our more specialized competitors;
- we believe that the treatment processes we utilize offer a cost saving alternative to more traditional remediation and disposal methods offered by certain of our competitors;
- we currently have interested parties and are negotiating to sell certain facilities within our Industrial Segment, and we believe the material weakness will inherently be remediated;
- no further impairment to intangible assets;
- no expectation of material future inflationary changes;
- waste backlog will continue to fluctuate in 2008 depending on the complexity of waste streams and the timing of receipts and processing materials;
- the high levels of backlog material continue to position the segment well for increases in future processing revenue prospective;
- we do not believe we are dependent on any particular trademark in order to operate our business or any significant segment thereof;
- based on the current status of Corrective Action for the PFMI facility, we believe that the remaining reserve is adequate to cover the liability;
- despite our aggressive compliance and auditing procedure for disposal of wastes, we could further be notified, in the future, that we are a PRP at a remedial action site, which could have a material adverse effect;
- with the impending divestiture of our Industrial Segment, we anticipate the environmental liabilities for all the facilities will be part of the divestiture with the exception of PFM, PFD, and PFMI, which will remain the financial obligations of the Company. While no assurances can be made that we will be able to do so, we expect to fund the expenses to remediate the three sites from funds generated internally;
- we do not believe that any adverse changes to our estimates in environmental accrual would be material;
- we anticipate receiving the remaining reimbursement from our insurer by the end of the second quarter of 2008;
- we anticipate a full repayment of our Term Loan by June 2008 and Revolver by September 2009;
- we plan to fund any repurchases under our common stock repurchase plan through our internal cash flow and/or borrowing under our line of credit;
- the amendment to our present covenant to exclude certain allowable charges in determining our fixed charge coverage ratio will improve our ability to maintain compliance of the fixed charge coverage ratio in the future;
- we anticipate restructuring certain debt in 2008 to improve our working capital position;
- the acquisition of our PFNWR facility positions the Nuclear Segment future revenue stream well as the facility is located adjacent to the Hanford site, which represents one of the most expansive of DOE's nuclear weapons' facilities to remediate;
- cash to be received subject from the sale of remaining facilities/operations within our Industrial Segment (net of the collateralized portion held by our credit facility) will be used to reduce our term note, with any remaining cash used to reduce our revolver; and
- we anticipate most of these reserves being released when the Industrial Segment is sold, but should that not take place in the short term future, these reserves could have an adverse effect on our liquidity position;
- we believe the sale of PFSG will be completed by the end of May 2008;
- if we complete the sale of PFSG facility, we anticipate that the buyer will assume our obligation to remediate the facility;

- we are attempting to sell the other companies and/or operations within our Industrial Segment, but as of the date of this report, we have not entered into any agreements regarding these other companies or operations within our Industrial Segment;
- we do not expect the adoption of SFAS No. 157 and SFAS No. 159 to have a material impact on our financial position or result of operations;
- we do not expect standard in SFAS No. 160 to have a material impact on the Company's future consolidated financial statements;
- the Company expects SFAS No. 141R will have an impact on its consolidated financial statements when effective, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of acquisitions it consummates after the effect date;
- goal to improve our balance sheet, pay down debt and improve our liquidity;
- we expect to report a gain on sale of approximately $1,791,000 on the sale of PFMD in the first quarter of 2008;
- in the first quarter of 2008, we expect to report a gain of approximately $480,000 on the sale of PFD;
- obtaining waivers or revisions from our lender as to a financial covenant in our loan agreement; and
- doubt as to our ability to continue as a going concern.

While the Company believes the expectations reflected in such forward-looking statements are reasonable, it can give no assurance such expectations will prove to be 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:

- general economic conditions;
- material reduction in revenues;
- inability to collect in a timely manner a material amount of receivables;
- increased competitive pressures;
- the ability to maintain and obtain required permits and approvals to conduct operations;
- the ability to develop new and existing technologies in the conduct of operations;
- ability to retain or renew certain required permits;
- discovery of additional contamination or expanded contamination at any of the sites or facilities leased or owned by us or our subsidiaries which would result in a material increase in remediation expenditures;
- changes in federal, state and local laws and regulations, especially environmental laws and regulations, or in interpretation of such;
- potential increases in equipment, maintenance, operating or labor costs;
- management retention and development;
- financial valuation of intangible assets is substantially more/less than expected;
- the requirement to use internally generated funds for purposes not presently anticipated;
- inability to divest the majority of facilities/operations within our Industrial Segment;
- the inability to maintain the listing of our Common Stock on the NASDAQ;
- terminations of contracts with federal agencies or subcontracts involving federal agencies, or reduction in amount of waste delivered to us under these contracts or subcontracts;
- disposal expense accrual could prove to be inadequate in the event the waste requires retreatment; and
- Risk Factors contained in Item 1A of this report.

We undertake no obligations to update publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

Schedules Omitted

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

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Perma-Fix Environmental Services, Inc.
Atlanta, Georgia

We have audited the accompanying consolidated balance sheets of Perma-Fix Environmental Services, Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. In connection with the audits of the consolidated financial statements, we have also audited the financial statement schedule listed in the accompanying index. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Perma-Fix Environmental Services, Inc. and subsidiaries at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 13 to the consolidated financial statements, effective January 1, 2006, the Company adopted Statement of Financial Standard No. 123(R) Shared Based Payment.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 20 to the consolidated financial statements, the Company expects to be in default on its most significiant borrowings during 2008. The Company also has deficiencies in working capital. Together, these matters raise substantial doubt as to its ability to continue as a going concern. Management’s plan in regards to these matters is also described in Note 20. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Perma-fix Environmental Services, Inc. and subsidiaries’ internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 31, 2008, expressed an adverse opinion thereon.

/s/ BDO Seidman, LLP

Atlanta, Georgia
March 31, 2008

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

(Amounts in Thousands, Except for Share Amounts)	2007	2006
ASSETS		
Current assets:		
Cash	$ 102	$ 2,528
Restricted cash	35	35
Account receivable, net of allowance for doubtful accounts of $138 and $168	13,536	9,488
Unbilled receivables	10,321	12,313
Inventories	233	325
Prepaid expenses and other assets	3,170	4,451
Current asset related to discontinued operations	5,197	7,100
Total current assets	32,594	36,240
Property and equipment:		
Buildings and land	20,748	11,244
Equipment	31,140	20,599
Vehicles	141	141
Leasehold improvements	11,457	11,452
Office furniture and equipment	2,268	1,930
Construction-in-progress	1,639	4,609
	67,393	49,975
Less accumulated depreciation and amortization	(20,084)	(16,630)
Net property and equipment	47,309	33,345
Property and equipment related to discontinued operations	6,775	13,281
Intangibles and other assets:		
Permits	15,636	11,025
Goodwill	9,046	1,330
Unbilled receivables - non-current	3,772	2,600
Finite risk sinking fund	6,034	4,518
Other assets	2,496	1,954
Intangible and other assets related to discontinued operations	2,369	2,369
Total assets	$ 126,031	$ 106,662

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

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

(Amounts in Thousands, Except for Share Amounts)	2007	2006
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,010	$ 2,455
Current environmental accrual	225	453
Accrued expenses	9,207	4,750
Disposal/transportation accrual	6,677	3,368
Unearned revenue	4,978	3,575
Current liabilities related to discontinued operations	8,359	6,737
Current portion of long-term debt	15,292	2,092
Total current liabilities	49,748	23,430
Environmental accruals	251	348
Accrued closure costs	8,739	4,825
Other long-term liabilities	966	3,019
Long-term liabilities related to discontinued operations	3,590	3,895
Long-term debt, less current portion	2,724	5,407
Total long-term liabilities	16,270	17,494
Total liabilities	66,018	40,924
Commitments and Contingencies		
Preferred Stock of subsidiary, $1.00 par value; 1,467,396 shares authorized, 1,284,730 shares issued and outstanding, liquidation value $1.00 per share	1,285	1,285
Stockholders' equity:		
Preferred Stock, $.001 par value; 2,000,000 shares authorized, no shares issued and outstanding	—	—
Common Stock, $.001 par value; 75,000,000 shares authorized, 53,704,516 and 52,053,744 shares issued and outstanding	54	52
Additional paid-in capital	96,409	92,980
Stock subscription receivable	(25)	(79)
Accumulated deficit	(37,710)	(28,500)
Total stockholders' equity	58,728	64,453
Total liabilities and stockholders' equity	$ 126,031	$ 106,662

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

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

(Amounts in Thousands, Except for per Share Amounts)	2007	2006	2005
Net revenues	$ 54,102	$ 52,781	$ 50,098
Cost of goods sold	36,837	31,054	31,328
Gross profit	17,265	21,727	18,770
Selling, general and administrative expenses	15,406	14,320	12,136
Loss on disposal of fixed assets	71	48	6
Income from operations	1,788	7,359	6,628
Other income (expense):			
Interest income	312	280	126
Interest expense	(1,302)	(1,241)	(1,502)
Interest expense – financing fees	(196)	(192)	(318)
Other	(85)	(55)	(1)
Income from continuing operations before income taxes	517	6,151	4,933
Income tax expense	—	507	432
Income from continuing operations	517	5,644	4,501
Loss from discontinued operations, net of taxes	(9,727)	(933)	(762)
Net (loss) income	(9,210)	4,711	3,739
Preferred stock dividends	—	—	(156)
Net (loss) income applicable to Common Stock	$ (9,210)	$ 4,711	$ 3,583
Net income (loss) per common stockholders – basic:			
Continuing operations	$ .01	$ .12	$ .10
Discontinued operations	(.19)	(.02)	(.02)
Net (loss) income per common share	$ (.18)	$ .10	$ .08
Net income (loss) per common share – diluted:			
Continuing operations	$ .01	$ .12	$ .10
Discontinued operations	(.18)	(.02)	(.02)
Net (loss) income per common share	$ (.17)	$ .10	$ .08
Number of common shares used in computing net income (loss) per share:			
Basic	52,549	48,157	42,605
Diluted	53,294	48,768	44,804

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

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

(Amounts in Thousands)	2007	2006	2005
Cash flows from operating activities:			
Net (loss) income	$ (9,210)	$ 4,711	$ 3,739
Loss on discontinued operations	9,727	933	762
Income from continuing operations	517	5,644	4,501
Adjustments to reconcile net income (loss) to cash provided by operations:			
Depreciation and amortization	3,867	3,046	2,900
Provision (benefit) for bad debt and other reserves	82	(59)	168
Loss on disposal or impairment of plant, property and equipment	71	48	6
Issuance of common stock for services	391	172	175
Share based compensation	457	338	—
Changes in operating assets and liabilities of continuing operations, net of effect from business acquisitions:			
Accounts receivable	(1,836)	946	(241)
Unbilled receivables	820	(3,502)	(3,171)
Prepaid expenses, inventories and other assets	2,078	(1,600)	92
Accounts payable, accrued expenses and unearned revenue	(520)	(2,065)	396
Cash provided by continuing operations	5,927	2,968	4,826
Cash provided by (used in) discontinued operations	771	(551)	2,656
Cash provided by operating activities	6,698	2,417	7,482
Cash flows from investing activities:			
Purchases of property and equipment	(2,724)	(5,448)	(1,356)
Proceeds from sale of plant, property and equipment	13	—	1
Change in restricted cash, net	—	435	(460)
Change in finite risk sinking fund	(1,516)	(1,179)	(1,114)
Cash used for acquisition consideration, net of cash acquired	(2,991)	—	—
Cash used in investing activities of continuing operations	(7,218)	(6,192)	(2,929)
Cash (used in) provided by discontinued operations	(359)	(650)	405
Net cash used in investing activities	(7,577)	(6,842)	(2,524)
Cash flows from financing activities:			
Net borrowings (repayments) of revolving credit	6,851	(2,447)	(4,033)
Principal repayments of long term debt	(8,504)	(2,290)	(5,766)
Proceeds from issuance of long-term debt	—	—	4,417
Proceeds from issuance of stock	418	12,053	1,106
Repayment of stock subscription receivable	54	26	—
Cash (used in) provided by financing activities of continuing operations	(1,181)	7,342	(4,276)
Principal repayment of long-term debt for discontinued operations	(366)	(404)	(715)
Cash (used in) provided by financing activities	(1,547)	6,938	(4,991)
(Decrease) increase in cash	(2,426)	2,513	(33)
Cash at beginning of period	2,528	15	48
Cash at end of period	$ 102	$ 2,528	$ 15

Supplemental disclosure:			
Interest paid	$ 1,090	$ 982	$ 1,178
Income taxes paid	311	276	316
Non-cash investing and financing activities:			
Interest rate swap valuation	—	—	41
Long-term debt incurred for purchase of property and equipment	614	94	517

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

PERMA-FIX ENVIRONMENTAL SERVICES, INC
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the years ended December 31,
(Amounts in Thousands, Except for Share Amounts)

	Preferred Stock		Common Stock		Additional Paid-In	Stock Subscription	Accumulated	Interest Rate	Common Stock Held In Hand	Total Stockholders'
	Stock	Amount	Shares	Amount	Capital	Receivable	Deficit	Swap	Treasury	Equity
Balance at December 31, 2004	2,500	$ —	42,749,117	$ 43	$ 80,902	$ —	$ (36,794)	$ (41)	$ (1,862)	$ 42,248
Comprehensive income										
Net income	—	—	—	—	—	—	3,739	—	—	3,739
Other comprehensive income:										
Interest rate swap	—	—	—	—	—	—	—	41	—	41
Comprehensive income										3,780
Preferred stock dividends	—	—	—	—	—	—	(156)	—	—	(156)
Issuance of Common Stock upon conversion of Preferred Stock	(2,500)	—	1,666,667	2	(2)		—	—	—	—
Issuance of Common Stock for cash and services	—	—	144,566	—	274	—	—	—	—	274
Exercise of Warrants and Options	—	—	1,253,566	1	1,006	—	—	—	—	1,007
Balance at December 31, 2005	—	$ —	45,813,916	$ 46	$ 82,180	$ —	$ (33,211)	$ —	$ (1,862)	$ 47,153
Net income	—	—	—	—	—	—	4,711	—	—	4,711
Retirement of Treasury Stock	—	—	(988,000)	(1)	(1,861)	—	—	—	1,862	—
Issuance of Common Stock for cash and services	—	—	121,038	—	216	—	—	—	—	216
Issue Stock Subscription Receivable	—	—	60,000	—	—	(105)	—	—	—	(105)
Repayment of Stock Subscription Receivable	—	—	—	—	—	26	—	—	—	26
Issuance of Common Stock upon exercise of Warrants and Options	—	—	7,046,790	7	12,107	—	—	—	—	12,114
Share Based Compensation	—	—	—	—	338	—	—	—	—	338
Balance at December 31, 2006	—	$ —	52,053,744	$ 52	$ 92,980	$ (79)	$ (28,500)	$ —	$ —	$ 64,453
Net Loss	—	—	—	—	—	—	(9,210)	—	—	(9,210)
Issuance of Common Stock for services	—	—	143,005	—	391	—	—	—	—	391
Common Stock Issued in conjunction with acquisition	—	—	709,207	1	2,164	—	—	—	—	2,165
Repayment of Stock Subscription Receivable	—	—	—	—	—	54	—	—	—	54
Issuance of Common Stock upon exercise of Options and Warrants	—	—	798,560	1	417	—	—	—	—	418
Share Based Compensation			—		457	—	—	—	—	457
Balance at December 31, 2007	—	$ —	53,704,516	$ 54	$ 96,409	$ (25)	$ (37,710)	$ —	$ —	$ 58,728

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

NOTE 1
DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Perma-Fix Environmental Services, Inc. (the Company, which may be referred to as we, us, or our), an environmental and technology know-how company, is a Delaware corporation, engaged through its subsidiaries, in:

- Nuclear Waste Management Services ("Nuclear" or "Nuclear Segment"), which includes:
  - Treatment, storage, processing and disposal of mixed waste (waste that is both low-level radioactive and hazardous) which includes on and off-site waste remediation and processing;
  - Nuclear, low-level radioactive, hazardous and non-hazardous waste treatment, processing and disposal; and
  - Research and development of innovative ways to process low-level radioactive and mixed waste.
- Consulting Engineering Services ("Engineering" or "Engineering Segment"), which includes:
  - Broad-scope environmental issues, including environmental management programs, regulatory permitting, compliance and auditing, landfill design, field testing and characterization.

On May 18, 2007, our Board of Directors authorized the divestiture of our Industrial Segment. Our Industrial Segment provides treatment, storage, processing, and disposal of hazardous and non-hazardous waste, wastewater management services, and environmental services, which includes emergency response, vacuum services, marine environmental and other remediation services. The decision to sell our Industrial Segment is based on our belief that our Nuclear Segment represents a sustainable long-term growth driver of our business. During 2007, we have entered into several letters of intent to sell various portions of our Industrial Segment. All of the letters of intent have expired or terminated without being completed, except for the following: we completed, on January 8, 2008, the sale of substantially all of the assets of Perma-Fix Maryland, Inc. ("PFMD") for $3,825,000 in cash, subject to a working capital adjustment during 2008, and assumption by the buyer of certain liabilities of PFMD, and during March, 2008, we completed the sale of substantially all of the assets of Perma-Fix of Dayton, Inc. ("PFD") for approximately $2,143,000 in cash, subject to certain working capital adjustments after the closing, plus assumption by the buyer of certain of PFD's liabilities and obligations, (including, without limitation, certain of PFD's obligations under the Settlement Agreement entered into by PFD in connection with the settlement of plaintiff's claims under the Fisher Lawsuit, as discussed and defined in "Legal Proceedings", and approximately $562,000 in PFD's obligations for and relating to supplemental environmental projects that PFD is obligated to perform under the Consent Decree entered into with the federal government in settlement of the Government's Lawsuit as discussed and defined in "Legal Proceedings") in connection with the Fisher Lawsuit (see "Note 19 – Subsequent Event - Divestitures" for terms of the sales) . We are negotiating the sale of Perma-Fix South Georgia, Inc. ("PFSG") and we anticipate that it will be completed by the end of May 2008. The terms of the sale of PFSG are subject to being finalized. We are attempting to sell the other companies and/or operations within our Industrial Segment, but as of the date of this report, we have not entered into any agreements regarding these other companies or operations within our Industrial Segment. As a result of the proposed divestiture of the facilities/operations within our Industrial Segment, we have classified approximately $14,341,000 of assets as held for sale. The assets held for sale are subject to further adjustments pending us entering into definitive purchase agreement with a buyer on the proposed sale of PFSG and other future definitive purchase agreements entered into on our other remaining facilities within our Industrial Segment.

At May 25, 2007, the Industrial Segment met the held for sale criteria under Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", and therefore, certain assets and liabilities of the Industrial Segment are reclassified as discontinued operations in the Consolidated Balance Sheets, and we have ceased depreciation of the Industrial Segment's long-lived assets classified as held for sale. The results of operations and cash flows of the Industrial Segment have been reported in the Consolidated Financial Statements as discontinued operations for all periods presented. The criteria which the Company based its decision in reclassifying its Industrial Segment as discontinued operations is as follows: (1) the Company has the ability and authority to sell certain or all of the facilities within the Industrial Segment; (2) the facilities are available for sale in its present condition; (3) the sale of the facilities is probable and is expected to occur within one year, subject to certain circumstances; (4) the facilities are being actively marketed at its fair value; and (5) the Company's actions to finalize the disposal of the facilities are unlikely to change significantly.

We believe the divestiture of certain facilities within our Industrial Segment has not occurred within the anticipated time period due to the current state of our economy which has impacted potential buyers' ability to obtain financing. In addition, the original LOI entered between us and a potential buyer included the majority of the companies within our Industrial Segment. This sale did not materialize, leading us to pursue the potential sale of each company individually. Although this process has taken more time than anticipated for numerous reasons, we continue to market the facilities within our Industrial Segment for eventual sale.

We are subject to certain risks as we are involved in the treatment, handling, storage and transportation of hazardous and non-hazardous, mixed and industrial wastes and wastewater. Such activities contain risks against which we believe we are adequately insured.

Our consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries as follows:

Continuing Operations: Schreiber, Yonley and Associates ("SYA"), Diversified Scientific Services, Inc. ("DSSI"), East Tennessee Materials & Energy Corporation ("M&EC"), Perma-Fix of Florida, Inc. ("PFF"), and effective June 13, 2007, our newly acquired subsidiary, Perma-Fix of Northwest Richland, Inc. ("PFNWR").

Discontinued Operations (See "Note 6"): The subsidiaries that comprise the Industrial Segment: Perma-Fix Treatment Services, Inc. ("PFTS"), Perma-Fix of Dayton, Inc. ("PFD"), Perma-Fix of Ft. Lauderdale, Inc. ("PFFL"), Perma-Fix of Orlando, Inc. ("PFO"), Perma-Fix of South Georgia, Inc. ("PFSG"), Perma-Fix of Maryland, Inc. ("PFMD"), and two non-operational facilities, Perma-Fix of Michigan, Inc. ("PFMI"), and Perma-Fix of Pittsburgh, Inc. ("PFP").

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation
Our consolidated financial statements include our accounts and those of our wholly-owned subsidiaries after elimination of all significant intercompany accounts and transactions.

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

Use of Estimates
When we prepare financial statements in conformity with generally accepted accounting principles in the United States of America, we make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as, the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. See Notes 6, 10, 11, and 14 for estimates of discontinued operations, closure costs, environmental liabilities and contingencies for details on significant estimates.

Restricted Cash
Restricted cash reflects $35,000 held in escrow for our workers' compensation policy.

Investments
Management determines the appropriate classification of its investments at the time of acquisition and re-evaluates such determination at each balance sheet date. The Company accounts for its investments in debt and equity securities under Statement of Financial Accounting Standards ("SFAS") 115, "Accounting for Certain Investments in Debt and Equity Securities" which requires certain securities to be categorized as either trading, available-for-sale, or held-to-maturity. Available-for-sale securities are carried at fair value, with unrealized gains and losses, net of tax, reported as a separate component of stockholders' equity. Investments classified as held-to-maturity are carried at amortized cost. The Company owned 24,000 shares of the Common Stock of IsoRay Inc. in connection with the acquisition of Nuvotec USA, Inc. (n/k/a Perma-Fix of Northwest, Inc.) and its subsidiary, which was valued at $121,000 at acquisition. The stocks are classified as trading securities with unrealized gains and losses included in earnings. The Company reviews its investments quarterly for declines in market value that are other than temporary. Investments that have declined in market value that are determined to be other than temporary, are charged to other income by writing that investment down to market value. In the fourth quarter of 2007, the Company sold the 24,000 shares of IsoRay, Inc and received proceeds of $50,000. For the year ended December 31, 2007, we recognized a loss of approximately $71,000 for these shares.

Accounts Receivable
Accounts receivable are customer obligations due under normal trade terms requiring payment within 30 or 60 days from the invoice date based on the customer type (government, broker, or commercial). Account balances are stated by invoice at the amount billed to the customer. Payments of accounts receivable are made directly to a lockbox and are applied to the specific invoices stated on the customer's remittance advice. The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts, which is a valuation allowance that reflects management's best estimate of the amounts that will not be collected. We regularly review all accounts receivable balances that exceed 60 days from the invoice date and based on an assessment of current credit worthiness, estimate the portion, if any, of the balance that will not be collected. This analysis excludes government related receivables due to our past successful experience in their collectibility. Specific accounts that are deemed to be uncollectible are reserved at 100% of their outstanding balance. The remaining balances aged over 60 days have a percentage applied by aging category (5% for balances 61-90 days, 20% for balances 91-120 days and 40% for balances over 120 days aged), based on a historical valuation, that allows us to calculate the total reserve required. Once we have exhausted all options in the collection of a delinquent accounts receivable balance, which includes collection letters, demands for payment, collection agencies and attorneys, the account is deemed uncollectible and subsequently written off. The write off process involves approvals, based on dollar amount, from senior management.

Unbilled Receivables
Unbilled receivables are generated by differences between invoicing timing and the percentage of completion methodology used for revenue recognition purposes. As major processing and milestone phases are completed and the costs incurred, we recognize the corresponding percentage of revenue. We experience delays in processing invoices due to the complexity of the documentation that is required for invoicing, as well as, the difference between completion of revenue recognition milestones and agreed upon invoicing terms, which results in unbilled receivables. The timing differences occur for several reasons. Partially from delays in the final processing of all wastes associated with certain work orders and partially from delays for analytical testing that is required after we have processed waste but prior to our release of waste for disposal. The difference also occurs due to our end disposal sites requirement of pre-approval prior to our shipping waste for disposal and our contract terms with the customer that we dispose of the waste prior to invoicing. These delays usually take several months to complete but are normally considered collectible within twelve months. As we now have historical data to review the timing of these delays, we realize that certain issues, including but not limited to delays at our third party disposal site, can postpone

and delay the collection of some of these receivables greater than twelve months. However, our historical experience suggests that a significant part of unbilled receivables are ultimately collectible with minimal concession on our part. We therefore, segregate the unbilled receivables between current and long term.

Inventories
Inventories consist of treatment chemicals, salable used oils, and certain supplies. Additionally, we have replacement parts in inventory, which are deemed critical to the operating equipment and may also have extended lead times should the part fail and need to be replaced. Inventories are valued at the lower of cost or market with cost determined by the first-in, first-out method.

Property and Equipment
Property and equipment expenditures are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets for financial statement purposes, while accelerated depreciation methods are principally used for income tax purposes. Generally, annual depreciation rates range from ten to forty years for buildings (including improvements and asset retirement costs) and three to seven years for office furniture and equipment, vehicles, and decontamination and processing equipment. Leasehold improvements are capitalized and amortized over the lesser of the term of the lease or the life of the asset. Maintenance and repairs are charged directly to expense as incurred. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts, and any gain or loss from sale or retirement is recognized in the accompanying consolidated statements of operations. Renewals and improvements, which extend the useful lives of the assets, are capitalized. Included within buildings is an asset retirement obligation, which represents our best estimate of the cost to close, at some undetermined future date, our permitted and/or licensed facilities. The asset retirement cost was originally recorded at $4,559,000 and depreciates over the estimated useful life of the property. In 2007, as result of the acquisition of PNFWR, we recorded an additional asset retirement obligation cost of $3,768,000, which has been depreciated over the estimated useful life of the property.

In accordance with Statement 144, long-lived assets, such as property, plant and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

As result of the approved divestiture of our Industrial Segment by our Board of Directors in 2007 and based on the pricing reflected in the various LOIs we received, we performed updated financial valuations of certain of our long-lived on the Industrial Segment to test for impairment as required by Statement of Financial Accounting Standards 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Our analysis included the comparison of the offered sale price less cost to sell to the carrying value of the investment under each LOI separately in the Industrial Segment. Based on our analysis, we concluded that the carrying value of the tangible assets for Perma-Fix Dayton, Inc., Perma-Fix of Treatment Services, Inc., Perma-Fix of Orlando, Inc., and Perma-Fix of South Georgia, Inc. facilities exceeded its fair value, less cost to sell. Consequently, we recorded $2,727,000, $1,804,000, $507,000 and $1,329,000, respectively, in tangible asset impairment loss for each of the facilities, which are included in "loss from discontinued operations, net of taxes" on our Consolidated Statements of Operations for the year ended December 31, 2007.

Capitalized Interest

The Company's policy is to capitalize interest cost incurred on debt during the construction of major projects exceeding one year. A reconciliation of our total interest cost to "Interest Expense" as reported on our consolidated statements of operations for 2007, 2006 and 2005 is as follows:

(Amounts in Thousands)	2007	2006	2005
Interest cost capitalized	$ 144	$ —	$ —
Interest cost charged to income	1,302	1,241	1,502
Total Interest Expense	$ 1,446	$ 1,241	$ 1,502

Goodwill and Other Intangible Assets

Intangible assets relating to acquired businesses consist primarily of the cost of purchased businesses in excess of the estimated fair value of net identifiable assets acquired ("goodwill") and the recognized permit value of the business. Goodwill and intangible assets that have indefinite useful lives are tested annually for impairment, or more frequently if triggering events occur or other impairment indicators arise which might impair recoverability. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. For goodwill, the impairment determination is made at the Reporting unit and consists of two steps. First, the Company determines the fair value of a reporting unit and compares it to its carrying amount. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of the goodwill. The implied value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with SFAS Statement No. 141, *Business Combinations*. Our annual financial valuations performed as of October 1, 2007, 2006, and 2005, indicated no impairments. The Company estimates the fair value of our reporting units using a discounted cash flow valuation approach. This approach is dependent on estimates for future sales, operating income, working capital changes, and capital expenditures, as well as, expected growth rates for cash flows and long-term interest rates, all of which are impacted by economic conditions related to our industry as well as conditions in the U.S. capital (see "Note 4" for further discussion on goodwill and other intangible assets).

As a result of classifying our Industrial Segment as discontinued operations in 2007, we performed internal financial valuations on the selected intangible assets of the Industrial Segment as a whole, based on the LOIs received, to test for impairment as required by SFAS 142. We concluded that no intangible impairments of goodwill or intangible assets existed as of October 1, 2007 or December 31, 2007.

Accrued Closure Costs

Accrued closure costs represent our estimated environmental liability to clean up our facilities as required by our permits, in the event of closure.

SFAS No. 143, *Accounting for Asset Retirement Obligations*, ("SFAS 143") requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made, and that the associated asset retirement costs be capitalized as part of the carrying amount of the long-lived asset. In conjunction with the state mandated permit and licensing requirements, we are obligated to determine our best estimate of the cost to close, at some undetermined future date, our permitted and/or licensed facilities. We subsequently increase this liability as a result of changes to the facility and/or for inflation. The associated asset retirement cost is recorded as property and equipment (buildings). We are depreciating the asset retirement cost on a straight-line basis over its estimated useful life of 40 years.

Income Taxes

The provision for income taxes is determined in accordance with SFAS No. 109, *Accounting for Income Taxes*. Under this method, deferred tax assets and liabilities are recognized for future tax consequences attributed to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Any effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In July 2006, the FASB issued FIN 48, *Accounting for Uncertainty in Income Taxes*, which attempts to set out a consistent framework for preparers to use to determine the appropriate level of tax reserve to maintain for uncertain tax positions. This interpretation of FASB Statement No. 109 uses a two-step approach wherein a tax benefit is recognized if a position is more-likely-than-not to be sustained. The amount of the benefit is then measured to be the highest tax benefit which is greater than 50% likely to be realized. FIN 48 also sets out disclosure requirements to enhance transparency of an entity's tax reserves. The Company adopted this Interpretation as of January 1, 2007. The adoption of FIN 48 did not have a material impact on our financial statements.

Gross Receipts Taxes and Other Charges

We adopted EITF Issue No. 06-03, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should be Presented in the Income Statement*, (EITF 06-03), for the year ended December 31, 2006. EITF 06-03 provides guidance regarding the accounting and financial statement presentation for certain taxes assessed by a governmental authority. These taxes and surcharges include, among others, universal service fund charges, sales, use, waste, and some excise taxes. In determining whether to include such taxes in our revenue and expenses, we assess, among other things, whether we are the primary obligor or principal taxpayer for the taxes assessed in each jurisdiction where we do business. As we are merely a collection agent for the government authority in certain of our facilities, we record the taxes on a net method and do not include them in our revenue and cost of services. The adoption of EITF 06-03 did not change our accounting for these taxes.

Comprehensive Income

Comprehensive income is defined as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income has two components, net income and other comprehensive income, and is included on the balance sheet in the equity section. Our other comprehensive income consisted of the market value of the interest rate swap. For more information see Interest Rate Swap policy below.

Revenue Recognition

Nuclear revenues. The processing of mixed waste is complex and may take several months or more to complete, as such we recognize revenues on a percentage of completion basis with our measure of progress towards completion determined based on output measures consisting of milestones achieved and completed. We have waste tracking capabilities, which we continue to enhance, to allow us to better match the revenues earned to the processing phases achieved. The revenues are recognized as each of the following three processing phases are completed: receipt, treatment/processing and shipment/final disposal. However, based on the processing of certain waste streams, the treatment/processing and shipment/final disposal phases may be combined as they are completed concurrently. As major processing phases are completed and the costs incurred, we recognize the corresponding percentage of revenue. We experience delays in processing invoices due to the complexity of the documentation that is required for invoicing, as well as the difference between completion of revenue recognition milestones and agreed upon invoicing terms, which results in unbilled receivables. The timing differences occur for several reasons, partially from delays in the final processing of all wastes associated with certain work orders and partially from delays for analytical testing that is required after we have processed waste but prior to our release of waste for disposal. The difference also occurs due to our end disposal sites requirement of preapproval prior to our shipping waste for disposal and our contract terms with the customer that we dispose of the waste prior to invoicing. As the waste moves through these processing phases and revenues are recognized, the correlating costs are expensed as incurred. Although we use our best estimates and all available information to accurately determine these disposal expenses, the risk does exist that these estimates could prove to be inadequate in the event the waste requires retreatment. Furthermore, should the waste be returned to the generator, the related receivables could be uncollectible; however, historical experience has not indicated this to be a material uncertainty.

Consulting revenues. Consulting revenues are recognized as services are rendered. The services provided are based on billable hours and revenues are recognized in relation to incurred labor and consulting costs. Out of pocket costs reimbursed by customers are also included in revenues.

Self-Insurance
We are self-insured for a significant portion of our group health. The Company estimates expected losses based on statistical analyses of historical industry data, as well as our own estimates based on the Company's actual historical data to determine required self-insurance reserves. The assumptions are closely reviewed, monitored, and adjusted when warranted by changing circumstances. The estimated accruals for these liabilities could be affected if actual experience related to the number of claims and cost per claim differs from these assumptions and historical trends. Based on the information known on December 31, 2007, we believe we have provided adequate reserves for our self-insurance exposure. As of December 31, 2007 and 2006, self-insurance reserves were $736,000 and $511,000, respectively, and were included in accrued expenses in the accompanying consolidated balance sheets. The total amounts expensed for self-insurance during 2007, 2006, and 2005 were $2,657,000, $1,561,000 and $1,692,000, respectively, for our continuing operations, and $1,493,000, $1,307,000, and $1,782,000 for our discontinued operations, respectively.

Share-Based Compensation
On January 1, 2006, we adopted Financial Accounting Standards Board ("FASB") Statement No. 123 (revised) ("SFAS 123R"), *Share-Based Payment*, a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, superseding APB Opinion No. 25, *Accounting for Stock Issued to Employees,* and its related implementation guidance. This Statement establishes accounting standards for entity exchanges of equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statement of operations based on their fair values. Pro forma disclosure is no longer an alternative upon adopting SFAS 123R.

We adopted SFAS 123R utilizing the modified prospective method in which compensation cost is recognized beginning with the effective date based on SFAS 123R requirements for all (a) share-based payments granted after the effective date and (b) awards granted to employees prior to the effective date of SFAS 123R that remain unvested on the effective date. In accordance with the modified prospective method, the consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R.

Before our adoption of SFAS 123R in January 1, 2006, the Company previously accounted for stock option grants under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees ("APB 25") and related interpretations and disclosure requirements established by SFAS 123.

Prior to our adoption of SFAS 123R, on July 28, 2005, the Compensation and Stock Option Committee of the Board of Directors approved the acceleration of vesting for all the outstanding and unvested options to purchase Common Stock awarded to employees as of the approval date. The Board of Directors approved the accelerated vesting of these options based on the belief that it was in the best interest of our stockholders to reduce future compensation expense that would otherwise be required in the statement of operations upon adoption of SFAS 123R, effective beginning January 1, 2006. The accelerated vesting triggered the re-measurement of compensation cost under current accounting standards. See "Note 3 – Share Based Compensation" for further detail of SFAS 123R and the impact on our financial statement.

Prior to the adoption of SFAS 123R, we furnished the pro forma disclosures required under SFAS No. 123, as amended by SFAS No. 148, "*Accounting for Stock-Based Compensation — Transition and Disclosures*". Employee stock-based compensation expense recognized under SFAS 123R was not reflected in our results of operations for the year ending December 2005 for employee stock option grants as all options were granted with an exercise price equal to the market value of the underlying Common Stock on the date of grant. Previously reported amounts have not been restated. See "Note 3 – Share Based Compensation" for impact of SFAS 123R on our financial statement.

Under the accounting provisions of SFAS 123, our net income and net income per share would have been reduced to the pro forma amounts indicated below (in thousands except for per share amounts):

	2005
Income from continuing operations, applicable to Common Stock, as reported	$ 4,345
Deduct: Total Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effect	(727)
Pro forma income from continuing operations applicable to Common Stock	$ 3,618
Earnings per share from continuing operations	
Basic – as reported	$ .10
Basic – pro-forma	$ .09
Diluted – as reported	$ .10
Diluted – pro-forma	$ .09

Net Income (Loss) Per Share

Basic earnings per share excludes any dilutive effects of stock options, warrants, and convertible preferred stock. In periods where they are anti-dilutive, such amounts are excluded from the calculations of dilutive earnings per share.

The following is a reconciliation of basic net income (loss) per share to diluted net income (loss) per share for the years ended December 31, 2007, 2006, and 2005:

(Amounts in Thousands, Except for Per Share Amounts)	2007	2006	2005
Earnings per share from continuing operations			
Income from continuing operations	$ 517	$ 5,644	$ 4,501
Preferred stock dividends	—	—	(156)
Income from continuing operations applicable to Common Stock	517	5,644	4,345
Common Stock			
Effect of dilutive securities:			
Preferred Stock dividends	—	—	156
Income – diluted	$ 517	$ 5,644	$ 4,501
Basic income per share	$ .01	$ .12	$ .10
Diluted income per share	$ .01	$ .12	$ .10
Loss per share from discontinued operations			
Loss – basic and diluted	$ (9,727)	$ (933)	$ (762)
Basic loss per share	$ (.19)	$ (.02)	$ (.02)
Diluted loss per share	$ (.18)	$ (.02)	$ (.02)
Weighted average common shares outstanding – basic	52,549	48,157	42,605
Potential shares exercisable under stock option plans	745	286	268
Potential shares upon exercise of Warrants	—	325	689
Potential shares upon conversion of Preferred Stock	—	—	1,242
Weighted average shares outstanding – diluted	53,294	48,768	44,804
Potential shares excluded from above weighted average share calculations due to their anti-dilutive effect include:			
Upon exercise of options	132	1,030	1,308
Upon exercise of Warrants	—	1,776	1,776
Upon conversion of Preferred Stock	—	—	—

Interest Rate Swap

We entered into an interest rate swap agreement effective December 22, 2000, to modify the interest characteristics of our outstanding debt from a floating basis to a fixed rate, thus reducing the possible impact of interest rate changes on future income. This agreement involved the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreement without an exchange of the underlying principal amount. The differential to be paid or received was accrued as interest rates changed and recognized as an adjustment to interest expense related to the debt. The related amount payable to or receivable from counter parties was included in other assets or liabilities. During the year ended December 31, 2005, we recorded a gain on the interest rate swap of $41,000, which was included in other comprehensive income on the Statement of Stockholders' Equity. The interest rate swap agreement expired in December 2005.

Fair Value of Financial Instruments
The carrying values of cash, trade accounts receivable, trade accounts payable, accrued expenses and unearned revenues approximate their fair values principally because of the short-term maturities of these financial instruments. The fair value of our long-term debt is estimated based on the current rates offered to us for debt of similar terms and maturities. Under this method, the fair value of long-term debt was not significantly different from the stated carrying value at December 31, 2007 and 2006. The carrying value of our subsidiary's preferred stock is not significantly different than its fair value.

Recent Accounting Pronouncements
In September 2006, the FASB issued SFAS 157, "Fair Value Measurements". SFAS 157 simplifies and codifies guidance on fair value measurements under generally accepted accounting principles. This standard defines fair value, establishes a framework for measuring fair value and prescribes expanded disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, with early adoption permitted; however the FASB has deferred the implementation of the provision of SFAS 157 relating to nonfinancial assets and liabilities until January 1, 2009. We are currently evaluating the effect, if any, the adoption of SFAS 157 will have on our financial condition, results of operations and cash flow; however, we do not expect the adoption of SFAS 157 to have a material impact on our financial position or results of operations.

In February 2007, the FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities". SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunities to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November, 15, 2007. We are currently evaluating the effect, if any, the adoption of SFAS 159 will have on our financial condition, results of operations and cash flow; however, we do not expect the adoption of SFAS 159 to have a material impact on our financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations*. SFAS No. 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, any business combinations the Company engages in will be recorded and disclosed following existing GAAP until December 31, 2008. The Company expects SFAS No. 141R will have an impact on its consolidated financial statements when effective, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of acquisitions it consummates after the effect date. The Company is still assessing the impact of this standard on its future consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB 51*. SFAS No. 160 changes the accounting and reporting for minority interest. Minority interest will be recharacterized as noncontrolling interest and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interest that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. SFAS No. 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim period within those fiscal years, except for the presentation and disclosure requirements, which will apply retrospectively. This standard is not expected to have as material impact on the Company's future consolidated financial statements.

NOTE 3
SHARE BASED COMPENSATION

On January 1, 2006, we adopted Financial Accounting Standards Board ("FASB") Statement No. 123 (revised) ("SFAS 123R"), *Share-Based Payment*, a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, superseding APB Opinion No. 25, *Accounting for Stock Issued to Employees,* and its related implementation guidance. We adopted SFAS 123R utilizing the modified prospective method in which compensation cost is recognized beginning with the effective date based on SFAS 123R requirements for all (a) share-based payments granted after the effective date and (b) awards granted to employees prior to the effective date of SFAS 123R that remain unvested on the effective date. In accordance with the modified prospective method, the consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R.

As of December 31, 2007, we had 2,014,026 employee stock options outstanding, which included 1,221,359 that were outstanding and fully vested at December 31, 2005, 726,000 of the 878,000 employee stock options approved and granted on March 2, 2006, of which 235,333 are vested, and 66,667 of the 100,000 employee stock options approved and granted on May 15, 2006, of which 33,333 became vested and were exercised on May 15, 2007. The weighted average exercise price of the 1,456,692 outstanding and fully vested employee stock options is $1.84 with a weighted average remaining contractual life of 3.95 years. The employee stock options outstanding at December 31, 2005 are ten year options, issuable at exercise prices from $1.25 to $2.19 per share, and expiration dates from October 14, 2008 to October 28, 2014. The employee stock option grants in March and May 2006 are six year options with a three year vesting period, with exercise prices from $1.85 to $1.86 per share. We did not grant any employee stock options for the year ended December 31, 2007. The fair value of the employee options which vested in 2007, 2006, and 2005 totalled $239,714, $0, and $0, respectively.

Additionally, we have 576,000 outstanding director stock options, of which 102,000 were newly granted during the year ended December 31, 2007, which are ten year options with an exercise price of $2.95 and vesting period of six months, resulting from the election of our Board of Directors on August 2, 2007. The fair value of the 102,000 option grant was $234,223. The weighted average exercise price of the 474,000 exercisable director stock options outstanding as of December 31, 2007, is $1.97 with a weighted average contractual life of 5.85 years. The director stock options outstanding as of December 31, 2007 are ten year options, issuable at exercise prices ranging from $1.22 to $2.98 per share and expiration dates from May 20, 2008 to August 2, 2017. The fair value of the director options which vested in 2007, 2006, and 2005, totalled $156,815, $11,425, and $0, respectively.

For the year ended December 31, 2007, we recognized share based compensation expense totaling approximately $242,000 for employee stock options grants of March 2, 2006 and May 15, 2006, as compared to $194,000 for the same period ended December 31, 2006. For the stock option grants on March 2, 2006 and May 15, 2006, we estimated compensation expense based on the fair value at grant date using the Black-Scholes valuation model, and have recognized compensation expense using a straight-line amortization method over the three year vesting period. As SFAS 123R requires that stock-based compensation expense be based on options that are ultimately expected to vest, approximately $30,000 of the $242,000 share based compensation expense recognized above for the twelve months ended December 31, 2007, was the result of the difference between our estimated forfeiture rate of 5.7% and the actual forfeiture rate of 1.7% for the first year vesting of our March 2, 2006 employee option grant. We have estimated a forfeiture rate of 8.5% for the second year vesting of our March 2, 2006 employee option grant.

When estimating forfeitures, we consider trends of actual option forfeitures. The forfeiture rates are evaluated, and revised as necessary. We recognized approximately $215,000 of share based compensation expense for our director options for the year ended December 31, 2007 as compared to $144,000 for the corresponding period ended December 31, 2006. For the director option grants on August 2, 2007, we have estimated compensation expense based on the fair value at grant date using the Black-Scholes valuation model, and have recognized compensation expense using a straight-line amortization method over the six month vesting period. In total, the share based compensation expense for the year ended December 31, 2007 for our director and employee stock options impacted our results of operations by $457,000 as compared to $338,000 for the corresponding period ended December 31, 2006. We have approximately $457,000 of total unrecognized compensation cost related to unvested options as of December 31, 2007, of which $262,000 will be recognized in 2008 and the remaining $195,000 in 2009.

For the director option grant of August 2, 2007, we calculated a fair value of $2.30 for each option grant with the following assumptions using the Black-Scholes option pricing model: no dividend yield; an expected life of ten years; an expected volatility of 67.60%; and a risk free interest rate of 4.77%. We calculated a fair value of $0.868 for each March 2, 2006 option grant on the date of grant with the following assumptions: no dividend yield; an expected life of four years; expected volatility of 54.0%; and a risk free interest rate of 4.70%. We calculated a fair value of $0.877 for the May 15, 2006 option grant on the date of grant with the following assumptions: no dividend yield; an expected life of four years; an expected volatility of 54.6%; and a risk-free interest rate of 5.03%. We calculated a fair value of $1.742 for each July 27, 2006 director option grant on the date of the grant with the following assumptions: no dividend yield; an expected life of ten years; an expected volatility of 73.31%; and a risk free interest rate of 4.98%.

Our computation of expected volatility is based on historical volatility from our traded common stock. Due to our change in the contractual term and vesting period, we utilized the simplified method, defined in the Securities and Exchange Commission's Staff Accounting Bulletin No. 107, to calculate the expected term for our 2006 employee grants. The expected term for our 2006 and 2007 director grants were calculated based on historical trend. The interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant.

NOTE 4
GOODWILL AND OTHER INTANGIBLE ASSETS

The following table is a summary of changes in the carrying amount of goodwill for the years ended December 31, 2005, 2006, and 2007 (amounts in thousands). As a result of the acquisition of the PFNWR facility within our Nuclear Segment on June 13, 2007, we recorded $7,716,000 in goodwill within our Nuclear Segment (See "Note 5" below for goodwill recorded as result of the acquisition of PFNWR facility). We have no goodwill for our Industrial Segment (discontinued operations) as of December 31, 2007.

Goodwill	Nuclear Segment	Engineering Segment	Total
Balance as of December 31, 2004, 2005, and 2006	$ —	$ 1,330	$ 1,330
Goodwill Recorded as Result of Acquisition	7,716	—	7,716
Balance as of December 31, 2007	$ 7,716	$ 1,330	$ 9,046

The following table is a summary of changes in the carrying amount of permits for the years ended December 31, 2005, 2006, and 2007 (amounts in thousands). We recorded $4,500,000 in permit costs within our Nuclear Segment as result of the acquisition of our PFNWR facility on June 13, 2007 (See "Note 5" below for permit recorded as result of the acquisition of PFNWR facility). Our Engineering Segment has been excluded as it has no permits recorded. Our Industrial Segment, or discontinued operations, has had a balance of $2,369,000 in Permit costs since December 31, 2005.

Permit	Nuclear Segment
Balance as of December 31, 2004	$ 10,526
Permits in progress	293
Balance as of December 31, 2005	10,819
Permits in progress	206
Balance as of December 31, 2006	11,025
Permits in progress	111
Acquired Permit as Result of Acquisition	4,500
Balance as of December 31, 2007	$ 15,636

As result of classifying our Industrial Segment as discontinued operations in 2007, we performed internal financial valuations on the intangible assets of the Industrial Segment as a whole, based on the LOIs received, to test for impairment as required by SFAS 142. The only indefinite life intangible was permits of $2,369,000. We concluded that no intangible impairments existed as of December 31, 2007.

NOTE 5
BUSINESS ACQUISITION
Acquisition of Nuvotec
On June 13, 2007, the Company completed its acquisition of Nuvotec and its wholly owned subsidiary, Pacific EcoSolutions, Inc (PEcoS), pursuant to the terms of the Merger Agreement, between Perma-Fix, Perma-Fix's wholly owned subsidiary, Transitory, Nuvotec, and PEcoS, dated April 27, 2007, which was subsequently amended on June 13, 2007. The Company acquired 100% of the voting shares of Nuvotec. The acquisition was structured as a reverse subsidiary merger, with Transitory being merged into Nuvotec, and Nuvotec being the surviving corporation. As a result of the merger, Nuvotec became a wholly owned subsidiary of Perma-Fix Environmental Services Inc. (PESI). Nuvotec's name was changed to Perma-Fix Northwest, Inc. ("PFNW"). PEcoS, whose name was changed to Perma-Fix Northwest Richland, Inc. ("PFNWR") on August 2, 2007, is a wholly-owned subsidiary of PFNW. PEcoS is a permitted hazardous, low level radioactive and mixed waste treatment, storage and disposal facility located in the Hanford U.S. Department of Energy site in the eastern part of the state of Washington.

Under the terms of the Merger Agreement, the purchase price paid by the Company in connection with the acquisition was $17.3 million, consisting of as follows:

(a) $2.3 million in cash at closing of the merger, with $1.5 million payable to unaccredited shareholders and $0.8 million payable to shareholders of Nuvotec that qualified as accredited investors pursuant to Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended (the "Act").

(b) Also payable only to the shareholders of Nuvotec that qualified as accredited investors:

- $2.5 million, payable over a four year period, unsecured and nonnegotiable and bearing an annual rate of interest of 8.25%, with (i) accrued interest only payable on June 30, 2008, (ii) $833,333.33, plus accrued and unpaid interest, payable on June 30, 2009, (iii) $833,333.33, plus accrued and unpaid interest, payable on June 30, 2010, and (iv) the remaining unpaid principal balance, plus accrued and unpaid interest, payable on June 30, 2011 (collectively, the "Installment Payments"). The Installment Payments may be prepaid at any time by Perma-Fix without penalty; and

- 709,207 shares of Perma-Fix common stock, which were issued on July 23, 2007, with such number of shares determined by dividing $2.0 million by 95% of average of the closing price of the common stock as quoted on the NASDAQ during the 20 trading days period ending five business days prior to the closing of the merger. The value of these shares on June 13, 2007 was $2.2 million, which was determined by the average closing price of the common stock as quoted on the NASDAQ four days prior to and following the completion date of the acquisition, which was June 13, 2007.

(c) The assumption of $9.4 million of debt, $8.9 million of which was payable to KeyBank National Association which represents debt owed by PFNW under a credit facility. As part of the closing, the Company paid down $5.4 million of this debt resulting in debt remaining of $4.0 million.

(d) Transaction costs totaling $0.9 million.

In addition to the above, the agreement contains a contingency of an earn-out amount not to exceed $4.4 million over a four year period ("Earn-Out Amount"). The earn-out amounts will be earned if certain annual revenue targets are met b y the Company's consolidated Nuclear Segment. The first $1.0 million of the earn-out amount, when earned, will be placed in an escrow account to satisfy certain indemnification obligations under the Merger Agreement of Nuvotec, PEcoS, and the shareholders of Nuvotec to Perma-Fix that are identified by Perma-Fix within the escrow period as provided in the Merger Agreement. The earn-out amount, if and when paid, will increase goodwill. As of December 31, 2007 the Company has not made or accrued any earn-out payments to Nuvotec shareholders because such revenue targets have not been met.

The acquisition was accounted for using the purchase method of accounting, pursuant to SFAS 141, "Business Combinations". The consideration for the acquisition was attributed to net assets on the basis of the fair value of assets acquired and liabilities assumed as of June 13, 2007. The results of operations after June 13, 2007 have been included in the consolidated financial statements. The excess of the cost of the acquisition over the estimated fair value of the net tangible assets and intangible assets on the acquisition date, which amounted to $7.7 million, was allocated to goodwill which is not amortized but subject to an annual impairment test. The Company has not yet finalized the allocation of the purchase price to the net assets acquired in this acquisition. As such the estimated purchase price allocation is preliminary and subject to further revision. The following table summarizes the preliminary purchase price to the net assets acquired in this acquisition as of December 31, 2007.

(Amounts in thousands)		
Cash	$	2,300
Assumed debt		9,412
Installment payments		2,500
Common Stock of the Company		2,165
Transaction costs		908
Total consideration	$	17,285

The following table presents the allocation of the preliminary acquisition cost, including professional fees and other related acquisition costs, to the assets acquired and liabilities assumed based on their estimated fair values:

(Amounts in thousands)

Current assets (including cash acquired of $249)	$	2,837
Property, plant and equipment		14,978
Permits		4,500
Goodwill		7,716
Total assets acquired		30,031
Current liabilities		(8,978)
Non-current liabilties		(3,768)
Total liabilities assumed		(12,746)
Net assets acquired	$	17,285

The results of operations of Nuvotec (n/k/a Perma-Fix Northwest, Inc.) and PEcoS (n/k/a Perma-Fix Northwest Richland, Inc.) have been included in Perma-Fix's consolidated financial statements from the date of the closing of the acquisition, which was June 13, 2007. The following unaudited pro forma financial information presents the combined results of operations of combining Nuvotec and PEcoS and Perma Fix as though the acquisition had occurred as of the beginning of the periods presented. The pro forma financial information does not necessarily represent the results of operations that would have occurred had Nuvotec and PEcoS and Perma Fix been a single company during the periods presented, nor does Perma Fix believe that the pro forma financial information presented is necessarily representative of future operating results. As the acquisition was a stock transaction, none of the goodwill related to PFNWR is deductible for tax purposes.

(Amounts in Thousands, Except per Share Data)

	Year Ended December 31,			
	(unaudited)		(unaudited)	
	2007		2006	
Net revenues	$	58,540	$	65,820
Net (loss) income	$	(61)	$	5,313
Net income per share from continuing operations- basic	$	—	$	.11
Net income per share from continuing operations- diluted	$	—	$	.11
Weighted average common shares outstanding - basic		52,549		48,157
Weighted average common shares outstanding - diluted		52,549		48,768

NOTE 6
DISCONTINUED OPERATIONS

Our discontinued operations encompass all of our facilities within our Industrial Segment. As previously discussed in "Note 1 – Description of Business and Basis of Presentation", on May 25, 2007, our Industrial Segment met the held for sale criteria under Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", and therefore, certain assets and liabilities of the Industrial Segment are classified as discontinued operations in the Consolidated Balance Sheet, and we have ceased depreciation of the Industrial Segment's long-lived assets classified as held for sale. The results of operations and cash flows of the Industrial Segment have been reported in the Consolidated Financial Statements as discontinued operations for all periods presented.

The following table summarizes the results of discontinued operations for the years ended December 31, 2007, 2006 and 2005. These results are included in our Consolidated Statements of Operations as part of our "Loss from discontinued operations, net of taxes". Our "Loss from discontinued operations, net of taxes" for 2007 was impacted by a number of items as discussed below.

	For The Years Ended December 31,		
(Amounts in Thousands)	2007	2006	2005
Net revenues	$ 30,407	$ 35,148	$ 41,489
Interest expense	$ (213)	$ (179)	$ (96)
Operating loss from discontinued operations	$ (9,727)	$ (933)	$ (762)
Income tax provision	—	$ —	$ —
Loss from discontinued operations	$ (9,727)	$ (933)	$ (762)

A subsidiary within our Industrial Segment, PFD was defending a lawsuit styled *Barbara Fisher v. Perma-Fix of Dayton, Inc.*, in the United States District Court, Southern District of Ohio (the "Fisher Lawsuit"). This citizen's suit was brought under the Clean Air Act alleging, among other things, violations by PFD of state and federal clean air statutes connected with the operation of PFD's facility located in Dayton, Ohio. As further previously disclosed, the U.S. Department of Justice, on behalf of the Environmental Protection Agency, intervened in the Fisher Lawsuit alleging, among other things, substantially similar violations alleged in the Fisher Lawsuit (the "Government's Lawsuit").

During December 2007, PFD and the federal government entered into a Consent Decree formalizing settlement of the government's portion of the above described lawsuit, which Consent Decree was approved by the federal court during the first quarter of 2008. Pursuant to the Consent Decree, the settlement with the federal government resolved the government's claims against PFD and requires PFD to:

- pay a civil penalty of $360,000;
- complete three supplemental environmental projects costing not less than $562,000 to achieve air emission controls that go above and beyond those required by any current environmental regulations.
- implement a variety of state and federal air permit pollution control measures; and
- take a variety of voluntary steps to reduce the potential for emissions of air pollutants.

During December 2007, PFD and Plaintiff, Fisher, entered into a Settlement Agreement formalizing settlement of the Plaintiff's claims in the above lawsuit. The settlement with Plaintiff Fisher resolved the Plaintiff's claims against PFD and, subject to certain conditions set forth in the Settlement Agreement, requires PFD to pay a total of $1,325,000. Our insurer has agreed to contribute $662,500 toward the settlement cost of the citizen's suit portion of the litigation, which we received on March 13, 2008. Based on discussion with our insurer, our insurer will not pay any portion of the settlement with the federal government in the Government Lawsuit.

As of December 31, 2007, we have recorded a total of $1,625,000 of charges in our discontinued operations for settlement by PFD of the Fisher Lawsuit and the Government Lawsuit.

In connection with PFD's sale of substantially all of its assets, as discussed in Note 19, "Subsequent Event", the buyer has agreed to assume certain of PFD's obligations under the Consent Decree and Settlement

Agreement, including, without limitation, PFD's obligation to implement supplemental environmental projects costing not less than $562,000, implement a variety of state and federal air permit control measures and reduce the potential for emissions of air pollutants.

As previously reported, on April 12, 2007 our insurer agreed to reimburse PFD for reasonable defense costs of litigation incurred prior to our insurer's assumption of the defense, but this agreement to defend and indemnify PFD was subject to the our insurer's reservation of its rights to deny indemnity pursuant to various policy provisions and exclusions, including, without limitation, payment of any civil penalties and fines, as well as our insurer's right to recoup any defense cost it has advanced if our insurer later determines that its policy provides no coverage. When, our insurer withdrew its prior coverage denial and agreed to defend and indemnify PFD in the above described lawsuits, subject to certain reservation of rights, we had incurred more than $2.5 million in costs in vigorously defending against the Fisher and the Government Lawsuits. To date, our insurer has reimbursed PFD approximately $2.5 million for legal defense fees and disbursements, which we recorded as a recovery within our discontinued operations in the second quarter of 2007. Partial reimbursement from our insurer of $750,000 was received on July 11, 2007. A second reimbursement of approximately $1.75 million was received on August 17, 2007. Our insurer has advised us that they will reimburse us for approximately another $82,000 in legal fees and disbursements, which we recorded as a recovery within our discontinued operations in the 4th quarter 2007. This reimbursement is subject to our insurer's reservation of rights as noted above. On February 12, 2008, we received reimbursement of approximately $24,000 from our insurer. We anticipate receiving the remaining reimbursement by the end of the second quarter of 2008.

As events warranted, we performed an updated internal analysis on the tangible and intangible assets to test for impairment in the Industrial Segment as required by Statement of Financial Accounting Standards (SFAS) 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" and SFAS 142, "Goodwill and Other Intangible Assets". Our analysis, as required by SFAS 144, included the comparison of the offered sale price less cost to sell to the carrying value of the investment under each LOI separately. Based on our analysis, we concluded that the carrying value of the tangible assets for Perma-Fix Dayton, Inc., Perma-Fix of Treatment Services, Inc., Perma-Fix of Orlando, Inc., and Perma-Fix of South Georgia, Inc. facilities exceeded its fair value, less cost to sell. Consequently, in 2007, we recorded $2,727,000, $1,804,000, $507,000 and $1,329,000, respectively, in tangible asset impairment loss for each of the facilities, which are included in "Loss from discontinued operations, net of taxes" on our Consolidated Statements of Operations for the year ended December 31, 2007. We also performed financial valuations on the intangible assets of the Industrial Segment as a whole to test for impairment as required by SFAS 142. We concluded that no other tangible and intangible impairments existed as of December 31, 2007.

Assets related to discontinued operations total $14,341,000 and $22,750,000 as of December 31, 2007 and 2006, respectively, and liabilities related to discontinued operations total $11,949,000 and $10,632,000, as of December 31, 2007 and 2006, respectively.

The following table presents the Industrial Segment's major classes of assets and liabilities of discontinued operations that are classified as held for sale as of December 31, 2007 and 2006. The held for sale asset and liabilities balances as of December 31, 2007 may differ from the respective balances at closing:

(Amounts in Thousands)	2007	2006
Account receivable, net [1]	$ 4,253	$ 5,768
Inventories	411	522
Other assets	2,902	3,179
Property, plant and equipment, net [2]	6,775	13,281
Total assets held for sale	$ 14,341	$ 22,750
Account payable	$ 2,403	$ 1,467
Accrued expenses and other liabilities	4,713	3,760
Note payable	820	830
Environmental liabilities	1,132	1,094
Total liabilities held for sale	$ 9,068	$ 7,151

(1) net of allowance for doubtful account of $269,000 and $247,000 for 2007 and 2006, respectively.
(2) net of accumulated depreciation of $12,408,000 and $13,341,000 for 2007 and 2006, respectively.

The following table presents the Industrial Segment's major classes of assets and liabilities of discontinued operations, that are not held for sale as of December 31, 2007 and 2006:

(Amounts in Thousands)	2007	2006
Account receivable, net	$ —	$ —
Inventories	—	—
Other assets	—	—
Property, plant and equipment, net	—	—
Total assetsof discontinued operations	$ —	$ —
Account payable	$ 329	$ 665
Accrued expenses and other liabilities	1,287	1,433
Note payable	—	—
Environmental liabilities	1,265	1,383
Total liabilities of discontinued operations	$ 2,881	$ 3,481

Non Operational Facilities
The Industrial Segment includes two previously shut-down facilities which were presented as discontinued operations in prior years. These facilities include Perma-Fix of Pittsburgh (PFP) and Perma-Fix of Michigan (PFMI). Our decision to discontinue operations at PFP was due to our reevaluation of the facility and our inability to achieve profitability at the facility. During February 2006, we completed the remediation of the leased property and the equipment at PFP, and released the property back to the owner. Our decision to discontinue operations at PFMI was principally a result of two fires that significantly disrupted operations at the facility in 2003, and the facility's continued drain on the financial resources of our Industrial Segment. As a result of the discontinued operations at the PFMI facility, we were required to complete certain closure and remediation activities pursuant to our RCRA permit, which were completed in January 2006. In September 2006, PFMI signed a Corrective Action Consent Order with the State of Michigan, requiring performance of studies and development and execution of plans related to the potential clean-up of soils in portions of the property. The level and cost of the clean-up and remediation are determined by state mandated requirements. Upon discontinuation of operations in 2004, we engaged our

engineering firm, SYA, to perform an analysis and related estimate of the cost to complete the RCRA portion of the closure/clean-up costs and the potential long-term remediation costs. Based upon this analysis, we estimated the cost of this environmental closure and remediation liability to be $2,464,000. During 2006, based on state-mandated criteria, we re-evaluated our required activities to close and remediate the facility, and during the quarter ended June 30, 2006, we began implementing the modified methodology to remediate the facility. As a result of the reevaluation and the change in methodology, we reduced the accrual by $1,182,000. We have spent approximately $710,000 for closure costs since September 30, 2004, of which $81,000 has been spent during 2007 and $74,000 was spent in 2006. In the 4th quarter of 2007, we reduced our reserve by $9,000 as a result of our reassessment of the cost of remediation. We have $563,000 accrued for the closure, as of December 31, 2007, and we anticipate spending $401,000 in 2008 with the remainder over the next five years. Based on the current status of the Corrective Action, we believe that the remaining reserve is adequate to cover the liability.

As of December 31, 2007, PFMI has a pension payable of $1,287,000. The pension plan withdrawal liability, is a result of the termination of the union employees of PFMI. The PFMI union employees participate in the Central States Teamsters Pension Fund ("CST"), which provides that a partial or full termination of union employees may result in a withdrawal liability, due from PFMI to CST. The recorded liability is based upon a demand letter received from CST in August 2005 that provided for the payment of $22,000 per month over an eight year period. This obligation is recorded as a long-term liability, with a current portion of $158,000 that we expect to pay over the next year.

NOTE 7
PREFERRED STOCK ISSUANCE AND CONVERSION

Series B Preferred Stock
As partial consideration of the M&EC Acquisition, M&EC issued shares of its Series B Preferred Stock to stockholders of M&EC having a stated value of approximately $1,285,000. No other shares of M&EC's Series B Preferred Stock are outstanding. The Series B Preferred Stock is non-voting and non-convertible, has a $1.00 liquidation preference per share and may be redeemed at the option of M&EC at any time after one year from the date of issuance for the per share price of $1.00. Following the first 12 months after the original issuance of the Series B Preferred Stock, the holders of the Series B Preferred Stock will be entitled to receive, when, as, and if declared by the Board of Directors of M&EC out of legally available funds, dividends at the rate of 5% per year per share applied to the amount of $1.00 per share, which shall be fully cumulative. We began accruing dividends for the Series B Preferred Stock in July 2002, and have accrued a total of approximately $354,000 since July 2002, of which $64,000 was accrued in each of the years ended December 31, 2003 to 2007.

Series 17 Preferred
As of January 1, 2002, Capital Bank held 2,500 shares of the Company’s Series 17 Preferred Stock, as agent for certain of its accredited investors. The Series 17 Preferred was convertible into shares of Common Stock at any time at a conversion price of $1.50 per share, subject to adjustment as set forth in the Certificate of Designations relating to the Series 17 Preferred. The Series 17 Preferred had a “stated value” of $1,000 per share.

On September 30, 2005, the Company received a notice from Capital Bank GRAWE Gruppe, AG, dated September 26, 2005, to convert the 2,500 issued and outstanding shares of the Company's Series 17 Class Q Convertible Preferred Stock (“Series 17”). Pursuant to the terms of the Series 17, the conversion resulted in the issuance of 1,666,667 shares of the Company's common stock, $.001 par value (“Common Stock”) to Capital Bank, as agent for certain of its investors. In addition to $125,000 of dividends paid in cash during 2005, the final dividend due on the Series 17 of approximately $30,000 for the period from July 1, 2005 through the conversion date was paid in cash in October 2005. For the year ended December 31, 2005, dividends on the Series 17 were $92,000.

NOTE 8
LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2007 and 2006:

(Amounts in Thousands)	December 31, 2007	December 31, 2006
Revolving Credit facility dated December 22, 2000, borrowings based upon eligible accounts receivable, subject to monthly borrowing base calculation, variable interest paid monthly at prime rate plus ½% (8.00% at December 31, 2007), balance due in September 2009.	$ 6,851	$ —
Term Loan dated December 22, 2000, payable in equal monthly installments of principal of $83, balance due in September 2009, variable interest paid monthly at prime rate plus 1% (8.50% at December 31, 2007).	4,500	5,500
Promissory Note dated June 25, 2001, payable in semiannual installments on June 30 and December 31 through December 31, 2008, variable interest accrues at the applicable law rate determined under the IRS Code Section (10.0% on December 31, 2007) and is payable in one lump sum at the end of installment period.	635	1,434
Promissory Note dated June 25, 2007, payable in monthly installments of principal of $160 starting July 2007 and $173 starting July 2008, variable interest paid monthly at prime rate plus 1.125% (8.625% at December 31, 2007)	3,039	—
Installment Agreement in the Agreement and Plan of Merger with Nuvotec and PEcoS, dated April 27, 2007, payable in three equal yearly installment of principal of $833 beginning June 2009. Interest accrues at annual rate of 8.25% on outstanding principal balance starting June 2007 and payable yearly starting June 2008	2,500	—
Installment Agreement dated June 25, 2001, payable in semiannual installments on June 30 and December 31 through December 31, 2008, variable interest accrues at the applicable law rate determined under the Internal Revenue Code Section (10.0% on December 31, 2007) and is payable in one lump sum at the end of installment period.	153	353
Various capital lease and promissory note obligations, payable 2007 to 2012, interest at rates ranging from 5.0% to 13.9%.	1,158	1,042
	18,836	8,329
Less current portion of long-term debt	15,292	2,092
Less long-term debt related to assets held for sale	820	830
	$ 2,724	$ 5,407

Revolving Credit and Term Loan Agreement

On December 22, 2000, we entered into a Revolving Credit, Term Loan and Security Agreement ("Agreement") with PNC Bank, National Association, a national banking association ("PNC") acting as agent ("Agent") for lenders, and as issuing bank. The Agreement initially provided for a term loan ("Term Loan") in the amount of $7,000,000, which requires principal repayments based upon a seven-year amortization, payable over five years, with monthly installments of $83,000 and the remaining unpaid principal balance due on December 22, 2005. The Agreement also provided for a revolving line of credit ("Revolving Credit") with a maximum principal amount outstanding at any one time of $18,000,000, as amended. The Revolving Credit advances are subject to limitations of an amount up to the sum of (a) up to 85% of Commercial Receivables aged 90 days or less from invoice date, (b) up to 85% of Commercial Broker Receivables aged up to 120 days from invoice date, (c) up to 85% of acceptable Government Agency Receivables aged up to 150 days from invoice date, and (d) up to 50% of acceptable unbilled amounts aged up to 60 days, less (e) reserves the Agent reasonably deems proper and necessary. Our revolving credit and term loan are collateralized by substantially all of the assets of the Company, excluding the assets of PFNWR.

Effective March 25, 2005, the Company and PNC entered into an amended agreement ("Amendment No. 4"), which, among other things, extends the $25 million credit facility through May 31, 2008. The other terms of the credit facility remain principally unchanged, as a result of the amendment, with the exception of a 50 basis point reduction in the variable interest rate on both loans. As of December 31, 2007, the excess availability under our Revolving Credit was $5,700,000 based on our eligible receivables.

On June 29, 2005, we entered into an amendment ("Amendment No. 5") to the Agreement. Pursuant to Amendment No. 5, PNC increased our Term Loan by approximately $4.4 million, resulting in a Term Loan of $7 million. Under Amendment No. 5, the Term Loan continues to be payable in monthly installments of approximately $83,000, plus accrued interest, with the remaining unpaid principal balance and accrued interest, payable in May 2008, upon termination of the amended Agreement. As part of Amendment No. 5, certain of our subsidiaries have modified or granted mortgages to PNC on their facilities, in addition to the collateral previously granted to PNC under the Agreement. All other terms and conditions to the Agreement, remain principally unchanged. We used the additional loan proceeds to prepay a $3.5 million unsecured promissory note, which was due and payable in August 2005, and the balance was used for general working capital. As a condition of Amendments No. 4 and 5, we expensed the $140,000 fee to PNC.

Pursuant to the Agreement, as amended, the Term Loan bears interest at a floating rate equal to the prime rate plus 1%, and the Revolving Credit at a floating rate equal to the prime rate plus ½%. We are subject to a prepayment fee of 1% until March 25, 2006, and ½% until March 25 if we elect to terminate the Agreement with PNC.

On June 12, 2007, we entered into Amendment No. 6 with PNC. Pursuant to Amendment No. 6, PNC provided Consent to the Company's acquisition of Nuvotec (n/k/a Perma-Fix Northwest, Inc.) and its wholly owned subsidiary, PEcoS (n/k/a Perma-Fix Northwest Richland, Inc.), which was completed on June 13, 2007. PNC also provided consent for the Company to issue a corporate guaranty for a portion of the debt being assumed as result of the acquisition. In addition, the Amendment provided us with an additional $2,000,000 of availability via a sub-facility within our secured revolver loan. The availability from this sub-facility will be amortized at a rate of $83,333 per month.

On July 18, 2007, we entered into Amendment No. 7 with PNC, which extended the due date of the $25 million credit facility entered into on December 22, 2000 from May 31, 2008 to August 29, 2008. Pursuant to the term of the Amendment, we may terminate the agreement upon 60 days' prior written notice upon payment in full of the obligation.

On November 2, 2007, we entered into Amendment No. 8 with PNC, which extended the due date of the $25 million credit facility from August 29, 2008 to November 27, 2008. Pursuant to the term of the Amendment, we may terminate the agreement upon 60 days' prior written notice upon payment in full of the obligation.

On December 18, 2007, we entered into Amendment No. 9 with PNC , which entitled the Company to pay off the collateralized property sold from the sales proceeds upon the sale of each of the Industrial Segment facility, with any remaining proceeds to be used to pay off the term note and the revolver in such order. As a condition of the amendment, we paid $10,000 fee to PNC.

On March 26, 2008, we entered into Amendment No. 10 with PNC, which extended the due date of the $25 million credit facility from November 27, 2008 to September 30, 2009. Pursuant to the amendment, we may terminate the agreement upon 60 days' prior written notice upon payment in full of the obligation. The amendment also waived the Company's violation of the fixed charge coverage ratio as of December 31, 2007, as discussed below. In addition, the amendment changed our present covenant to exclude certain allowable charges in determining our minimum fixed charge coverage ratio. As a condition to this amendment, we have agreed to pay PNC a fee of $25,000.

Our credit facility with PNC contains financial covenants. A breach of any of these covenants, unless wavied by PNC, could result in a default under our credit facility triggering our lender to immediately require the repayment of all outstanding debt under our credit facility and terminate all commitments to extend further credit. In the past, none of our covenants have been restrictive to our operations; however, in 2007, our fixed charge coverage ratio fell below the minimum requirement pursuant to the covenant. We have obtained a waiver from our lender for this non-compliance as of December 31, 2007. At this time however, we do not expect to be in compliance with the fixed charge coverage ratio as of the end of the first and second quarters of 2008 and, as a result, we were required under generally accepted accounting principles to reclassify the long term portion of this debt to current. Furthermore, we have a cross default provision on our 8.625% KeyBank National Association promissory note and have reclassified the long term portion of that debt to current as well. If we are unable to meet the fixed charge coverage ratio in the future, we believe that our lender will waive this non-compliance or will revise this covenant so that we are in compliance; however, there is no assurance that we will be able to secure a waiver or revision from our lender. If we fail to meet our fixed charge coverage ratio in the future and our lender does not waive the non-compliance or revise this convenant so that we are in compliance, our lender could accelerate the repayment of borrowings under our credit facility. In the event that our lender accelerates the payment of our borrowing, we may not have sufficient liquidity to repay our debt under our credit facility and other indebtedness. In addition to the waiver that we have obtained from our lender for our non-compliance of our fixed charge coverage ratio as of December 31, 2007, our lender has amended our present covenant to exclude certain allowable charges in determining our minimum fixed charge coverage ratio. This amendment may improve our ability to maintain compliance of the fixed charge coverage ratio in the future.

Promissory Notes

In conjunction with our acquisition of M&EC, M&EC issued a promissory note for a principal amount of $3.7 million to Performance Development Corporation ("PDC"), dated June 25, 2001, for monies advanced to M&EC for certain services performed by PDC. The promissory note is payable over eight years on a semiannual basis on June 30 and December 31. The note is due on December 31, 2008, with principal repayment of $400,000 to be made in June 2008 and the remaining $235,000 to be made by December 31, 2008. Interest is accrued at the applicable law rate ("Applicable Rate") pursuant to the provisions of section 6621 of the Internal Revenue Code of 1986 as amended (10% on December 31, 2007) and payable in one lump sum at the end of the loan period. On December 31, 2007, the outstanding balance was $2,704,000 including accrued interest of approximately $2,069,000. PDC has directed M&EC to make all payments under the promissory note directly to the IRS to be applied to PDC's obligations under its installment agreement with the IRS.

In conjunction with our acquisition of Nuvotec (n/k/a Perma-Fix of Northwest, Inc.) and PEcoS (n/k/a Perma-Fix of Northwest Richland, Inc.), (collectively called "PFNWR") which was completed on June 13, 2007, we entered into a promissory note for a principal amount of $4.0 million to KeyBank National Association, dated June 13, 2007, which represents debt assumed by us as result of the acquisition. The promissory note is payable over a two years period with monthly principal repayment of $160,000 starting July 2007 and $173,000 starting July 2008, along with accrued interest. Interest is accrued at prime rate plus 1.125%. On December 31, 2007, the outstanding principal balance was $3,039,000 and has been classified as current due to this note's cross provisions addressed above. This note is collateralized by the assets of PFNWR as agreed to by PNC Bank and the Company.

Installment Agreement
Additionally, M&EC entered into an installment agreement with the Internal Revenue Service ("IRS") for a principal amount of $923,000 effective June 25, 2001, for certain withholding taxes owed by M&EC. The installment agreement is payable over eight years on a semiannual basis on June 30 and December 31. The agreement is due on December 31, 2008, with principal repayments of approximately $100,000 to be made in June 2008 and the remaining $53,000 to be made by December 31, 2008. Interest is accrued at the Applicable Rate, and is adjusted on a quarterly basis and payable in lump sum at the end of the installment period. On December 31, 2007, the rate was 10%. On December 31, 2007, the outstanding balance was $652,000 including accrued interest of approximately $499,000.

Additionally, in conjunction with our acquisition of PFNWR, we agreed to pay shareholders of Nuvotec that qualified as accredited investors pursuant to Rule 501 of Regulation D promulgated under the Securities Act of 1933, $2.5 million, with principal payable in equal installment of $833,333 on June 30, 2009, June 30, 2010, and June 30, 2011. Interest is accrued on outstanding principal balance at 8.25% starting in June 2007 and is payable on June 30, 2008, June 30, 2009, June 30, 2010, and June 30, 2011. As of December 31, 2007, we had accrued interest of approximately $110,000.

Notwithstanding our $11,403,000 reclassification from long-term to current as described above and in Note 20, the aggregate approximate amount of the maturities of long-term debt maturing in future years as of December 31, 2007 for our continuing operations, are $3,889,000 in 2008; $12,328,000 in 2009; $899,000 in 2010; $890,000 in 2011, and $10,000 in 2012. Our reclassification to current results in the shifting of maturities from 2009 to 2008 by $11,403,000. Debt related to assets held for sale totals $820,000 at December 31, 2007 and is due as follows: $403,000 in 2008; $180,000 in 2009; $110,000 in 2010; $87,000 in 2011; $39,000 in 2012; and $1,000 in 2013.

Capital Leases

The following table lists components of the capital leases as of December 31, 2007 of our continuing operations (in thousands):

	Captial Leases	Operating Leases
Year ending December 31:		
2008	$ 114	$ 677
2009	92	575
2010	65	486
2011	57	357
2012	10	150
Later years beyond	—	—
Total Minimum Lease Payments	338	$ 2,245
Less amount representing interest (effective interest rate of 8.572%)	(49)	
Less estimated executory costs	—	
Net minimum lease payments	289	
Less current installments of obligations under capital leases	114	
Obligations under capital leases excluding current installments	$ 175	

As of December 31, 2007, our capital leases for our discontinued operations totals $820,000 and is due as follow: $403,000 in 2008; $180,000 in 2009; $110,000 in 2010; $87,000 in 2011; $39,000 in 2012; and $1,000 in 2013. Total future payment for the operating leases of our discontinued operations totals $2,006,000 and is due as follow: $544,000 in 2008; $455,000 2009; $387,000 in 2010; $372,000 in 2011; $200,000 in 2012; $41,000 in 2013; and $7,000 in 2014.

NOTE 9
ACCRUED EXPENSES

Accrued expenses at December 31 include the following (in thousands):

	2007	2006
Salaries and employee benefits	$ 3,106	$ 3,031
Accrued sales, property and other tax	469	722
Interest payable	2,769	44
Insurance payable	2,263	62
Other	600	891
Total accrued expenses	$ 9,207	$ 4,750

NOTE 10
ACCRUED CLOSURE COSTS

We accrue for the estimated closure costs as determined pursuant to RCRA guidelines for all fixed-based regulated operating and discontinued facilities, even though we do not intend to or have present plans to close any of our existing facilities. The permits and/or licenses define the waste, which may be received at the facility in question, and the treatment or process used to handle and/or store the waste. In addition, the permits and/or licenses specify, in detail, the process and steps that a hazardous waste or mixed waste facility must follow should the facility be closed or cease operating as a hazardous waste or mixed waste facility. Closure procedures and cost calculations in connection with closure of a facility are based on guidelines developed by the federal and/or state regulatory authorities under RCRA and the other appropriate statutes or regulations promulgated pursuant to the statutes. The closure procedures are very specific to the waste accepted and processes used at each facility. We recognize the closure cost as a liability on the balance sheet. Since all our facilities are acquired facilities, the closure cost for each facility was recognized pursuant to a business combination and recorded as part of the purchase price allocation of fair value to identifiable assets acquired and liabilities assumed.

The closure calculation is increased annually for inflation based on RCRA guidelines, and for any approved changes or expansions to the facility, which may result in either an increase or decrease in the approved closure amount. An increase resulting from changes or expansions is recorded to expense over the term of such a renewed/expanded permit, generally five (5) years, and annual inflation factor increases are expensed during the current year.

During 2007, the accrued long-term closure cost increased by $3,914,000 to a total of $8,739,000 as compared to the 2006 total of $4,825,000 for our continuing operations. This increase is principally a result of normal inflation factor increases as well as the initial establishment of closure cost accrual for our newly acquired PFNWR facility of $3,768,000. The accrued long-term closure cost increased by $22,000 for our discontinued operations to a total of $589,000 in 2007 as compared to the 2006 total of $567,000 as result of normal inflation factor increases.

NOTE 11
ENVIRONMENTAL LIABILITIES

We have various remediation projects, which are currently in progress at certain of our permitted Industrial Segment facilities (discontinued operations) owned and operated by our subsidiaries. These remediation projects principally entail the removal/remediation of contaminated soil and, in some cases, the remediation of surrounding ground water. Five of the remedial clean-up projects in question were an issue for that facility for years prior to our acquisition of the facility and were recognized pursuant to a business combination and recorded as part of the purchase price allocation to assets acquired and liabilities assumed. Three of the facilities, (PFD, PFM, and PFSG) are RCRA permitted facilities, and as a result, the remediation activities are closely reviewed and monitored by the applicable state regulators. Additionally, we recorded environmental liabilities upon acquisition of PFMD and PFP in March 2004, which are not RCRA permitted facilities. We have recognized our best estimate of such environmental liabilities upon the acquisition of these five facilities, as part of the acquisition cost. In the normal course of our business, the operations will on occasion create a minor environmental remediation issue, which will be evaluated and a corresponding remedial liability recorded. Minor environmental remediation liabilities were recognized and recorded for the PFTS facility during 2004. As further discussed in the discontinued operations footnote, we accrued environmental liabilities for PFMI, one of our two non-operating discontinued operations. See “Note 6” – “Discontinued Operations”.

At December 31, 2007, we had accrued environmental liabilities totaling $2,873,000, which reflects a decrease of $405,000 from the December 31, 2006, balance of $3,278,000. The decrease is a result of payments on the remediation projects and decrease in our reserve due to our reevaluation of our remediation estimates and requirements. With the impending divestiture of our Industrial Segment, we anticipate the environmental liabilities for all the facilities noted below will be part of the divestiture with the exception of PFM, PFD, and PFMI, which will remain the financial obligations of the Company.

The December 31, 2007 current and long-term accrued environmental balance is recorded as follows:

	Current Accrual	Long-term Accrual	Total
PFD	$ 285,000	$ 417,000	$ 702,000
PFM	225,000	251,000	476,000
PFSG	250,000	454,000	704,000
PFTS	7,000	30,000	37,000
PFMD	—	391,000	391,000
PFMI	401,000	162,000	563,000
Total Liability	$ 1,168,000	$ 1,705,000	$ 2,873,000

PFD

In June 1994, we acquired from Quadrex Corporation and/or a subsidiary of Quadrex Corporation (collectively, "Quadrex") three treatment, storage and disposal companies, including the PFD facility. The former owners of PFD had merged EPS with PFD, which was subsequently sold to Quadrex. Through our acquisition of PFD in 1994 from Quadrex, we were indemnified by Quadrex for costs associated with remediating this facility leased by PFD ("Leased Property") but never used or operated by PFD, which entails remediation of soil and/or groundwater restoration. The Leased Property used by EPS to operate its facility is separate and apart from the property on which PFD's facility is located. In conjunction with the subsequent bankruptcy filing by Quadrex, and our recording of purchase accounting for the acquisition of PFD, we recognized an environmental liability of approximately $1,200,000 for the remediation of this leased facility. This facility has pursued remedial activities for the past nine years and after evaluating various technologies, is seeking approval from appropriate governmental authority for the final remedial process. During 2007, we incurred remedial expenditures of $28,000, which reduced the reserve. We have $702,000 accrued for the closure as of December 31, 2007, and we anticipate spending $285,000 in 2008 with the remainder over the next four years. The Company has retained this liability upon the sale of PFD in March 2008.

PFM

Pursuant to our acquisition, effective December 31, 1993, of Perma-Fix of Memphis, Inc. (f/k/a American Resource Recovery, Inc.), we assumed certain liabilities relative to the removal of contaminated soil and to undergo groundwater remediation at the facility. Prior to our ownership of Perma-Fix of Memphis, Inc., the owners installed monitoring and treatment equipment to restore the groundwater to acceptable standards in accordance with federal, state and local authorities. The groundwater remediation at this facility has been ongoing since approximately 1990. With approval of a remediation approach in 2006, Perma-Fix of Memphis, Inc. began final remediation of this facility in 2007. In 2007, we incurred remediation expenditure of $323,000 and decreased our reserve by $2,000. We have $476,000 accrued for the closure as of December 31, 2007, and we anticipate spending $225,000 in 2008 with the remainder over the next four years.

PFSG

During 1999, we recognized an environmental accrual of $2,199,000, in conjunction with the acquisition of PFSG. This amount represented our estimate of the long- term costs to remove contaminated soil and to undergo groundwater remediation activities at the PFSG acquired facility in Valdosta, Georgia. PFSG have over the past four years, completed the initial valuation, and selected the remedial process to be utilized. Approval to proceed with final remediation has not yet been received from the appropriate agency. Remedial activities began in 2003. In 2007, we increased our reserve by approximately $53,000, a result of reassessment on the cost of remediation, which was partially offset by expenditures of $15,000. We have $704,000 accrued for the closure, as of December 31, 2007, and we anticipate spending $250,000 in 2008 with the remainder over the next five years.

PFTS

In conjunction with an oil spill, we accrued approximately $69,000 to remediate the contaminated soil and ground water at this location. For the year ended December 31, 2007, we did not incur any remediation expense or make any adjustments to our remediation reserve. We have $37,000 accrued for the closure as of December 31, 2007, and we anticipate spending $7,000 in 2008 with the remainder over the next four years.

PFMI

As a result of the discontinued operations at the PFMI facility, we were required to complete certain closure and remediation activities pursuant to our RCRA permit, which were completed in January 2006. In September 2006, PFMI signed a Corrective Action Consent Order with the State of Michigan, requiring performance of studies and development and execution of plans related to the potential clean-up of soils in portions of the property. The level and cost of the clean-up and remediation are determined by state mandated requirements. Upon discontinuation of operations in 2004, we engaged our engineering firm, SYA, to perform an analysis and related estimate of the cost to complete the RCRA portion of the closure/clean-up costs and the potential long-term remediation costs. Based upon this analysis, we estimated the cost of this environmental closure and remediation liability to be $2,464,000. During 2006, based on state-mandated criteria, we re-evaluated our required activities to close and remediate the facility, and during the quarter ended June 30, 2006, we began implementing the modified methodology to remediate the facility. As a result of the reevaluation and the change in methodology, we reduced the accrual by $1,182,000. We have spent approximately $710,000 for closure costs since September 30, 2004, of which $81,000 has been spent during 2007 and $74,000 was spent in 2006. In the 4th quarter of 2007, we reduced our reserve by $9,000 as a result of our reassessment of the cost of remediation. We have $563,000 accrued for the closure, as of December 31, 2007, and we anticipate spending $401,000 in 2008 with the remainder over the next five years. Based on the current status of the Corrective Action, we believe that the remaining reserve is adequate to cover the liability.

PFMD

In conjunction with the acquisition of PFMD in March 2004, we accrued for long-term environmental liabilities of $391,000 as a best estimate of the cost to remediate the hazardous and/or non-hazardous contamination on certain properties owned by PFMD. This balance remained $391,000 at December 31, 2007. As previously discussed, we sold substantially all of the assets of the Maryland facility during the first part of 2008. In connection with this sale, the buyer agreed to assume all obligations and liabilities for environmental conditions at the Maryland facility except for fines, assessments, or judgments to governmental authorities prior to the closing of the transaction or third party tort claims existing prior to the closing of the sale.

We performed, or had performed, due diligence on each of these environmental projects, and also reviewed/utilized reports obtained from third party engineering firms who have been either engaged by the prior owners or by us to assist in our review. Based upon our expertise and the analysis performed, we have accrued our best estimate of the cost to complete the remedial projects. No insurance or third party recovery was taken into account in determining our cost estimates or reserve, nor do our cost estimates or reserves reflect any discount for present value purposes. We do not believe that any adverse changes to our estimates would be material to us. The circumstances that could affect the outcome range from new technologies, that are being developed every day that reduce our overall costs, to increased contamination levels that could arise as we complete remediation which could increase our costs, neither of which we anticipate at this time.

NOTE 12
INCOME TAXES

Income tax from the continuing operations for the years ended December 31, consisted of the following (in thousands):

	2007	2006	2005
Current:			
Federal	$ —	$ 83	$ 50
State	—	424	382
Total income tax expense	$ —	$ 507	$ 432

We had temporary differences and net operating loss carry forwards, which gave rise to deferred tax assets and liabilities at December 31, as follows (in thousands):

	2007	2006
Deferred tax assets:		
Net operating losses	$ 7,724	$ 5,315
Environmental and closure reserves	2,770	1,896
Impairment of assets	10,015	7,611
Other	2,167	1,582
Valuation allowance	(14,237)	(10,970)
Deferred income tax assets	$ 8,439	$ 5,434
Deferred tax liabilities:		
Depreciation and amortization	(8,439)	(5,434)
Total deferred income tax liability	—	—
Net deferred income tax asset	$ —	$ —

An overall reconciliation between the expected tax benefit using the federal statutory rate of 34% and the provision for income taxes as reported in the accompanying consolidated statements of operations is provided below. On a percentage basis, the reconciliation approximates that of continuting operations as well.

	2007	2006	2005
Tax (benefit) expense at statutory rate	$ (3,131)	$ 1,831	$ 1,400
State taxes, net of federal benefit	114	153	252
Permanent items	573	—	—
Other	30	284	(39)
Increase (decrease) in valuation allowance	2,414	(1,761)	(1,181)
Provision for income taxes	$ —	$ 507	$ 432

Effective January 1, 2007, the Company adopted the provisions of FIN No. 48, *Accounting for Uncertainty in Income Taxes*. FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This pronouncement also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of FIN No. 48 did not result in the identification of material uncertain tax positions through December 31, 2007.

The Company has provided a valuation allowance on substantially all of its deferred tax assets. The Company will continue to monitor the realizability of these net deferred tax assets and will reverse some or all of the valuation allowance as appropriate. In making this determination, the Company considers a number of factors including whether there is a historical pattern of consistent and significant profitability in combination with the Company's assessment of forecasted profitability in the future periods. Such patterns and forecasts allow us to determine whether our most significant deferred tax assets such as net operating losses will more likely than not be realizable in future years, in whole or in part. These deferred tax assets in particular will require us to generate significant taxable income in the applicable jurisdictions in future years in order to recognize their economic benefits. At this point, the Company does not believe that it has enough positive evidence to conclude that some or all of the valuation allowance on deferred tax assets should be reversed. However, facts and circumstances could change in future years and at such point the Company may reverse the allowance as appropriate. Our valuation allowance increased (decreased) by approximately $2,414,000, $(1,761,000), and $(1,181,000) for the years ended December 31, 2007, 2006, and 2005, respectively, which represents the effect of changes in the temporary differences and net operating losses (NOLs), as amended. Included in deferred tax assets is an impairment of assets for $10,015,000, of which approximately $7,162,000 is in conjunction with our acquisition of DSSI in August 2000 and approximately $2,853,000 is in conjunction with impairment of assets related to our discontinued operations. This deferred tax asset is a result of an impairment charge related to fixed assets and goodwill of approximately $25,155,000 recorded by DSSI in 1997 prior to our acquisition of DSSI. We have recorded approximately $7,855,000 of asset impairment related to the discontinued operations of our Industrial Segment, of which $6,367,000 and $1,488,000 was recorded in 2007 and 2006, respectively. This write-off will not be deductible for tax purposes until the assets are disposed.

We have estimated net operating loss carryforwards (NOL's) for federal income tax purposes of approximately $22,719,000 at December 31, 2007 for continuing operations. These net operating losses can be carried forward and applied against future taxable income, if any, and expire in the years 2008 through 2024. However, as a result of various stock offerings and certain acquisitions, the use of these NOLs will be limited under the provisions of Section 382 of the Internal Revenue Code of 1986, as amended. According to Section 382, we have approximately $11.8 million in total NOLs available to offset consolidated taxable income for the tax year ended December 31, 2007. Additionally, NOLs may be further limited under the provisions of Treasury Regulation 1.1502-21 regarding Separate Return Limitation Years.

NOTE 13
CAPITAL STOCK, EMPLOYEE STOCK PLAN AND INCENTIVE COMPENSATION

Employee Stock Purchase Plan
At our Annual Meeting of Stockholders held on July 29, 2003, our stockholders approved the adoption of the Perma-Fix Environmental Services, Inc. 2003 Employee Stock Purchase Plan. The plan provides our eligible employees an opportunity to become stockholders and purchase our Common Stock through payroll deductions. The maximum number of shares issuable under this plan is 1,500,000. The Plan authorized the purchase of shares two times per year, at an exercise price per share of 85% of the market price of our Common Stock on the offering date of the period or on the exercise date of the period, whichever is lower. The first purchase period commenced July 1, 2004. The following table details the resulting employee stock purchase totals.

Purchase Period		Proceeds	Shares Purchased
July 1 – December 31, 2004	$	47,000	31,287
January 1 – June 30, 2005		51,000	33,970
July 1 – December 31, 2005		44,000	31,123
	$	142,000	96,380

On May 15, 2006, the Board of Directors of the Company terminated the 2003 Employee Stock Purchase Plan due to lack of employee participation and the cost of managing the plan. The Plan allows the Board of Directors to terminate the Plan at anytime without prior notice to the participants and without liability to the participants. A total of 96,380 shares had been purchased under the Plan prior to the Plan's termination, of which 65,257 shares of our Common Stock were issued in 2005 and 31,123 shares of Common Stock were issued in 2006. Upon termination of the Plan, the balance, if any, then standing to the credit of each participant in the participant stock purchase stock purchase account was refunded to the participant.

Employment Options
During October 1997, Dr. Centofanti, our current Chairman of the Board, President and Chief Executive Officer, entered into an Employment Agreement, which expired in October 2000 and provided for, the issuance of Non-qualified Stock Options ("Non-qualified Stock Options"). The Non-qualified Stock Options provide Dr. Centofanti with the right to purchase an aggregate of 300,000 shares of Common Stock as follows: (i) after one year 100,000 shares of Common Stock at a price of $2.25 per share, (ii) after two years 100,000 shares of Common Stock at a price of $2.50 per share, and (iii) after three years 100,000 shares of Common Stock at a price of $3.00 per share. The 300,000 Non-qualified Stock Options expired and were forfeited by Dr. Centofanti in October 2007.

Stock Option Plans
On December 16, 1991, we adopted a Performance Equity Plan (the "Plan"), under which 500,000 shares of our Common Stock is reserved for issuance, pursuant to which officers, directors and key employees are eligible to receive incentive or Non-qualified stock options. Incentive awards consist of stock options, restricted stock awards, deferred stock awards, stock appreciation rights and other stock-based awards. Incentive stock options granted under the Plan are exercisable for a period of up to ten years from the date of grant at an exercise price which is not less than the market price of the Common Stock on the date of grant, except that the term of an incentive stock option granted under the Plan to a stockholder owning more than 10% of the then-outstanding shares of Common Stock may not exceed five years and the exercise price may not be less than 110% of the market price of the Common Stock on the date of grant. All grants of options under the Performance Equity Plan have been made at an exercise price equal to the market price of the Common Stock at the date of grant. On December 16, 2001, the Plan expired. No new options will be issued under the Plan, but the options issued under the Plan prior to the expiration date will remain in effect until their respective maturity dates.

Effective September 13, 1993, we adopted a Non-qualified Stock Option Plan pursuant to which officers and key employees can receive long-term performance-based equity interests in the Company. The maximum number of shares of Common Stock as to which stock options may be granted in any year shall not exceed twelve percent (12%) of the number of common shares outstanding on December 31 of the preceding year, less the number of shares covered by the outstanding stock options issued under our 1991 Performance Equity Plan as of December 31 of such preceding year. The option grants under the plan are exercisable for a period of up to ten years from the date of grant at an exercise price, which is not less than the market price of the Common Stock at date of grant. On September 13, 2003, the plan expired. No new options will be issued under this plan, but the options issued under the Plan prior to the expiration date will remain in effect until their respective maturity dates.

Effective December 12, 1993, we adopted the 1992 Outside Directors Stock Option Plan, pursuant to which options to purchase an aggregate of 100,000 shares of Common Stock had been authorized. This plan provides for the grant of options to purchase up to 5,000 shares of Common Stock for each of our outside directors upon initial election and each re-election. The plan also provides for the grant of additional options to purchase up to 10,000 shares of Common Stock on the foregoing terms to each outside director upon initial election to the Board. The options have an exercise price equal to the closing trading price, or, if not available, the fair market value of the Common Stock on the date of grant. During our annual meeting held on December 12, 1994, the stockholders approved the Second Amendment to our 1992 Outside Directors Stock Option Plan which, among other things, (i) increased from 100,000 to 250,000 the number of shares reserved for issuance under the plan, and (ii) provides for automatic issuance to each of our directors, who is not our employee, a certain number of shares of Common Stock in lieu of 65% of the cash payment of the fee payable to each director for his services as director. The Third Amendment to the Outside Directors Plan, as approved at the December 1996 Annual Meeting, provided that each eligible director shall receive, at such eligible director's option, either 65% or 100% of the fee payable to such director for services rendered to us as a member of the Board in Common Stock. In either case, the number of shares of our Common Stock issuable to the eligible director shall be determined by valuing our Common Stock at 75% of its fair market value as defined by the Outside Directors Plan. The Fourth Amendment to the Outside Directors Plan, was approved at the May 1998 Annual Meeting and increased the number of authorized shares from 250,000 to 500,000 reserved for issuance under the plan.

Effective July 29, 2003, we adopted the 2003 Outside Directors Stock Plan, which was approved by our stockholders at the Annual Meeting of Stockholders on such date. A maximum of 1,000,000 shares of our Common Stock are authorized for issuance under this plan. The plan provides for the grant of an option to purchase up to 30,000 shares of Common Stock for each outside director upon initial election to the Board of Directors, and the grant of an option to purchase up to 12,000 shares of Common Stock upon each reelection. The options granted generally have vesting period of six months from the date of grant, with exercise price equal to the closing trade price on the date prior to grant date. The plan also provides for the issuance to each outside director a number of shares of Common Stock in lieu of 65% or 100% of the fee payable to the eligible director for services rendered as a member of the Board of Directors. The number of shares issued is determined at 75% of the market value as defined in the plan.

Effective July 28, 2004, we adopted the 2004 Stock Option Plan, which was approved by our stockholders at the Annual Meeting of Stockholders on such date. The plan provides for the grants of options to selected officers and employees, including any employee who is also a member of the Board of Director of the Company. A maximum of 2,000,000 shares of our Common Stock are authorized for issuance under this plan in the form of either incentive or non-qualified stock options. The option grants under the plan are exercisable for a period of up to 10 years from the date of grant at an exercise price of not less than market price of the Common Stock at grant date.

Effective on January 1, 2006, we began accounting for employee and director stock options pursuant to SFAS 123R, which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pursuant to our adoption of SFAS 123R we began recognizing compensation expense for all unvested stock options. Prior to adopting SFAS 123R we applied APB Opinion 25, “Accounting for Stock Issued to Employees,” and related interpretations in accounting for options issued to employees and directors. Accordingly, prior to 2006, no compensation cost was recognized for options granted to employees and directors at exercise prices, which equaled or exceeded the market price of our Common Stock at the date of grant. Pursuant to the standards in SFAS 123R and our belief that it is in the best interest of our stockholders to reduce future compensation expense, in July 2005 we accelerated the vesting of all unvested employee stock options outstanding at that date. As of December 31, 2007, we have 659,334 unvested options outstanding. See “Note 2” for further discussion on SFAS 123R.

During 2007, we issued 234,927 shares of our Common Stock upon exercise of 237,225 employee stock options, at exercise prices from $1.25 to $2.19 per share. An optionee surrendered 2,298 shares of personally held Common Stock of the Company as payment for the exercise of the 4,000 options. Total proceeds received during 2007 for option exercises totaled approximately $418,000. We issued 433,500 shares of our Common Stock upon exercise of 433,500 employee options in 2006, resulting in total proceeds of approximately $575,000. During 2005, we issued 55,800 shares of Common Stock upon exercise of 55,800 employee options, resulting in total proceeds of approximately $70,000.

Summary of the status of options under the plans as of December 31, 2007, 2006, and 2005 and changes during the years ending on those dates is presented below:

	2007			2006			2005		
	Shares	Weighted Average Exercise Price	Intrinsic Value [a]	Shares	Weighted Average Exercise Price	Intrinsic Value [a]	Shares	Weighted Average Exercise Price	Intrinsic Value [a]
Performance Equity Plan:									
Balance at beginning of year	12,000	$ 1.25	$ —	27,000	$ 1.16	$ —	35,600	$ 1.18	$ —
Exercised	(3,000)	1.25	5,470	(14,000)	1.07	12,940	(8,600)	1.25	10,576
Forfeited	—	—	—	(1,000)	1.25	—	—	—	—
Balance at end of year	9,000	1.25	5,470	12,000	1.25	12,940	27,000	1.16	10,576
Options exercisable at year end	9,000	1.25	—	12,000	1.25	—	27,000	1.16	—
Non-qualified Stock Option Plan:									
Balance at beginning of year	1,297,750	$ 1.85	$ —	1,989,250	$ 1.78	$ —	2,151,850	$ 1.81	$ —
Granted	—	—	—	—	—	—	—	—	—
Exercised	(119,391)	1.91	112,546	(419,500)	1.34	287,328	(37,200)	1.21	43,112
Forfeited	(3,500)	1.72	—	(272,000)	2.13	—	(125,400)	2.51	—
Balance at end of year	1,174,859	1.85	112,546	1,297,750	1.85	287,328	1,989,250	1.78	43,112
Options exercisable at year end	1,174,859	1.85	1.85	1,297,750	1.85	—	1,989,250	1.78	—
1992 Outside Directors Stock Plan:									
Balance at beginning of year	165,000	$ 2.05	$ —	200,000	$ 2.00	$ —	220,000	$ 2.11	$ —
Granted	—	—	—	—	—	—	—	—	—
Forfeited	(15,000)	2.13	—	(35,000)	1.75	—	(20,000)	3.25	—
Balance at end of year	150,000	2.04	—	165,000	2.05	—	200,000	2.00	—
Options exercisable at year end	150,000	2.04	—	165,000	2.05	—	200,000	2.00	—
2003 Outside Directors Stock Plan:									
Balance at beginning of year	324,000	$ 1.94	$ —	234,000	$ 1.85	$ —	162,000	$ 1.86	$ —
Granted	102,000	2.95	—	90,000	2.15	—	72,000	1.84	—
Balance at end of year	426,000	2.18	—	324,000	1.94	—	234,000	1.86	—
Options exercisable at year end	324,000	1.94	—	234,000	1.85	—	162,000	1.86	—
Weighted average fair value of options granted during the year at exercise prices which equal market price of stock at date of grant	102,000	2.30	—	90,000	1.74	—	72,000	1.08	—

2004 Stock Option Plan:									
Balance at beginning of year	1,018,000	$ 1.82	$ —	96,500	$ 1.44	$ —	106,500	$ 1.44	$ —
Granted	—	—	—	978,000	1.86	—	—	—	—
Exercised	(114,834)	1.68	134,901	—	—	—	(10,000)	1.44	11,120
Forfeited	(72,999)	1.86	—	(56,500)	1.77	—	—	—	—
Balance at end of year	830,167	1.84	134,901	1,018,000	1.82	—	96,500	1.44	—
Options exercisable at year end	272,833	1.80	—	85,000	1.44	—	96,500	—	—
Weighted average fair value of options granted during the year at exercise prices which equal market price of stock at date of grant	—	—	—	978,000	.87	—	—	—	—

(a) Represents the difference between the market price and the exercise price at date of exercise.

The following table summarizes information about options under the plans outstanding at December 31, 2007:

	Options Outstanding			Options Exercisable	
Description and Range of Exercise Prices	Number Outstanding At Dec. 31, 2007	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable At Dec. 31, 2007	Weighted Average Exercise Price
Performance Equity Plan:					
1998 Awards ($1.25)	9,000	.8 years	$ 1.25	9,000	$ 1.25
	9,000	.8 years	1.25	9,000	1.25
Non-Qualified Stock Option Plan:					
1998 Awards ($1.25)	20,000	.8 years	1.25	20,000	1.25
2000 Awards ($1.25-$1.50)	185,000	2.3 years	1.27	185,000	1.27
2001 Awards ($1.75)	487,000	3.3 years	1.75	487,000	1.75
2003 Awards ($2.19)	482,859	5.2 years	2.19	482,859	2.19
	1,174,859	3.8 years	1.85	1,174,859	1.85
2004 Stock Option Plan:					
2004 Awards ($1.44)	37,500	6.8 years	1.44	37,500	1.44
2006 Awards ($1.85-$1.86)	792,667	4.2 years	1.86	235,333	1.86
	830,167	4.3 years	1.84	272,833	1.80
1992 Outside Directors Stock Option Plan:					
1998 Awards ($1.375)	15,000	.4 years	1.38	15,000	1.38
1999 Awards ($1.22-$1.25)	35,000	1.7 years	1.24	35,000	1.24
2000 Awards ($1.69)	15,000	2.9 years	1.69	15,000	1.69
2001 Awards ($2.43-$2.75)	30,000	3.6 years	2.59	30,000	2.59
2002 Awards ($2.58-$2.98)	40,000	4.6 years	2.73	40,000	2.73
2003 Awards ($2.02)	15,000	5.3 years	2.02	15,000	2.02
	150,000	3.2 years	2.04	150,000	2.04
2003 Outside Directors Stock Plan:					
2003 Awards ($1.99)	90,000	5.6 years	1.99	90,000	1.99
2004 Awards ($1.70)	72,000	6.6 years	1.70	72,000	1.70
2005 Awards ($1.84)	72,000	7.6 years	1.84	72,000	1.84
2006 Awards ($2.15)	90,000	8.6 years	2.15	90,000	2.15
2007 Awards ($2.95)	102,000	9.6 years	2.95	—	—
	426,000	8.1 years	2.18	324,000	1.94

The summary of the Company's total Plans, as noted on the previous page, as of December 31, 2007 and changes during the period then ended is presented as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding January 1, 2007	2,816,750	$ 1.86		
Granted	102,000	2.95		
Exercised	(237,225)	1.79		
Forfeited	(91,499)	1.90		
Options outstanding end of period	2,590,026	$ 1.91	4.6 years	$ 1,516,720
Options exerciseable at December 31, 2007	1,930,692	$ 1.87	4.4 years	$ 1,176,079
Options vested and expected to vest at December 31, 2007	2,548,319	$ 1.91	4.6 years	$ 1,491,278

Shares Reserved

At December 31, 2007, we have reserved approximately 2.6 million shares of Common Stock for future issuance under all of the above option arrangements.

Warrants

We have issued various Warrants pursuant to acquisitions, private placements, debt and debt conversion and to facilitate certain financing arrangements. The Warrants principally are for a term of three to five years and entitle the holder to purchase one share of Common Stock for each warrant at the stated exercise price.

We issued no warrants in 2005, 2006, and 2007. During 2007, we issued 563,633 shares of Common Stock upon exercise of 1,281,731 warrants on a cashless basis, resulting in the surrendering of the remaining 718,098 warrants. In addition, 1,775,638 warrants expired in 2007. We received $54,000 from repayment of stock subscription resulting from exercise of warrants to purchase 60,000 shares of our Common Stock on loan by the Company at an arms length basis in 2006. As of December 31, 2007, we have no outstanding warrants for the purchase of our Common Stock. During 2006, a total of 6,673,290 shares of Common Stock were issued upon the exercise of 6,904,149 warrants, both on a cash and cashless basis and on a loan by the Company on an arms length basis. We received proceeds of $11,460,000 for the exercises, and 306,262 warrants expired. During 2005, a total of 2,497,512 warrants were exercised on a cash and cashless basis resulting in issuance of 1,197,766 shares of Common Stock for proceeds in the amount of $937,000 and 25,293 warrants expired.

Put Options

In 2001, we entered into an Option Agreement with AMI and BEC, dated July 31, 2001 (the "Option Agreement"). Pursuant to the Option Agreement, we granted each purchaser an irrevocable option requiring us to purchase any of the Warrants or the shares of Common Stock issuable under the Warrants (the "Warrant Shares") then held by the purchaser (the "Put Option"). The Put Option could be exercised at any time commencing July 31, 2004, and ending July 31, 2008. In addition, each purchaser granted to us an irrevocable option to purchase all the Warrants or the Warrant Shares then held by the purchaser (the "Call Option"). The Call Option could be exercised at any time commencing July 31, 2005, and ending July 31, 2008. The purchase price under the Put Option and the Call Option was based on the quotient obtained by dividing (a) the sum of six times our consolidated EBITDA for the period of the 12 most recent consecutive months minus Net Debt plus the Warrant Proceeds by (b) our Diluted Shares (as the terms EBITDA, Net Debt, Warrant Proceeds, and Diluted Shares are defined in the Option Agreement). On November 8, 2007, BEC exercised the 569,658 Warrants on a cashless basis, resulting in issuance of 273,321 shares of Common Stock and on December 31, 2007, AMI exercised the 712,073 Warrants on a cashless basis, resulting in issuance of 290,312 shares of Common Stock, with the remaining warrants forfeited. At December 31, 2006 and for the life of the Put Option to the warrant exercise date, this instrument has been measured regularly to have no value and thus no liability has been recorded. As result of the exercises by BEC and AMI, the Company has no further obligations under the “Option Agreement”.

NOTE 14
COMMITMENTS AND CONTINGENCIES

Hazardous Waste

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

Perma-Fix of Dayton, Inc. (“PFD”)

A subsidiary within our Industrial Segment, PFD was defending a lawsuit styled *Barbara Fisher v. Perma-Fix of Dayton, Inc.*, in the United States District Court, Southern District of Ohio (the “Fisher Lawsuit”). This citizen’s suit was brought under the Clean Air Act alleging, among other things, violations by PFD of state and federal clean air statutes connected with the operation of PFD’s facility located in Dayton, Ohio. As further previously disclosed, the U.S. Department of Justice, on behalf of the Environmental Protection Agency, intervened in the Fisher Lawsuit alleging, among other things, substantially similar violations alleged in the Fisher Lawsuit (the “Government’s Lawsuit”).

During December 2007, PFD and the federal government entered into a Consent Decree formalizing settlement of the government’s portion of the above described lawsuit, which Consent Decree was approved by the federal court during the first quarter of 2008. Pursuant to the Consent Decree, the settlement with the federal government resolved the government’s claims against PFD and requires PFD to:

- pay a civil penalty of $360,000;

- complete three supplemental environmental projects costing not less than $562,000 to achieve air emission controls that go above and beyond those required by any current environmental regulations.

- implement a variety of state and federal air permit pollution control measures; and

- take a variety of voluntary steps to reduce the potential for emissions of air pollutants.

During December 2007, PFD and Plaintiff, Fisher, entered into a Settlement Agreement formalizing settlement of the Plaintiff’s claims in the above lawsuit. The settlement with Plaintiff Fisher resolved the Plaintiff’s claims against PFD and, subject to certain conditions set forth in the Settlement Agreement, requires PFD to pay a total of $1,325,000. Our insurer has agreed to contribute $662,500 toward the settlement cost of the citizen’s suit portion of the litigation, which we received on March 13, 2008. Based on discussion with our insurer, our insurer will not pay any portion of the settlement with the federal government in the Government Lawsuit.

In connection with PFD’s sale of substantially all of its assets during March, 2008, as discussed “Subsequent Event, the buyer has agreed to assume certain of PFD’s obligations under the Consent Decree and Settlement Agreement, including, without limitation, PFD’s obligation to implement supplemental environmental projects costing not less than $562,000, implement a variety of state and federal air permit control measures and reduce the potential for emissions of air pollutants.

As of the December 31, 2007, we have recorded a total of $1,625,000 of reserves in our discontinued operations for settlement by PFD of the Fisher Lawsuit and the Government Lawsuit.

As previously reported, on April 12, 2007 our insurer agreed to reimburse PFD for reasonable defense costs of litigation incurred prior to our insurer's assumption of the defense, but this agreement to defend and indemnify PFD was subject to the our insurer's reservation of its rights to deny indemnity pursuant to various policy provisions and exclusions, including, without limitation, payment of any civil penalties and fines, as well as our insurer's right to recoup any defense cost it has advanced if our insurer later determines that its policy provides no coverage. When, our insurer withdrew its prior coverage denial and agreed to defend and indemnify PFD in the above described lawsuits, subject to certain reservation of rights, we had incurred more than $2.5 million in costs in vigorously defending against the Fisher and the Government Lawsuits. To date, our insurer has reimbursed PFD approximately $2.5 million for legal defense fees and disbursements, which we recorded as a recovery within our discontinued operations in the second quarter of 2007. Partial reimbursement from our insurer of $750,000 was received on July 11, 2007. A second reimbursement of approximately $1.75 million was received on August 17, 2007. Our insurer has advised us that they will reimburse us for approximately another $82,000 in legal fees and disbursements, which we recorded as a recovery in our discontinued operations. The reimbursement is subject to our insurer's reservation of rights as noted above. On February 12, 2008, we received reimbursement of approximately $24,000 from AIG. We anticipate receiving the remaining reimbursement by the end of the second quarter of 2008.

Perma-Fix of Orlando, Inc. ("PFO")
In 2007, PFO was named as a defendant in four cases related to a series of toxic tort cases, the "Brottem Litigation" that are pending in the Circuit Court of Seminole County, Florida. All of the cases involve allegations of toxic chemical exposure at a former telecommunications manufacturing facility located in Lake Mary, Florida, known generally as the "Rinehart Road Plant". PFO is presently a defendant, together with numerous other defendants, in the following four cases: *Brottem v. Siemens, et al.; Canada v. Siemens et al.; Bennett v. Siemens et al.* and the recently filed *Culbreath v. Siemens et al.* All of the cases seek unspecified money damages for alleged personal injuries or wrongful death. With the exception of PFO, the named defendants are all present or former owners of the subject property, including several prominent manufacturers that operated the Rinehart Road Plant. The allegations in all of the cases are essentially identical.

The basic allegations are that PFO provided "industrial waste management services" to the Defendants and that PFO negligently "failed to prevent" the discharge of toxic chemicals or negligently "failed to warn" the plaintiffs about the dangers presented by the improper handling and disposal of chemicals at the facility. The complaints make no attempt to specify the time and manner of the alleged exposures in connection with PFO's "industrial waste management services." PFO has moved to dismiss for failure to state a cause of action.

At this time, the cases involve a large number of claims involving personal injuries. At this very early stage, it is not possible to accurately assess PFO's potential liability. Our insurer has agreed to defend and indemnify us in these lawsuits, excluding our deductible of $250,000, subject to a reservation of rights to deny indemnity pursuant to various provisions and exclusions under our policy.

Perma-Fix of Dayton ("PFD"), Perma-Fix of Florida ("PFF"), Perma-Fix of Orlando ("PFO"), Perma-Fix of South Georgia ("PFSG"), and Perma-Fix of Memphis ("PFM")
In May 2007, the above facilities were named Partially Responsible Parties ("PRPs") at the Marine Shale Superfund site in St. Mary Parish, Louisiana ("Site"). Information provided by the EPA indicates that, from 1985 through 1996, the Perma-Fix facilities above were responsible for shipping 2.8% of the total waste volume received by Marine Shale. Subject to finalization of this estimate by the PRP group, PFF, PFO and PFD could be considered de-minimus at .06%, .07% and .28% respectively. PFSG and PFM would be

major at 1.12% and 1.27% respectively. However, at this time the contributions of all facilities are consolidated.

As of the date of this report, Louisiana DEQ ("LDEQ") has collected approximately $8.4 million for the remediation of the site and is proceeding with the remediation of the site. The EPA's unofficial estimate to remediate the site is between $9 and $12 million; however, based on preliminary outside consulting work hired by the PRP group, which we are a party to, the remediation costs can be below EPA's estimation. As part of the PRP Group, we have paid an initial assessment of $10,000 in the fourth quarter of 2007, which was allocated among the facilities. As of the date of this report, we cannot accurately access our liability. The Company records its environmental liabilities when they are probable of payment and can be estimated within a reasonable range. Since this contingency currently does not meet this criteria, a liability has not been established.

In addition to the above matters and in the normal course of conducting our business, we are involved in various other litigations. We are not a party to any litigation or governmental proceeding which our management believes could result in any judgments or fines against us that would have a material adverse affect on our financial position, liquidity or results of future operations.

Pension Liability
We had a pension withdrawal liability of $1,287,000 at December 31, 2007, based upon a withdrawal letter received from Central States Teamsters Pension Fund ("CST"), resulting from the termination of the union employees at PFMI and a subsequent actuarial study performed. In August 2005, we received a demand letter from CST, amending the liability to $1,629,000, and provided for the payment of $22,000 per month over an eight year period.

Operating Leases
We lease certain facilities and equipment under operating leases. Future minimum rental payments as of December 31, 2007, required under these leases for our continuing operations are $677,000 in 2008, $575,000 in 2009, $486,000 in 2010, $357,000 in 2011, and $150,000 in years after 2012. Total future minimum payment as of December 31, 2007 for our discontinued operations is $2,006,000 and is due as follows: $544,000 in 2008; $455,000 in 2009; $387,000 in 2010; $372,000 in 2011; $200,000 in 2012; $41,000 in 2013; and $7,000 in 2014.

Net rent expense was $1,017,000, $893,000, and $940,000 for 2007, 2006, and 2005, respectively for our continuing operations. These amounts include payments on operating leases of approximately $807,000, $796,000, and $826,000 for 2007, 2006, and 2005, respectively. The remaining rent expense is for non-contractual monthly and daily rentals of specific use vehicles, machinery and equipment.

Net rent expense was $1,581,000, $1,649,000, and $2,598,000 for 2007, 2006, and 2005, respectively for our discontinued operations. These amounts include payments on operating leases of approximately $744,000, $953,000, and $1,338,000, respectively. The remaining rent expense is for non-contractual monthly and daily rentals of specific use vehicles, machinery and equipment.

NOTE 15
PROFIT SHARING PLAN

We adopted the Perma-Fix Environmental Services, Inc. 401(k) Plan (the "401(k) Plan") in 1992, which is intended to comply under Section 401 of the Internal Revenue Code and the provisions of the Employee Retirement Income Security Act of 1974. All full-time employees who have attained the age of 18 are eligible to participate in the 401(k) Plan. Participating employees may make annual pretax contributions to their accounts up to 100% of their compensation, up to a maximum amount as limited by law. We, at our discretion, may make matching contributions based on the employee's elective contributions. Company contributions vest over a period of five years. We currently match up to 25% of our employees' contributions. We contributed $418,000, $378,000, and $347,000 in matching funds during 2007, 2006, and 2005, respectively.

NOTE 16
RELATED PARTY TRANSACTIONS

Lawrence Properties LLC
During February 2006, our Board of Directors approved and we entered into a lease agreement, whereby we lease property from Lawrence Properties LLC, a company jointly owned by the president of Schreiber, Yonley and Associates, Robert Schreiber, Jr. and his spouse. Mr. Schreiber is a member of our executive management team. The lease is for a term of five years from June 1, 2006. We pay monthly rent expense of $10,000, which we believe is lower than costs charged by unrelated third party landlords. Additional rent will be assessed for any increases over the initial lease commencement year for property taxes or assessments and property and casualty insurance premiums.

Mr. Joe Reeder
The Compensation Committee of our Board of Directors unanimously recommended to the full Board of Directors, and, based on such recommendation, on October 31, 2007, our Board of Directors, with Mr. Reeder abstaining, approved that Mr. Joe R. Reeder, a member of our Board of Directors be paid an additional director's fee of $160,000 as compensation for his services as the board's representative in negotiating the agreement in principle to settle the claims brought by the United States, on behalf of the EPA, against PFD, our Dayton, Ohio, subsidiary, and resolution of certain other matters relating to that lawsuit (See Part I, Item 3 - "Legal Proceedings"). As a fee payable to Mr. Reeder for his services as a member of our Board of Directors, payment of the fee is governed by the terms of our 2003 Outsider Directors Stock Plan. In accordance with the terms of the 2003 Directors Plan, fees payable to a non-employee director may be paid, at the election of the director, with either 65% or 100% in shares of our common stock, with any balance payable in cash. The number of shares to be issued under the 2003 Directors Plan in lieu of cash fees is determined by dividing the amount of the fee by 75% of the closing sales price of our common stock on the business day immediately preceding the date that the fee is due. Mr. Reeder elected to receive 100% of such fee in shares of our Common Stock in lieu of cash. As fees payable to Mr. Reeder on October 31, 2007, Mr. Reeder was issued 73,818 shares of Common Stock in lieu of cash (based on 75% of the closing price of $2.89/share on October 30, 2007). The fair value of the stock on October 30, 2007 is $213,334, which we expensed as director's fees in the 4^{th} quarter of 2007. The shares were issued to Mr. Reeder on December 31, 2007.

Mr. David Centofanti
Mr. David Centofanti serves as our Director of Information Services. For such services, he received total compensation in 2007 of approximately $154,000. Mr. David Centofanti is the son of our chief executive officer and chairman of our board, Dr. Louis F. Centofanti. We believe the compensation received by Mr. Centofanti for his technical expertise which he provides to the Company is competitive and comparable to compensation we would have to pay to an unaffiliated third party with the same technical expertise.

Mr. Robert L. Ferguson
On June 13, 2007, we acquired Nuvotec and Nuvotec's wholly owned subsidiary, PEcoS, pursuant to the terms of the Merger Agreement, between us, Nuvotec, PEcoS, and our wholly owned subsidiary. At the time of the acquisition, Robert L. Ferguson was the chairman, chief executive officer, and individually or through entities controlled by him, the owner of approximately 21.29% of Nuvotec's outstanding common stock.

As consideration for the merger, we agreed to pay the Nuvotec's shareholders the sum of approximately $11.2 million, payable as follows:

(a) $2.3 million in cash at closing of the merger;

(b) an earn-out amount not to exceed $4.4 million over a four year period ("Earn-Out Amount"), with the first $1.0 million of the Earn-Out Amount to be placed in an escrow account to satisfy certain indemnification obligations under the Merger Agreement of Nuvotec, PEcoS, and the shareholders of Nuvotec (including Mr. Ferguson) to us that are identified by us within two years following the merger. The earn-out amount, if and when paid, will increase goodwill; and

(c) payable only to the shareholders of Nuvotec that qualified as accredited investors pursuant to Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended (which includes Mr. Ferguson):

- $2.5 million, payable over a four year period, unsecured and nonnegotiable and bearing an annual rate of interest of 8.25%, with (i) accrued interest only payable on June 30, 2008, (ii) $833,333.33, plus accrued and unpaid interest, payable on June 30, 2009, (iii) $833,333.33, plus accrued and unpaid interest, payable on June 30, 2010, and (iv) the remaining unpaid principal balance, plus accrued and unpaid interest, payable on June 30, 2011 (collectively, the "Installment Payments"). The Installment Payments may be prepaid at any time by Perma-Fix without penalty; and

- 709,207 shares of our common stock, with such number of shares determined by dividing $2.0 million by 95% of average of the closing price of the common stock as quoted on the Nasdaq during the 20 trading days period ending five business days prior to the closing of the merger.

At the closing of the merger, the Nuvotec debt was approximately $9.4 million, of which approximately $3.7 million was for PEcoS. Approximately $8.9 million of the $9.4 million was owed to KeyBank National Association. We paid approximately $5.4 million of the total debt, with payment of approximately $4.9 million on the KeyBank debt. Of the amount of remaining debt, $4.0 million is owed by PESI Northwest under a credit facility with KeyBank. The KeyBank credit facility and a related $1.75 million line of credit with KeyBank is guaranteed by Mr. Ferguson [and William Lampson, who prior to the merger was the vice-chairman and a vice-president of Nuvotec and PEcoS].

We paid Mr. Ferguson and entities controlled by him, as accredited stockholders in Nuvotec, a total of $224,560 cash and issued to him and the entities controlled by him a total of 192,783 shares of our common stock in consideration for the merger pursuant to the terms described above. The fair market value of the

192,783 shares of common stock issued to Mr. Ferguson was $584,133, based on the closing price of our common stock on July 23, 2007, the date of issuance. Mr. Ferguson and the entities controlled by him will also be entitled to receive 21.29% of the total Earn-Out Amount and 27.18% of the Installment Payments payable under the terms of the Merger Agreement, based on the proportionate share of Nuvotec's common stock owned prior to the merger by Mr. Ferguson and entities controlled by him.

In connection with the merger, we agreed to increase the number of our directors from seven to eight and to take reasonable action to nominate and recommend Mr. Ferguson for election as a member of our Board of Directors, if such nomination would not breach any fiduciary duties or legal requirements of our Board. The Board of Directors subsequently determined that nominating Mr. Ferguson for election as a member of our Board would not breach the Board's fiduciary duties or legal requirements. Accordingly, our Corporate Governance and Nominating Committee considered Mr. Ferguson's qualifications and nominated him for election to the Board. Our shareholders elected Mr. Ferguson as a director at our 2007 annual meeting held on August 2, 2007.

NOTE 17
OPERATING SEGMENTS

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

- from which we may earn revenue and incur expenses;
- whose operating results are regularly reviewed by the segment president to make decisions about resources to be allocated to the segment and assess its performance; and
- For which discrete financial information is available.

We currently have two operating segments, which are defined as each business line that we operate. This however, excludes corporate headquarters, which does not generate revenue, and our discontinued operations, which include our facilities in our Industrial Segment. (See "Note 6 - Discontinued Operations" to "Notes to Consolidated Financial Statements".

Our operating segments are defined as follows:

The Nuclear Waste Management Services segment provides treatment, storage, processing and disposal of nuclear, low-level radioactive, mixed (waste containing both hazardous and non-hazardous constituents), hazardous and non-hazardous waste through our four facilities; Perma-Fix of Florida, Inc., Diversified Scientific Services, Inc., East Tennessee Materials and Energy Corporation, and our newly acquired facility, Perma-Fix of Northwest Richland, Inc., which was acquired in June 2007.

The Consulting Engineering Services segment provides environmental engineering and regulatory compliance services through Schreiber, Yonley & Associates, Inc. which includes oversight management of environmental restoration projects, air and soil sampling and compliance and training activities to industrial and government customers, as well as, engineering and compliance support needed by our other segments.

Our discontinued operations encompass our facilities in our Industrial Waste Management Services Segment which provides on-and-off site treatment, storage, processing and disposal of hazardous and non-hazardous industrial waste, and wastewater through our six facilities; Perma-Fix Treatment Services, Inc., Perma-Fix of Dayton, Inc., Perma-Fix of Ft. Lauderdale, Inc., Perma-Fix of Orlando, Inc., Perma-Fix of South Georgia, Inc., and Perma-Fix of Maryland, Inc. Our discontinued operations also include Perma-Fix of Michigan, Inc., and Perma-Fix of Pittsburgh, Inc., two non-operational facilities.

The table below shows certain financial information of our operating segment for 2007, 2006, and 2005 (in thousands).

Segment Reporting as of and for the year ended December 31, 2007

	Nuclear Services	Engineering	Segments Total	Corporate And Other [2]	Consolidated Total
Revenue from external customers	$ 51,704 [3]	$ 2,398	$ 54,102	$ —	$ 54,102
Intercompany revenues	3,103	1,069	4,172	—	4,172
Gross profit	16,505	760	17,265	—	17,265
Interest income	1	—	1	311	312
Interest expense	546	1	547	755	1,302
Interest expense-financing fees	—	—	—	196	196
Depreciation and amortization	3,763	36	3,799	68	3,867
Segment profit (loss)	6,364	245	6,609	(6,092)	517
Segment assets[1]	98,153	1,986	100,139	25,892 [4]	126,031
Expenditures for segment assets	2,943	20	2,963	19	2,982
Total long-term debt	6,659	6	6,665	11,351	18,016

Segment Reporting as of and for the year ended December 31, 2006

	Nuclear Services	Engineering	Segments Total	Corporate And Other [2]	Consolidated Total
Revenue from external customers	$ 49,423 [3]	$ 3,358	52,781	$ —	$ 52,781
Intercompany revenues	2,433	558	2,991	—	2,991
Gross profit	20,930	797	21,727	—	21,727
Interest income	—	—	—	280	280
Interest expense	475	1	476	765	1,241
Interest expense-financing fees	1	—	—	191	192
Depreciation and amortization	2,931	38	2,969	77	3,046
Segment profit (loss)	11,771	252	12,023	(6,379)	5,644
Segment assets[1]	68,523	2,182	70,705	35,957 [4]	106,662
Expenditures for segment assets	5,329	62	5,391	57	5,448
Total long-term debt	1,984	15	1,999	5,500	7,499

Segment Reporting as of and for the year ended December 31, 2005

	Nuclear Services	Engineering	Segments Total	Corporate And Other [2]	Consolidated Total
Revenue from external customers	$ 47,245 [3]	$ 2,853	50,098	$ —	$ 50,098
Intercompany revenues	2,408	480	2,888	—	2,888
Gross profit	18,101	669	18,770	—	18,770
Interest income	3	—	3	123	126
Interest expense	743	18	761	741	1,502
Interest expense-financing fees	2	—	2	316	318
Depreciation and amortization	2,817	40	2,857	43	2,900
Segment profit (loss)	10,141	182	10,323	(5,822)	4,501
Segment assets[1]	63,404	2,162	65,566	32,959 [4]	98,525
Expenditures for segment assets	1,488	14	1,502	33	1,535
Total long-term debt	3,266	23	3,289	8,947	12,236

(1) Segment assets have been adjusted for intercompany accounts to reflect actual assets for each segment.

(2) Amounts reflect the activity for corporate headquarters, not included in the segment information.

(3) The consolidated revenues within the Nuclear Waste Management Services Segment include the LATA/Parallax revenue of $8,784,000 (or 16.2%) and $10,341,000 (or 19.6%) for 2007 and 2006 of total consolidated revenue, respectively. We did not generate any revenue from LATA/Parallax in 2005 as the contract for LATA/Parallax was awarded to our Nuclear Segment in the first quarter of 2006. The consolidated revenue within the Nuclear Segment also include the Bechtel Jacobs revenue of $1,812,000 (or 3.3%), $6,705,000 (or 12.6%), and $14,940,000 (or 29.8%) for 2007, 2006, and 2005, respectively. In addition, the consolidated revenue within the Nuclear Segment include the Fluor Hanford revenue of $6,985,000 (or 12.9%), $1,229,000 (or 2.3%), and $1,732,000 (or 3.5%) for 2007, 2006, and 2005, respectively.

(4) Amount includes assets from our discontinued operations of $14,341,000, $22,750,000, and $24,200,000 as of December 31, 2007, 2006, and 2005, respectively.

NOTE 18
QUARTERLY OPERATING RESULTS (UNAUDITED)

Unaudited quarterly operating results are summarized as follows (in thousands, except per share data):

	Three Months Ended (unaudited)				
	March 31	June 30	Sept 30	Dec. 31	Total
2007					
Revenues	$ 12,921	$ 13,537	$ 13,840	$ 13,804	$ 54,102
Gross profit	4,599	4,804	4,266	3,596	17,265
Income (loss) from continuing operations	582	752	(124)	(693)	517
(Loss) income from discontinued operations	(1,666)	470	(1,828)	(6,703)	(9,727)
Net (loss) income applicable to Common Stock	(1,084)	1,222	(1,952)	(7,396)	(9,210)
Basic net income (loss) per common share:					
Continuing operations	.01	.01	—	(.01)	.01
Discontinued operations	(.03)	.01	(.04)	(.13)	(.19)
Net income (loss)	(.02)	.02	(.04)	(.14)	(.18)
Diluted net income (loss) per common share:					
Continued operations	.01	.01	—	(.01)	.01
Discontinued operations	(.03)	.01	(.04)	(.13)	(.18)
Net income (loss)	(.02)	.02	(.04)	(.14)	(.17)
2006					
Revenues	$ 12,896	$ 14,040	$ 12,088	$ 13,757	$ 52,781
Gross Profit	5,053	5,933	4,368	6,373	21,727
Income from continuing operations	1,217	1,741	600	2,086	5,644
(Loss) income from discontinued operations	(539)	84	(270)	(208)	(933)
Net income applicable to Common Stock	678	1,825	330	1,878	4,711
Basic net income (loss) per common share:					
Continuing operations	.03	.04	.01	.04	.12
Discontinued operations	(.02)	—	—	—	(.02)
Net income (loss)	.01	.04	.01	.04	.10
Diluted net income (loss) per common share:					
Continued operations	.03	.04	.01	.04	.12
Discontinued operations	(.02)	—	—	—	(.02)
Net income (loss)	.01	.04	.01	.04	.10

Net loss in the third and fourth quarter includes a write-off of $564,000 and $5,803,000, respectively for impairments of the investment in the Industrial Segment. In addition, net loss in the fourth quarter also includes approximately $213,334 in fees paid to a member of our Board of Director as compensation for his service as the board's representative in negotiating the agreement in principle to settle the claims brought by the United States, on behalf of the EPA, against PFD, and resolution of certain other matters relating to that lawsuit. See "Item 3 – Legal Proceedings" and "Note 16 – Related Party Transactions" in "Notes to Consolidated Financial Statements".

NOTE 19
SUBSEQUENT EVENT

DIVESTITURES
Perma-Fix of Maryland,Inc.
On January 8, 2008, we sold substantially all of the assets of PFMD, pursuant to the terms of an Asset Purchase Agreement, dated January 8, 2008. In consideration for such assets, the buyer paid us $3,825,000 in cash at the closing and assumed certain liabilities of PFMD. The cash consideration is subject to certain working capital adjustments during the first half of 2008. As of the date of this report, we have sold approximately $3,100,000 of PFMD's assets, which excludes approximately $12,000 in cash in the local checking account and restricted cash. The buyer assumed liabilities in the amount of approximately $810,000. In the first quarter of 2008, we expect to report a gain on sale of approximately $1,791,000.

Perma-Fix of Dayton, Inc.
On March 14, 2008, we completed the sale of substantially all of the assets of PFD, pursuant to the terms of an Asset Purchase Agreement, dated March 14, 2008, for approximately $2,143,000 in cash, subject to certain working capital adjustments after the closing, plus the assumption by the buyer of certain of PFD's liabilities and obligations. In connection with PFD's sale of substantially all of its assets, the buyer has agreed to assume certain of PFD's obligations under the Consent Decree and Settlement Agreement, including, without limitation, PFD's obligation to implement supplemental environmental projects costing not less than $562,000, implement a variety of state and federal air permit control measures and reduce potential for emissions of air pollutants. In the first quarter of 2008, we expect to report a gain on sale of approximately $480,000.

NOTE 20
GOING CONCERN UNCERTAINTY

Our working capital position at December 31, 2007 was a negative $17,154,000, which includes the working capital of our discontinued operations, as compared to our positive working capital position of $12,810,000 at December 31, 2006. Our working capital in 2007 was negatively impacted by the reclassification of approximately $11,403,000 of debt owed to certain of our lenders from long term to current. As of December 31, 2007, the fixed charge coverage ratio contained in our PNC loan agreement fell below the minimum requirement. We obtained a waiver from our lender for this non-compliance as of December 31, 2007. At this time however, we do not expect to be in compliance with the fixed charge coverage ratio as of the end of the first and second quarters of 2008 and, as a result, we are required under generally accepted accounting principles to reclassify the long term portion of this debt to current due to this likelihood of future default. Furthermore, we have a cross default provision on our 8.625% promissory note with a separate bank and have reclassified the long term portion of that debt to current as well.

If we are unable to meet the fixed charge coverage ratio in the future, we believe that our lender will waive this non-compliance or will revise this covenant so that we are in compliance; however, there is no assurance of this. If we fail to meet our fixed charge coverage ratio in the future and our lender does not waive the non-compliance or revise this covenant so that we are in compliance, our lender could accelerate the repayment of borrowings under our credit facility. In the event that our lender accelerates the payment of our borrowings, we may not have sufficient liquidity to repay our debt under our credit facilities and other indebtedness.

These factors raise substantial doubt as to our ability to continue as a going concern. The accompanying financial statements have been prepared on a going concern basis which assumes continuity of operations and realization of assets and liabilities in the ordinary course of business. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of disclosure, controls, and procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports filed with the Securities and Exchange Commission (the "SEC") is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management. Based on their most recent evaluation, which was completed as of the end of the period covered by this Annual Report on Form 10-K, we have evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended). In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and are subject to certain limitations, including the exercise of judgment by individuals, the difficulty in identifying unlikely future events, and the difficulty in eliminating misconduct completely. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of December 31, 2007 because of material weaknesses to internal controls over financial reporting as set forth below.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) of the Securities Exchange Act of 1934. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements or fraudulent acts. A control system, no matter how well designed, can provide only reasonable assurance with respect to financial statement preparation and presentation.

Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the consolidated financial statements in accordance with generally accepted accounting principles in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with appropriate authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements or fraudulent acts. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, we concluded the Company did not maintain effective internal control over financial reporting as of December 31, 2007.

BDO Seidman, LLP, an independent registered public accounting firm, audited the effectiveness of the Company's internal control over financial reporting, and based on that audit, issued their report which is included herein.

An internal control significant deficiency is a control deficiency, or combination of control deficiencies, such that there is a reasonable possibility that a significant misstatement of the company's annual or interim financial statements will not be prevented or detected. The term "significant misstatement" was defined, in turn, to mean "a misstatement that is less than material yet important enough to merit attention by those responsible for oversight of the company's financial reporting". An internal control material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

As of December 31, 2007, the following material weakness was identified:

> The monitoring of pricing, invoicing, and the corresponding inventory for transportation and disposal process controls at certain facilities within the Company's Industrial Segment were ineffective and were not being applied consistently. This weakness could result in sales being priced and invoiced at amounts, which were not approved by the customer or the appropriate level of management, and inaccurate corresponding transportation and disposal expense. Although this material weakness did not result in an adjustment to the quarterly or annual financial statements, if not corrected, it has a reasonable possibility that a misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness identified above was partly caused by 2007 being a reorganization year for us, including the planned divestiture of our six Industrial Segment facilities (Perma-Fix of Maryland and Perma-Fix Dayton were sold in January and March of 2008, respectively), the reduction of 13 Industrial Segment employees (including three controllers and three general managers), the consolidation of Perma-Fix of Orlando accounting functions into Perma-Fix of Florida, and the consolidation of various facilities' payroll and accounts payable functions into Atlanta, Georgia. Additionally, The V.P. of Facility Accounting position was eliminated in August of 2007, and all of this position's responsibilities were consolidated into our Corporate Office in Atlanta, Georgia. We currently have interested parties and are negotiating to sell certain facilities within our Industrial Segment, and we believe the material weakness will inherently be remediated. Furthermore, we are in the process of developing a formal remediation plan for the Audit Committee's review and approval.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Perma-Fix Environmental Services, Inc.
Atlanta, Georgia

We have audited Perma-Fix Environmental Services, Inc.'s and subsidiaries (the "Company") internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Item 9A, Evaluation of disclosure, controls, and procedures. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment:

- Deficiencies in the monitoring and execution of certain pricing and invoicing process controls at certain facilities within the Company's Industrial Segment were identified and others were not being applied consistently.

- Deficiencies exist in controls at certain facilities within the Industrial Segment over tracking material for transportation and disposal and the monitoring, oversight, and review of related accrual and revenue calculations.

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2007 consolidated financial statements, and this report does not affect our report dated March 31, 2008 on those consolidated financial statements.

In our opinion, Perma-Fix Environmental Services, Inc. and subsidiaries did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We do not express an opinion or any other form of assurance on management's statements referring to any corrective actions taken by the Company after the date of management's assessment.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007, and our report dated March 31, 2008 expressed an unqualified opinion thereon. Our report contains an explanatory paragraph regarding the Company's ability to continue as a going concern.

/s/ BDO Seidman, LLP

Atlanta, Georgia
March 31, 2008

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

DIRECTORS

The following table sets forth, as of the date hereof, information concerning our Directors:

NAME	AGE	POSITION
Dr. Louis F. Centofanti	64	Chairman of the Board, President and Chief Executive Officer
Mr. Jon Colin	52	Director
Mr. Robert L. Ferguson	75	Director
Mr. Jack Lahav	59	Director
Mr. Joe R. Reeder	60	Director
Mr. Larry M. Shelton	54	Director
Dr. Charles E. Young	76	Director
Mr. Mark A. Zwecker	57	Director

Each director is elected to serve until the next annual meeting of stockholders.

We have a separately designated standing Audit Committee of our Board of Directors. The members of the Audit Committee are: Mark A. Zwecker, Jon Colin, and Larry M. Shelton.

Our Board of Directors has determined that each of our Audit Committee members is an "audit committee financial expert" as defined by Item 407(d)(5)(ii) of Regulation S-K of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Board has further determined that each of our Directors, other than Dr. Centofanti, who is our President and Chief Executive Officer, is "independent" within the meaning of the applicable NASDAQ listing standards.

Dr. Louis F. Centofanti

Dr. Centofanti has served as Chairman of the Board since he joined the Company in February 1991. Dr. Centofanti also served as President and Chief Executive Officer of the Company from February 1991 until September 1995 and again in March 1996 was elected to serve as President and Chief Executive Officer of the Company. From 1985 until joining the Company, Dr. Centofanti served as Senior Vice President of USPCI, Inc., a large hazardous waste management company, where he was responsible for managing the treatment, reclamation and technical groups within USPCI. In 1981 he founded PPM, Inc., a hazardous waste management company specializing in the treatment of PCB contaminated oils, which was subsequently sold to USPCI. From 1978 to 1981, Dr. Centofanti served as Regional Administrator of the U.S. Department of Energy for the southeastern region of the United States. Dr. Centofanti has a Ph.D. and a M.S. in Chemistry from the University of Michigan, and a B.S. in Chemistry from Youngstown State University.

Mr. Jon Colin

Mr. Colin has served as a Director since December 1996. Mr. Colin is currently Chief Executive Officer of Lifestar Response Corporation, a position he has held since April 2002. Mr. Colin served as Chief Operating Officer of Lifestar Response Corporation from October 2000 to April 2002, and a consultant for Lifestar Response Corporation from September 1997 to October 2000. From 1990 to 1996, Mr. Colin served as President and Chief Executive Officer for Environmental Services of America, Inc., a publicly traded environmental services company. Mr. Colin is also a Director at Lifestar Response Corporation and Bamnet Inc. Mr. Colin has a B.S. in Accounting from the University of Maryland.

Mr. Robert L. Ferguson

Mr. Ferguson was nominated to serve as a Director in June 2007 in connection with the closing of the acquisition by the Company of Nuvotec (See "Note 4 - Acquisition" in "Notes to Consolidated Financial Statement"). The terms of the acquisition of Nuvotec required us to to increase the number of our directors from seven to eight and to take reasonable action to nominate and recommend Mr. Ferguson for election as a member of our Board of Directors, if such nomination would not breach any fiduciary duties or legal requirements of our Board. The Board of Directors subsequently determined that nominating Mr. Ferguson for election as a member of our Board would not breach the Board's fiduciary duties or legal requirements. Accordingly, our Corporate Governance and Nominating Committee considered Mr. Ferguson's qualifications and nominated him for election to the Board. Our shareholders elected Mr. Ferguson as a director at our August 2, 2007 Annual Meeting of Shareholders. Mr. Ferguson currently serves as a member of the Board of Directors of Vivid Learning System, a publicly traded company. Mr. Ferguson served as CEO and Chairman of the Board of Directors of Nuvotec and PEcoS from December 1998 until its acquisition by us in June 2007. Mr. Ferguson has over 45 years of management and technical experience in the government and private sectors. He served as Chairman of the Board of Technical Resources International, Inc. from 1995 to 1998 and as Corporate VP for Science Applications International Corporation following its acquisition of R.L. Ferguson and Associates. He served as the Chairman of the Board for UNC Nuclear Industries, Inc. from 1983 to 1985 and served as CEO for Washington Public Power Supply System from 1980 to 1983. His government experience from 1961 to 1980 includes various roles for the Atomic Energy Commission, the Energy Research and Development Administration, and the U.S. Department of Energy, including his last assignment as Deputy Assistant Secretary of Nuclear Reactor Programs. Mr. Ferguson served on the Board of British Nuclear Fuels Inc. He was a founder of Columbia Trust Bank, where he served as a director prior to its acquisition by American West Bank. Mr. Ferguson received his B.S. in Physics from Gonzaga University and attended the US Army Ordnance Guided Missile School, the Oak Ridge School of Reactor Technology, and the Federal Executive Institute.

Mr. Jack Lahav

Jack Lahav has served as a Director since September 2001. Mr. Lahav is a private investor, specializing in launching and growing businesses. Mr. Lahav devotes much of his time to charitable activities, serving as president, as well as, board member of several charities. Previously, Mr. Lahav founded Remarkable Products Inc. and served as its president from 1980 to 1993. Mr. Lahav was also co-founder of Lamar Signal Processing, Inc.; president of Advanced Technologies, Inc., a robotics company and director of Vocaltech Communications, Inc. Mr. Lahav served as Chairman of Quigo Technologies from 2001 to 2004 and is currently serving as Chairman of Phoenix Audio Technologies and Doclix Inc, two privately held companies.

Honorable Joe R. Reeder

Mr. Reeder has served as a Director since April 2003. He has served since April 1999 as Shareholder in Charge of the Mid-Atlantic Region for Greenberg Traurig LLP, one of the nation's largest law firms, with 28 offices and over 1600 attorneys, worldwide. His clientele has included sovereign nations, international corporations, and law firms throughout the U.S. As the 14th Undersecretary of the U.S. Army (1993-97), Mr. Reeder also served for three years as Chairman of the Panama Canal Commission's Board of Directors where he oversaw a multibillion-dollar infrastructure program. He sits on the Board of Governors of the National Defense Industry Association (NDIA), the Armed Services YMCA, the USO, and many other corporate and charitable organizations, and is a frequent television commentator on legal and national security issues. A graduate of West Point who served in the 82d Airborne Division following Ranger School, Mr. Reeder also has a J.D. from the University of Texas and an L.L.M. from Georgetown University.

Mr. Larry M. Shelton

Mr. Shelton has served as a Director since July 2006. Mr. Shelton is currently Chief Financial Officer of S K Hart Management, LC, an investment holding company. He has held this position since 1999. Mr. Shelton was Chief Financial Officer of Envirocare of Utah, Inc., a waste management company from 1995 until 1999. Mr. Shelton serves on the Board of Directors of Subsurface Technologies, Inc., and Pony Express Land Development, Inc. Mr. Shelton has a B.A. in accounting from the University of Oklahoma.

Dr. Charles E. Young

Dr. Charles E. Young has served as a Director since July 2003. Dr. Young was president of the University of Florida, a position he held from November 1999 to January 2004. Dr. Young also served as chancellor of the University of California at Los Angeles (UCLA) for 29 years until his retirement in 1997. Dr. Young was formerly the chairman of the Association of American Universities and served on numerous commissions including the American Council on Education, the National Association of State Universities and Land-Grant Colleges, and the Business-Higher Education Forum. Dr. Young serves on the Board of Directors of I-MARK, Inc., a software and professional services company and AAFL Enterprises, a sports development Company. He previously served on the Board of Directors of Intel Corp., Nicholas-Applegate Growth Equity Fund, Inc., Fiberspace, Inc., and Student Advantage, Inc. Dr. Young has a Ph.D. and M.A. in political science from UCLA and a B.A. from the University of California at Riverside.

Mr. Mark A. Zwecker

Mark Zwecker has served as a Director since the Company's inception in January 1991. Mr. Zwecker assumed the position of Director of Finance in 2006 for Communications Security and Compliance Technologies, Inc., a software company developing security products for the mobile workforce, and also serves as an advisor to Plum Combustion, Inc., an engineering and manufacturing company developing high performance combustion technology. Mr. Zwecker served as president of ACI Technology, LLC, from 1997 until 2006, and was vice president of finance and administration for American Combustion, Inc., from 1986 until 1998. In 1983, Mr. Zwecker participated as a founder with Dr. Centofanti in the start up of PPM, Inc. He remained with PPM, Inc. until its acquisition in 1985 by USPCI. Mr. Zwecker has a B.S. in Industrial and Systems Engineering from the Georgia Institute of Technology and an M.B.A. from Harvard University.

EXECUTIVE OFFICERS

See Item 4A –"Executive Officers of the Registrant" in Part I of this report for information concerning our executive officers, as of the date hereof.

There are no family relationships between any of the directors or executive officers.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act, and the regulations promulgated thereunder require our executive officers and directors and beneficial owners of more than 10% of our Common Stock to file reports of ownership and changes of ownership of our Common Stock with the Securities and Exchange Com-mission, and to furnish us with copies of all such reports. Based solely on a review of the copies of such reports furnished to us and written information provided to us, we believe that during 2007 none of our executive officers, directors, or beneficial owners of more than 10% of our Common Stock failed to timely file reports under Section 16(a).

Capital Bank–Grawe Gruppe AG ("Capital Bank") has advised us that it is a banking institution regulated by the banking regulations of Austria, which holds shares of our Common Stock as agent on behalf of numerous investors. Capital Bank has represented that all of its investors are accredited investors under Rule 501 of Regulation D promulgated under the Act. In addition, Capital Bank has advised us that none of its investors, individually or as a group, beneficially own more than 4.9% of our Common Stock. Capital Bank has further informed us that its clients (and not Capital Bank) maintain full voting and dispositive power over such shares. Consequently, Capital Bank has advised us that it believes it is not the beneficial owner, as such term is defined in Rule 13d-3 of the Exchange Act, of the shares of our Common Stock registered in the name of Capital Bank because it has neither voting nor investment power, as such terms are defined in Rule 13d-3, over such shares. Capital Bank has informed us that it does not believe that it is required (a) to file, and has not filed, reports under Section 16(a) of the Exchange Act or (b) to file either Schedule 13D or Schedule 13G in connection with the shares of our Common Stock registered in the name of Capital Bank.

If the representations, or information provided, by Capital Bank are incorrect or Capital Bank was historically acting on behalf of its investors as a group, rather than on behalf of each investor independent of other investors, then Capital Bank and/or the investor group would have become a beneficial owner of more than 10% of our Common Stock on February 9, 1996, as a result of the acquisition of 1,100 shares of our Preferred Stock that were convertible into a maximum of 1,282,798 shares of our Common Stock. If either Capital Bank or a group of Capital Bank's investors became a beneficial owner of more than 10% of our Common Stock on February 9, 1996, or at any time thereafter, and thereby required to file reports under Section 16(a) of the Exchange Act, then Capital Bank has failed to file a Form 3 or any Forms 4 or 5 for period from February 9, 1996, until the present.

Code of Ethics

We have adopted a Code of Ethics that applies to all our executive officers. Our Code of Ethics is available on our website at www.perma-fix.com. If any amendments are made to the Code of Ethics or any grants of waivers are made to any provision of the Code of Ethics to any of our executive officers, we will promptly disclose the amendment or waiver and nature of such amendment of waiver on our website.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Our long-term success depends on our ability to efficiently operate our facilities, evaluate strategic acquisitions within our Nuclear Segment, and to continue to research and develop innovative technologies in the treatment of nuclear waste, mixed waste and industrial waste. To achieve these goals, it is important that we be able to attract, motivate, and retain highly talented individuals who are committed to our values and goals.

The Compensation and Stock Option Committee (for purposes of this analysis, the "Committee") of the Board has responsibility for establishing, implementing and continually monitoring adherence with our compensation philosophy. The Committee ensures that the total compensation paid to the named executive officers is fair, reasonable and competitive. Generally, the types of compensation and benefits provided to members of the named executive officers are similar to those provided to other executive officers at similar sized companies and industries.

Compensation Philosophy and Objectives

The Committee bases its executive compensation program on our performance objectives. The Committee evaluates both executive performance and compensation to ensure that we maintain our ability to attract superior employees in key positions and to remain competitive relative to the compensation paid to similarly situated executives of our peer companies. The Committee believes executive compensation packages provided to our executives, including the named executive officers, should include both cash and equity-based compensation that provide rewards for performance. The Committee bases it executive compensation program on the following criteria:

- Compensation should be based on the level of job responsibility, executive performance, and company performance. Executive officers' pay should be more closely linked to company performance than that of other employees because the executive officers have a greater ability to affect our results.

- Compensation should be competitive with compensation offered by other companies that compete with us for talented individuals.

- Compensation should reward performance.

- Compensation should motivate executives to achieve our strategic and operational goals.

Role of Executive Officers in Compensation Decisions
The Committee approves all compensation decisions for the named executive officers and approves recommendations regarding equity awards to all of our officers. Decisions regarding the non-equity compensation of other officers are made by the Chief Executive Officer.

The Chief Executive Officer annually reviews the performance of each of the named executive officers (other than the Chief Executive Officer whose performance is reviewed by the Committee). Based on such reviews, the Chief Executive Officer presents a recommendation to the Committee, which may include salary adjustments, bonus and equity based awards, and annual award. The Committee exercises its discretion in accepting or modifying all such recommendations.

The Committee's Processes
The Compensation Committee has established certain processes designed to achieve our executive compensation objectives. These processes include the following:

- *Company Performance Assessment*. The Committee assesses our performance in order to establish compensation ranges and, as described below, to assist the Committee in establishing specific performance measures that determine incentive compensation under the Company's Executive Management Incentive Plan. For this purpose, we consider numerous measures of performance of both us and industries with which we compete.

- *Individual Performance Assessment*. Because the Committee believes that an individual's performance should effect an individual's compensation, the Committee evaluates each named executive officer's performance. With respect to the named executive officers, other than the Chief Executive Officer, the Committee considers the recommendations of the Chief Executive Officer. With respect to all named executive officers, the Committee exercises its judgment based on its interactions with the executive officer, such officer's contribution to our performance and other leadership achievements.

- *Peer Group Assessment*. The Committee benchmarks our compensation program with a group of companies against which the Committee believes we compete for talented individuals (the "Peer Group"). The composition of the Peer Group is periodically reviewed and updated by the Committee. The companies currently comprising the Peer Group are Clean Harbors, Inc., American Ecology Corporation, and EnergySolutions, Inc. The Committee considers the Peer Group's executive compensation programs as a whole and the compensation of individual officers if job responsibilities are meaningfully similar. The Committee sets compensation for executive officers at levels paid to similarly situated executives of the companies comprising the Peer Group. The Committee also considers individual factors such as experience level of the individual and market conditions. The Committee believes that the Peer Group comparison helps insure that our executive compensation program is competitive with other companies in the industry.

2007 Executive Compensation Components
For the fiscal year ended December 31, 2007, the principal components of compensation for executive officers were:

- base salary;

- performance-based incentive compensation;
- long term incentive compensation;
- retirement and other benefits; and
- perquisites and other personal benefits.

Salary accounted for approximately 89.7% of the total compensation of the executive officers while non-equity incentive, option award, and other compensation accounted for approximately 10.3% of the total compensation of the executive officers.

Base Salary
The Company provides the named executive officers, other officers, and other employees with base salary to compensate them for services rendered during the fiscal year. Base salary ranges for executive officers are determined for each executive based on his or her position and responsibility by using market data and comparisons to the Peer Group.

During its review of base salaries for executives, the Committee primarily considers:

- market data and Peer Group comparisons;

- internal review of the executive's compensation, both individually and relative to other officers; and

- individual performance of the executive.

Salary levels are typically considered annually as part of the performance review process as well as upon a promotion or other change in job responsibility. Merit based increases to salaries of members of the executive are based on the Committee's assessment of the individual's performance.

Performance-Based Incentive Compensation
The Committee has the latitude to design cash and equity-based incentive compensation programs to promote high performance and achievement of our corporate objectives by Directors and the named executives, encourage the growth of stockholder value and enable employees to participate in our long-term growth and profitability. The Committee may grant stock options and/or performance bonuses. In granting these awards, the Committee may establish any conditions or restrictions it deems appropriate. In addition, the Chief Executive Officer has discretionary authority to grant stock options to certain high-performing executives.

All awards of stock options are made at or above the market price at the time of the award. Stock options may be awarded to newly hired or promoted executives at the discretion of the Committee, following the hiring or promotion. Grants of stock options to newly hired executive officers who are eligible to receive them are made at the next regularly scheduled Committee meeting following their hire date.

Executive Management Incentive Plan
In 2005, the Board of Directors adopted the Executive Management Incentive Plan (the "MIP"), which became effective January 1, 2006 for the Company's Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer. The MIP is an annual cash incentive program under the management incentive plans. The MIP provides guidelines for the calculation of annual cash incentive based compensation, subject to Committee oversight and modification. The Committee considers whether an MIP should be established for the next succeeding year and, if so, approves the group of employees eligible to participate in the MIP for that year. Prior to 2007, the Committee established the MIP for 2007. The MIP includes various incentive levels based on the participant's responsibilities and impact on Company operations, with target award opportunities that are established as a percentage of base salary. These targets range from 26% of base salary to 50% of base salary for the Company's named executive officers.

For fiscal 2007, 70% of a named executive officer's MIP award was based upon achievement of corporate financial objectives relating to revenue and net income targets based on board approved budget, with each component accounting for 15% and 55%, respectively, of the total corporate financial objective portion of the MIP award. The remaining 30% of an executive's MIP award was based upon health & safety incidents and permit & license compliance targets. Each year, the Committee sets target and maximum levels for each component of the corporate financial objective portion of the MIP. Payments of awards under the MIP are contingent upon the achievement of such objectives for the current year. Executive officers participating in the MIP receive:

- no payment for the corporate financial objective portion of the MIP award unless we achieve the target performance level (as computed for the total corporate financial objective portion);

- a payment of at least 100% but less than 175% of the target award opportunity for the corporate financial objective portion of the MIP award if we achieve or exceed the target performance level but do not attain the maximum performance level; and

- a payment of 175% of the target award opportunity for the corporate financial objective portion of the MIP award if we achieve or exceed the maximum performance level.

Upon completion of each fiscal year, the Committee assesses the performance of the Company for each corporate financial objective of the MIP comparing the actual fiscal year results to the pre-determined target and maximum levels for each objective and an overall percentage amount for the corporate financial objectives is calculated.

Generally, the Committee sets the target level for earnings using our annually approved budget for the upcoming fiscal year. Minimum target objectives are set between 80% - 100% of the Company's budget. Maximum earnings objectives are set at 161% or higher of the Company's budget. In making the annual determination of the target and maximum levels, the Committee may consider the specific circumstances facing the Company during the coming year. The Committee generally sets the target and maximum levels such that the relative difficulty of achieving the target level is consistent from year to year.

Each of the executive officers for the fiscal year ended December 31, 2006, received the following payments in March 2007 under the MIP for fiscal year 2006 performance.

Name	2006 MIP Bonus Award
Dr. Louis F. Centofanti	$ 55,530
Steven T. Baughman	$ 37,693
Larry McNamara	$ 47,463
Robert Schreiber, Jr.	—

For 2007, the potential MIP bonus award for each named executive officer was as follows:

Annual Bonus Award (Percentage of 2007 Base Salary)

Name	Target	Maximum
Dr. Louis F. Centofanti	48%	144%
Steven T. Baughman	25%	121%
Larry McNamara	48%	144%

In fiscal year ended December 31, 2007, our named executives, with the exception of Mr. Schreiber, reached 88.03% of the revenue component under the MIP, resulting in the following bonus awards under the MIP for 2007: (Awards made to Executive officers under the MIP for performance in 2007 are reflected in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table in this section).

Name	2007 MIP Bonus Award
Dr. Louis F. Centofanti	$ 17,550
Steven T. Baughman	$ 7,800
Larry McNamara	$ 15,000
Robert Schreiber, Jr.	—

Long-Term Incentive Compensation

Employee Stock Option Plan

The 2004 Stock Option Plan (the "Option Plan") encourages participants to focus on long-term performance and provides an opportunity for executive officers and certain designated key employees to increase their stake in us. Stock options succeed by delivering value to the executive only when the value of our stock increases. The Option Plan authorizes the grant of non-qualified stock options and incentive stock options for the purchase of Common Stock.

The Option Plan assists the Company to:

- enhance the link between the creation of stockholder value and long-term executive incentive compensation;
- provide an opportunity for increased equity ownership by executives; and
- maintain competitive levels of total compensation.

Stock option award levels are determined based on market data, vary among participants based on their positions with us and are granted at the Committee's regularly scheduled March meeting. Newly hired or promoted executive officers who are eligible to receive options are awarded such options at the next regularly scheduled Committee meeting following their hire or promotion date.

Options are awarded with an exercise price equal to the closing price of the Company's Common Stock on the date of the grant as reported on the NASDAQ. In certain limited circumstances, the Committee may grant options to an executive at an exercise price in excess of the closing price of the Company's Common Stock on the grant date. The Committee will not grant options with an exercise price that is less than the closing price of the Company's Common Stock on the grant date, nor has it granted options which are priced on a date other than the grant date.

No options were granted to any named executives in 2007 due to timing constraints resulting from our acquisition and divestiture efforts. The stock options granted prior to 2006 generally have a ten year term with annual vesting of 20% over a five year period. In anticipation of the adoption of SFAS 123R, on July 28, 2005, the Committee approved the acceleration of all outstanding and unvested options as of the approval date. The options granted in 2006 by the Committee are for a six year term with vesting period of three years at 33.3% increment per year. Vesting and exercise rights cease upon termination of employment except in the case of death or retirement (subject to a six month limitation), or disability (subject to a one year limitation). Prior to the exercise of an option, the holder has no rights as a stockholder with respect to the shares subject to such option.

In the event of a change of control (as defined in the "1993 Non-Qualified Stock Option Plan" and "2004 Stock Option Plan") of the Company, each outstanding option and award granted under the plans shall immediately become exercisable in full notwithstanding the vesting or exercise provisions contained in the stock option agreement.

Accounting for Stock-Based Compensation

On January 1, 2006, we adopted Financial Accounting Standards Board ("FASB") Statement No. 123 (revised) ("SFAS 123R"), *Share-Based Payment*, a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, superseding APB Opinion No. 25, *Accounting for Stock Issued to Employees,* and its related implementation guidance. This Statement establishes accounting standards for entity exchanges of equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statement of operations based on their fair values.

We adopted SFAS 123R utilizing the modified prospective method in which compensation cost is recognized beginning with the effective date based on SFAS 123R requirements for all (a) share-based payments granted after the effective date and (b) awards granted to employees and directors prior to the effective date of SFAS 123R that remain unvested on the effective date.

Prior to our adoption of SFAS 123R, on July 28, 2005, the Compensation and Stock Option Committee of the Board of Directors approved the acceleration of vesting for all the outstanding and unvested options to purchase Common Stock awarded to employees as of the approval date. The Board of Directors approved the accelerated vesting of these options based on the belief that it was in the best interest of our stockholders to reduce future compensation expense that would otherwise be required in the statement of operations upon adoption of SFAS 123R, effective beginning January 1, 2006. See impact of FASB Statement 123(R) on our operating results in "Note 3 - Stock Based Compensation" to "Notes to Consolidated Financial Statements".

Retirement and Other Benefits

401(k) Plan

We adopted the Perma-Fix Environmental Services, Inc. 401(k) Plan (the "401(k) Plan") in 1992, which is intended to comply with Section 401 of the Internal Revenue Code and the provisions of the Employee Retirement Income Security Act of 1974. All full-time employees who have attained the age of 18 are eligible to participate in the 401(k) Plan. Eligibility is immediate upon employment but enrollment is only allowed during two yearly open periods of January 1 and July 1. Participating employees may make annual pretax contributions to their accounts up to 100% of their compensation, up to a maximum amount as limited by law. We, at our discretion, may make matching contributions based on the employee's elective contributions. Company contributions vest over a period of five years. We currently match 25% of our employees' contributions. We contributed $418,000 in matching funds during 2007, with $17,000 for our named executive officers during 2007.

Perquisites and Other Personal Benefits

The Company provides executive officers with limited perquisites and other personal benefits that the Company and the Committee believe are reasonable and consistent with its overall compensation program to better enable the Company to attract and retain superior employees for key positions. The Committee periodically reviews the levels of perquisites and other personal benefits provided to executive officers. The executive officers are provided an auto allowance.

Proposed Employment Agreements

On March 1, 2007, the Board of Directors authorized us to enter into employment agreements with our named executives, subject to finalization of certain of its material terms, including, but not limited to, the formula for paying year-end incentive bonuses. As of the date of this report, the terms of the employment agreements have not been finalized, and none of our named executives has entered into any employment agreement with us.

It is anticipated that such proposed employment agreements, if completed, would be effective for three years, unless earlier terminated by us with or without cause or by the executive officer for “good reason” or any other reason. If the executive officer’s employment is terminated due to death, disability or for cause, it is anticipated that we would pay to the executive officer or to his estate a lump sum equal to the sum of any unpaid base salary through the date of termination, any earned or unpaid incentive bonus, and any benefits due to the executive officer under any employee benefit plan, excluding any severance program or policy (the “Accrued Amounts”).

If the executive officer terminates his employment for good reason or is terminated without cause, it is anticipated that the employment agreements will provide that we would be required to pay the executive officer a sum equal to the total Accrued Amounts and one year of full base salary. If the executive terminates his employment for a reason other than for good reason, it is anticipated that the Company would pay to the executive the amount equal to the Accrued Amounts. The employment agreements would provide, when finalized, that if there is a Change in Control (to be defined in the agreements), that all outstanding stock options to purchase common stock held by the executive officer will immediately become exercisable in full.

Compensation Committee Report

The Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Form 10-K.

THE COMPENSATION AND STOCK OPTION COMMITTEE

Jack Lahav, Chairman
Jon Colin
Joe Reeder
Dr. Charles E. Young

Summary Compensation Table

The following table summarizes the total compensation paid or earned by each of the executive officers for the fiscal years ended December 31, 2007 and 2006. Currently, we do not have any employment agreements with any of the named executive officers, but see the discussion under "Compensation and Discussion Analysis - Proposed Employment Agreements".

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Non-Qualified Deferred Compensation Earning	All other Compensation	Total Compensation
		($)	($)	($)	($) (4)	($)	($)	($) (5)	($)
Dr. Louis Centofanti	2007	241,560	—	—	—	17,550(2)	—	12,875	271,985
Chairman of the Board, President and Chief Executive Officer	2006	232,269	—	—	86,800	143,324(3)	—	13,601	475,994
Steven Baughman (1)	2007	205,200	—	—	—	7,800(2)	—	12,875	225,875
Vice President and Chief Financial Officer	2006	123,077	—	—	87,700	63,709(3)	—	9,000	283,486
Larry McNamara	2007	206,769	—	—	—	15,000(2)	—	12,875	234,644
Chief Operating Officer	2006	193,558	—	—	217,000	122,500(3)	—	12,750	545,808
Robert Schreiber, Jr.	2007	197,000	500	—	—	—	—	18,114	215,614
President of SYA	2006	158,292	—	—	21,700	5,915	—	14,502	200,409

(1) Appointed as Vice President and Chief Financial Officer in May 2006.

(2) Represents 2007 performance compensation earned in 2007 under the Company's MIP. We anticipate paying the amount in the second quarter of 2008.

(3) Represents 2006 performance compensation earned in 2006 under the Company's MIP. The amount includes $55,530, $37,693, and $47,463 earned by Dr. Centofanti, Mr. Baughman, and Mr. McNamara, respectively, in 4th quarter of 2006, which was paid on March 15, 2007. The MIP is described under the heading "Executive Management Incentive Plan" in this section.

(4) This amount reflects the expense to the Company for financial statement reporting purposes for the fiscal year indicated, in accordance with FAS 123(R) of options granted under the Option Plan. There was no expense for options granted prior to 2006, which were fully vested prior to 2006, and are not included in these amounts. Assumptions used in the calculation of this amount are included in "Note 2 - Stock Based Compensation" to "Notes to Consolidated Financial Statement". No options were granted to any named executives in 2007.

(5) The amount shown includes a monthly automobile allowance of $750 or the use of a company car, and where applicable, our 401(k) matching contribution.

The compensation plan under which the awards in the following table were made are generally described in the Compensation Discussion and Analysis beginning on page 117 and include the Company's MIP, which is a non-equity incentive plan, and the Company's 2004 Stock Option Plan, which provides for grant of stock options to our employees.

Grant of Plan-Based Awards Table

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All other Stock Awards: Number of Shared of Stock or Units (#)	All other Option Awards: Number of Securities Underlying Options (#)	Excerise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($/Sh)
		Threshold $	Target $ (1)	Maximum $ (1)	Threshold $	Target $	Maximum $				
Dr. Louis Centofanti	N/A	—	117,000	204,748	—	—	—	—	—	—	—
Steven Baughman	N/A	—	52,000	91,012	—	—	—	—	—	—	—
Larry McNamara	N/A	—	100,000	175,000	—	—	—	—	—	—	—
Robert Schreiber, Jr.	N/A	—	—	—	—	—	—	—	—	—	—

(1) The amounts shown in column titled "Target" reflects the minimum payment level under the Company's Executive Management Incentive Plan which is paid with the achievement of 80% to 100% of the target amount. The amount shown in column titled "Maximum" reflects the maximum payment level of 175% of the target amount. These amounts are based on the individual's current salary and position.

During 2007, no options or stock awards were granted to any of the named executives.

Outstanding Equity Awards at Fiscal Year

The following table sets forth unexercised options held by the named executive officers as of the fiscal year-end.

Outstanding Equity Awards at December 31, 2007

	Option Awards					Stock Awards			
Name	Number of underlying Unexercised Options (#) Exercisable	Number of underlying Unexercised Options (#) [1] Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)
Dr. Louis Centofanti	75,000	—	—	1.25	4/10/2010	—	—	—	—
	100,000	—	—	1.75	4/3/2011	—	—	—	—
	100,000	—	—	2.19	2/27/2013	—	—	—	—
	33,333[2]	66,667[2]	—	1.86	3/2/2012	—	—	—	—
Steven Baughman	—[3]	66,667[3]	—	1.85	5/15/2012	—	—	—	—
Larry McNamara	50,000	—	—	1.25	4/10/2010	—	—	—	—
	120,000	—	—	1.75	4/3/2011	—	—	—	—
	100,000	—	—	2.19	2/27/2013	—	—	—	—
	83,333[2]	166,667[2]	—	1.86	3/2/2012	—	—	—	—
Robert Schreiber, Jr.	15,000	—	—	1.25	10/14/2008	—	—	—	—
	15,000	—	—	1.25	4/10/2010	—	—	—	—
	50,000	—	—	1.75	4/3/2011	—	—	—	—
	50,000	—	—	2.19	2/27/2013	—	—	—	—
	8,333[2]	16,667[2]	—	1.86	3/2/2012	—	—	—	—

(1) In the event of a change in control (as defined in the Option Plan) of the Company, each outstanding option and award shall immediately become exercisable in full notwithstanding the vesting or exercise provisions contained in the stock option agreement.

(2) Incentive stock option granted on March 2, 2006 under the Company's Option Plan. The option is for a six year term and vests over a three year period, at 33.3% increments per year.

(3) Incentive stock option for the purchase of up to 100,000 shares of Common Stock granted on May 15, 2006 under the Company's Option Plan. The option is for a six year term and vests over a three year period, at 33.3% increments per year. Options to acquire 33,333 shares options became vested on May 15, 2007 and were exercised by Mr. Baughman on May 15, 2007.

The following table sets forth the number of options exercised by the named executive officers in 2007:

Option Exercises and Stock Vested Table

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercises (#)	Value Realized On Exercise ($) (1)	Number of Shares Acquired on Vesting (#)	Value Realized On Vesting ($) (#)
Dr. Louis F. Centofanti	—	—	—	—
Steven Baughman	33,333	29,666	—	—
Larry Mcnamara	—	—	—	—
Robert Schreiber, Jr.	—	—	—	—

(1) Based on the difference between the closing price of our Common Stock reported on the National Association of Securities Dealers Automated Quotation ('NASDAQ") Capital Market on the exercise date and the exercise price of the option.

Compensation of Directors

Directors who are employees receive no additional compensation for serving on the Board of Directors or its committees. In 2007, we provided the following annual compensation to directors who are not employees:

- as of the date of our 2007 Annual Meeting, each of our continuing non-employee directors was awarded options to purchase 12,000 shares of our Common Stock, and our newly elected director was awarded options to purchase 30,000 shares of our Common Stock. The grant date fair value of each option award received by our non-employee directors was $2.296 per share, based on the date of grant, pursuant to SFAS 123R;
- a monthly director fee of $1,750, with the Audit Committee Chairman receiving an additional monthly fee of $2,250, of which 65% or 100% is payable in Common Stock under the 2003 Outside Director Plan, with the remaining payable in cash; and
- a fee of $1,000 for each board meeting attendance and a $500 fee for each telephonic conference call attendance, of which the fees are payable at 65% or 100% in Common Stock under the 2003 Outside Director Plan, with the remaining payable in cash.

The table below summarizes the director compensation expenses recognized by the Company for the director option and stock (resulting from fees earned) awards. The terms of the 2003 Outside Directors Plan are further described below under "2003 Outside Directors Plan".

Director Compensation Table

Name	Fees Earned or Paid In Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
	($) [1]	($) [3]	($) [4]	($)	($)	($)	($)
Mark Zwecker	18,725	46,367	27,556	—	—	—	92,648
Jon Colin	—	34,001	27,556	—	—	—	61,557
Robert L. Ferguson [2]	3,891	9,633	68,889				82,413
Jack Lahav	—	34,666	27,556	—	—	—	62,222
Joe R. Reeder	—	246,000(5)	27,556	—	—	—	273,556
Charles E. Young	9,275	22,967	27,556	—	—	—	59,798
Larry M. Shelton	9,275	22,967	27,556	—	—	—	59,798

(1) Under the 2003 Outside Directors Plan, each director elects to receive 65% or 100% of the director's fees in shares of our Common Stock. The amounts set forth below represent the portion of the director's fees paid in cash and excludes the value of the director's fee elected to be paid in Common Stock under the 2003 Outside Director Plan.

(2) Mr. Robert L. Ferguson was nominated to serve as a Director in June 2007 in connection with the closing of the acquisition by the Company of Nuvotec and PEcoS and subsequently elected as a Board Member at our 2007 Meeting of the Shareholders held on August 2, 2007.

(3) The number of shares of Common Stock comprising stock awards granted under the 2003 Outside Directors Plan is calculated based on 75% of the closing market value of the Common Stock as reported on the NASDAQ on the business day immediately preceding the date that the quarterly fee is due. Such shares are fully vested on the date of grant. The value of the stock award is based on the market value of our Common Stock at each quarter end times the number of shares as determined in the manner noted.

(4) Options granted under the Company's 2003 Outside Director Plan resulting from reelection of the Board of Directors on August 2, 2007. Options are for a 10 year period with an exercise price of $2.95 per share and are fully vested in six months from grant date. The value of the option award is calculated based on the fair value of the option per share ($2.296) on the date of grant pursuant to SFAS 123R. In 2007, the option expense recognized for financial statement purposes totaled $191,000. The remaining $43,000 option expense will be recognized by February 2008, upon vesting of the stock option, pursuant to SFAS 123R. See "Note 2" of "Notes to Consolidated Financial Statements".

(5) In addition to the quarterly fees for his service as a member of our Board of Directors, Mr. Reeder was awarded $160,000 in additional fees by the Board of Directors on October 31, 2007 as compensation for his services as the board's representative in negotiating the agreement in principle to settle the claims brought by the United States, on behalf of the EPA, against PFD, our Dayton, Ohio, subsidiary, and resolution of certain other matters relating to that lawsuit. Payment of the fee is governed by the terms of our 2003 Outsider Directors Stock Plan. Mr. Reeder elected to receive 100% of his fees payable in stock. As a result, Mr. Reeder was issued 73,818 shares of Common Stock in lieu of cash (based on 75% of the closing price of $2.89/share on October 30, 2007). The fair value of the stock on October 30, 2007 was $213,334 (see "Part I, Item 3 - Legal Proceeding" and "Note 16 - Related Party Transactions" in "Notes to Consolidated Financial Statements").

2003 Outside Directors Plan

We believe that it is important for our directors to have a personal interest in our success and growth and for their interests to be aligned with those of our stockholders. Therefore, under our 2003 Outside Directors Stock Plan ("2003 Directors Plan"), each outside director is granted a 10 year option to purchase up to 30,000 shares of Common Stock on the date such director is initially elected to the Board of Directors, and receives on each reelection date an option to purchase up to another 12,000 shares of Common Stock, with the exercise price being the fair market value of the Common Stock on the date that the option is granted. No option granted under the 2003 Directors Plan is exercisable until after the expiration of six months from the date the option is granted and no option shall be exercisable after the expiration of ten years from the

date the option is granted. Options to purchase 426,000 shares of Common Stock were granted and are outstanding under the 2003 Directors Plan.

In 2007, we increased our monthly payment of fees to our outside directors from $1,500 to $1,750. In addition, each board member is paid $1,000 for each board meeting attendance as well as $500 for each telephonic conference call. We compensate our Audit Committee Chairman an additional $2,250 for each month of service as Chairman, as result of the additional responsibilities placed on that position. As a member of the Board of Directors, each director elects to receive either 65% or 100% of the director's fee in shares of our Common Stock based on 75% of the fair market value of the Common Stock determined on the business day immediately preceding the date that the quarterly fee is due. The balance of each director's fee, if any, is payable in cash. In 2007, the fees earned by our outside directors totaled $458,000, which included 73,818 shares of stock valued at $213,334 paid to Mr. Joe Reeder as compensation for his services as the board's representative in negotiating the agreement in principle to settle the claims brought by the United States, on behalf of the EPA, against PFD, our Dayton, Ohio, subsidiary, and resolution of certain other matters relating to that lawsuit (see "Part I, Item 3 - Legal Proceeding" and "Note 16 - Related Party Transactions" in "Notes to Consolidated Financial Statements"). The aggregate amount of accrued directors' fees at December 31, 2007, to be paid during 2008 to the seven outside directors (Colin, Ferguson, Lahav, Reeder, Shelton, Young and Zwecker) was approximately $100,000. Reimbursements of expenses for attending meetings of the Board are paid in cash at the time of the applicable Board meeting. Although Dr. Centofanti is not compensated for his services provided as a director, Dr. Centofanti is compensated for his services rendered as an officer of the Company. See "EXECUTIVE COMPENSATION — Summary Compensation Table."

As of the date of this report, we have issued 412,465 shares of our Common Stock in payment of director fees under the 2003 Directors Plan, covering the period October 1, 2002, through December 31, 2007.

In the event of a change of control (as defined in the "2003 Outside Directors Stock Plan"), each outstanding option and award granted under the plans shall immediately become exercisable in full notwithstanding the vesting or exercise provisions contained in the stock option agreement.

Compensation Committee Interlocks and Insider Participation

During 2007, the Compensation and Stock Option Committee for our Board of Directors was composed of Jack Lahav, Jon Colin, Joe Reeder, and Dr. Charles E. Young. None of the members of the Compensation and Stock Option Committee has been an officer or employee of the Company or has had any relationship with the Company requiring disclosure under the SEC regulations.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Security Ownership of Certain Beneficial Owners

The table below sets forth information as to the shares of voting securities beneficially owned as of March 10, 2008, by each person known by us to be the beneficial owners of more than 5% of any class of our voting securities.

Name of Beneficial Owner	Title Of Class	Amount and Nature of Ownership	Percent Of Class (1)
Rutabaga Capital Management LLC/MA (2)	Common	5,146,389	9.58%
Jeffrey L Gendell, et al(3)	Common	5,021,281	9.35%
Pictet Asset Management, LTD (4)	Common	4,876,460	9.08%
Heartland Advisors, Inc. Management (5)	Common	4,143,345	7.72%

(1) The number of shares and the percentage of outstanding Common Stock beneficially owned by a person are based upon 53,704,516 shares of Common Stock issued and outstanding on March 10, 2008, and the

number of shares of Common Stock which such person has the right to acquire beneficial ownership of within 60 days. Beneficial ownership by our stockholders has been determined in accordance with the rules promulgated under Section 13(d) of the Exchange Act.

(2) This information is based on the Schedule 13G/A, filed with the Securities and Exchange Commission ("SEC") on February 14, 2008, which provides that Rutabaga Capital Management LLC/MA, an investment advisor, has sole voting power over 1,777,300 shares and shared voting power over 3,369,089 shares and sole dispositive power over all of these shares. The address of Rutabaga Capital Management LLC/MA is 64 Broad Street, Boston, MA 02109.

(3) This information is based on the Schedule 13G/A, filed with the SEC on February 18, 2008, which provides that Jeffrey L Gendell shares voting dispositive power over 5,021,281 shares of Common Stock comprised of (a) 4,044,505 shares owned of record by Tontine Capital Management, L.L.C., over which Mr. Gendell shares voting and dispositive power as general partner and managing member and (b) 976,776 shares owned of record by Tontine Oversees Associates, L.L.C. over which Mr. Gendell shares voting and dispositive power as managing member of Tontine Oversees Associates, L.L.C. Mr. Gendell's address is 55 Railroad Avenue, Greenwich, Connecticut 06830.

(4) This information is based on the Schedule 13G/A, filed with the SEC on January 11, 2008, which provides that Pictet Asset Management, SA, an investment firm, has sole dispositive and voting power over these shares. The address of Pictet Asset Management, SA is 60 Route Des Acacias, Geneva 73, Switzerland CH-12 11.

(5) This information is based on the Schedule 13G, filed with the SEC on February 8, 2008, which provides that Heartland Advisors, Inc. an investment advisor, shares voting power over 3,898,745 of such shares, but no dispositive power over any of the shares and no sole voting or sole dispositive power over any of the shares. The address of Heartland Advisors, Inc. is 789 North Water Street, Suite 500, Milwaukee, WI 53202.

Capital Bank represented to us that:

- Capital Bank holds of record as a nominee for, and as an agent of, certain accredited investors, 4,091,740 shares of our Common Stock.;
- All of the Capital Bank's investors are accredited investors;
- None of Capital Bank's investors beneficially own more than 4.9% of our Common Stock and to its best knowledge, none of Capital Bank's investors act together as a group or otherwise act in concert for the purpose of voting on matters subject to the vote of our stockholders or for purpose of dispositive or investment of such stock;
- Capital Bank's investors maintain full voting and dispositive power over the Common Stock beneficially owned by such investors; and
- Capital Bank has neither voting nor investment power over the shares of Common Stock owned by Capital Bank, as agent for its investors.
- Capital Bank believes that it is not required to file reports under Section 16(a) of the Exchange Act or to file either Schedule 13D or Schedule 13G in connection with the shares of our Common Stock registered in the name of Capital Bank.
- Capital Bank is not the beneficial owner, as such term is defined in Rule 13d-3 of the Exchange Act, of the shares of Common Stock registered in Capital Bank's name because (a) Capital Bank holds the Common Stock as a nominee only and (b) Capital Bank has neither voting nor investment power over such shares.

Notwithstanding the previous paragraph, if Capital Bank's representations to us described above are incorrect or if Capital Bank's investors are acting as a group, then Capital Bank or a group of Capital Bank's investors could be a beneficial owner of more than 5% of our voting securities. If Capital Bank is deemed the beneficial owner of such shares, the following table sets forth information as to the shares of voting securities that Capital Bank may be considered to beneficially own on March 10, 2008.

Name of Record Owner	Title Of Class	Amount and Nature of Ownership	Percent Of Class (1)
Capital Bank Grawe Gruppe (2)	Common	4,091,740(2)	7.62%

(1) This calculation is based upon 53,704,516 shares of Common Stock issued and outstanding on March 10, 2008 plus the number of shares of Common Stock which Capital Bank, as agent for certain accredited investors has the right to acquire within 60 days, which is none.

(2) This amount is the number of shares that Capital Bank has represented to us that it holds of record as nominee for, and as an agent of, certain of its accredited investors. As of the date of this report, Capital Bank has no warrants or options to acquire, as agent for certain investors, additional shares of our Common Stocks. Although Capital Bank is the record holder of the shares of Common Stock described in this note, Capital Bank has advised us that it does not believe it is a beneficial owner of the Common Stock or that it is required to file reports under Section 16(a) or Section 13(d) of the Exchange Act. Because Capital Bank (a) has advised us that it holds the Common Stock as a nominee only and that it does not exercise voting or investment power over the Common Stock held in its name and that no one investor of Capital Bank for which it holds our Common Stock holds more than 4.9% of our issued and outstanding Common Stock and (b) has not nominated, and has not sought to nominate, and does not intend to nominate in the future, any person to serve as a member of our Board of Directors, we do not believe that Capital Bank is our affiliate. Capital Bank's address is Burgring 16, A-8010 Graz, Austria.

Security Ownership of Management

The following table sets forth information as to the shares of voting securities beneficially owned as of March 10, 2008, by each of our Directors and named executive officers and by all of our directors and executive officers as a group. Beneficial ownership has been determined in accordance with the rules promulgated under Section 13(d) of the Exchange Act. A person is deemed to be a beneficial owner of any voting securities for which that person has the right to acquire beneficial ownership within 60 days.

Name of Beneficial Owner(2)	Number of Shares Of Common Stock	Percentage of Common Stock (1)
Dr. Louis F. Centofanti (3)	1,183,600(3)	2.19%
Jon Colin (4)	165,341(4)	*
Robert L. Ferguson (5)	222,783(5)	*
Jack Lahav (6)	728,168(6)	1.35%
Joe Reeder (7)	400,184(7)	*
Larry M. Shelton (8)	49,397(8)	*
Dr. Charles E. Young (9)	99,222(9)	*
Mark A. Zwecker (10)	343,430(10)	*
Steven Baughman (11)	366,675(11)	*
Larry McNamara (12)	436,666(12)	*
Robert Schreiber, Jr. (13)	236,036(13)	*
Directors and Executive Officers as a Group (11 persons)	4,231,502(14)	7.67%

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

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

(2) The business address of each person, for the purposes hereof, is c/o Perma-Fix Environmental Services, Inc., 8302 Dunwoody Place, Suite 250, Atlanta, Georgia 30350.

(3) These shares include (i) 537,934 shares held of record by Dr. Centofanti; (ii) options to purchase 341,666 shares which are immediately exercisable; and 304,000 shares held by Dr. Centofanti's wife. Dr. Centofanti has sole voting and investment power of these shares, except for the shares held by Dr. Centofanti's wife, over which Dr. Centofanti shares voting and investment power.

(4) Mr. Colin has sole voting and investment power over these shares which include: (i) 80,341 shares held of record by Mr. Colin, and (ii) options to purchase 85,000 shares of Common Stock, which are immediately exercisable.

(5) Mr. Ferguson has sole voting and investment power over these shares which include: (i) 141,719 shares of Common Stock held of record by Mr. Ferguson, (ii) 27,046 shares held in Mr. Ferguson's individual retirement account, (iii) 24,018 shares held by Ferguson Financial Group LLC ("FFG LLC"), of which Mr. Ferguson is the manager; and (iv) options to purchase 30,000 shares, which are immediately exercisable.

(6) Mr. Lahav has sole voting and investment power over these shares which include: (i) 648,168 shares of Common Stock held of record by Mr. Lahav; (ii) options to purchase 80,000 shares, which are immediately exercisable.

(7) Mr. Reeder has sole voting and investment power over these shares which include: (i) 325,184 shares of Common Stock held of record by Mr. Reeder, and (ii) options to purchase 75,000 shares, which are immediately exercisable.

(8) Mr. Shelton has sole voting and investment power over these shares which include: (i) 7,397 shares of Common Stock held of record by Mr. Shelton, and (ii) options to purchase 42,000 shares, which are immediately exercisable.

(9) Dr. Young has sole voting and investment power over these shares which include: (i) 21,222 shares held of record by Dr. Young; and (ii) options to purchase 78,000 shares, which are immediately exercisable.

(10) Mr. Zwecker has sole voting and investment power over these shares which include: (i) 258,430 shares of Common Stock held of record by Mr. Zwecker; and (ii) options to purchase 85,000 shares, which are immediately exercisable.

(11) Mr. Baughman has sole voting and investment power over these shares which include: (i) 333,342 shares of Common Stock held of record by Mr. Baughman; and (ii) options to purchase 33,333 shares, which are exercisable on May 15, 2008.

(12) Mr. McNamara has sole voting and investment power over these shares which include: options to purchase 436,666 shares, which are immediately exercisable.

(13) Mr. Schreiber has joint voting and investment power, with his spouse, over 89,369 shares of Common Stock beneficially held and sole voting and investment power over options to purchase 146,667 shares, which are immediately exercisable.

Equity Compensation Plans

The following table sets forth information as of December 31, 2007, with respect to our equity compensation plans.

	Equity Compensation Plan		
Plan Category	Number of securities to be issued upon exercise of outstanding options warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)
	(a)	(b)	(c)
Equity compensation plans Approved by stockholders	2,590,026	$1.91	1,206,534
Equity compensation plans not Approved by stockholders (1)	—	—	—
Total	2,590,026	$1.91	1,206,534

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Lawrence Properties LLC

During February 2006, our Board of Directors approved and we entered into a lease agreement, whereby we lease property from Lawrence Properties LLC, a company jointly owned by the president of Schreiber, Yonley and Associates, Robert Schreiber, Jr. and his spouse. Mr. Schreiber is a member of our executive management team. The lease is for a term of five years from June 1, 2006. We pay monthly rent expense of $10,000, which we believe is lower than costs charged by unrelated third party landlords. Additional rent will be assessed for any increases over the initial lease commencement year for property taxes or assessments and property and casualty insurance premiums.

Mr. Joe Reeder

The Compensation Committee of our Board of Directors unanimously recommended to the full Board of Directors, and, based on such recommendation, on October 31, 2007, our Board of Directors, with Mr. Reeder abstaining, approved that Mr. Joe R. Reeder, a member of our Board of Directors be paid an additional director's fee of $160,000 as compensation for his services as the board's representative in negotiating the agreement in principle to settle the claims brought by the United States, on behalf of the EPA, against PFD, our Dayton, Ohio, subsidiary, and resolution of certain other matters relating to that lawsuit (See Part I, Item 3 – "Legal Proceedings"). As a fee payable to Mr. Reeder for his services as a member of our Board of Directors, payment of the fee is governed by the terms of our 2003 Outsider Directors Stock Plan. In accordance with the terms of the 2003 Directors Plan, fees payable to a non-employee director may be paid, at the election of the director, with either 65% or 100% in shares of our common stock, with any balance payable in cash. The number of shares to be issued under the 2003 Directors Plan in lieu of cash fees is determined by dividing the amount of the fee by 75% of the closing sales price of our common stock on the business day immediately preceding the date that the fee is due. Mr. Reeder elected to receive 100% of such fee in shares of our Common Stock in lieu of cash. As fees payable to Mr. Reeder on October 31, 2007, Mr. Reeder was issued 73,818 shares of Common Stock in lieu of cash (based on 75% of the closing price of $2.89/share on October 30, 2007). The fair value of the stock on October 30, 2007 is $213,334, which we expensed as director's fees in the 4th quarter of 2007. The shares were issued to Mr. Reeder on December 31, 2007.

Mr. David Centofanti

Mr. David Centofanti serves as our Director of Information Services. For such services, he received total compensation in 2007 of approximately $154,000. Mr. David Centofanti is the son of our chief executive officer and chairman of our board, Dr. Louis F. Centofanti. We believe the compensation received by Mr. Centofanti for his technical expertise which he provides to the Company is competitive and comparable to compensation we would have to pay to an unaffiliated third party with the same technical expertise.

Mr. Robert L. Ferguson

On June 13, 2007, we acquired Nuvotec and Nuvotec's wholly owned subsidiary, PEcoS, pursuant to the terms of the Merger Agreement, between us, Nuvotec, PEcoS, and our wholly owned subsidiary. At the time of the acquisition, Robert L. Ferguson was the chairman, chief executive officer, and individually or through entities controlled by him, the owner of approximately 21.29% of Nuvotec's outstanding common stock.

As consideration for the merger, we agreed to pay the Nuvotec's shareholders the sum of approximately $11.2 million, payable as follows:

(a) $2.3 million in cash at closing of the merger;

(b) an earn-out amount not to exceed $4.4 million over a four year period ("Earn-Out Amount"), with the first $1.0 million of the Earn-Out Amount to be placed in an escrow account to satisfy certain indemnification obligations under the Merger Agreement of Nuvotec, PEcoS, and the shareholders of Nuvotec (including Mr. Ferguson) to us that are identified by us within two years following the merger; and

(c) payable only to the shareholders of Nuvotec that qualified as accredited investors pursuant to Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended (which includes Mr. Ferguson):

- $2.5 million, payable over a four year period, unsecured and nonnegotiable and bearing an annual rate of interest of 8.25%, with (i) accrued interest only payable on June 30, 2008, (ii) $833,333.33, plus accrued and unpaid interest, payable on June 30, 2009, (iii) $833,333.33, plus accrued and unpaid interest, payable on June 30, 2010, and (iv) the remaining unpaid principal balance, plus accrued and unpaid interest, payable on June 30, 2011 (collectively, the "Installment Payments"). The Installment Payments may be prepaid at any time by Perma-Fix without penalty; and

- 709,207 shares of our common stock, with such number of shares determined by dividing $2.0 million by 95% of average of the closing price of the common stock as quoted on the Nasdaq during the 20 trading days period ending five business days prior to the closing of the merger.

At the closing of the merger, the Nuvotec debt was approximately $9.4 million, of which approximately $3.7 million was for PEcoS. Approximately $8.9 million of the $9.4 million was owed to KeyBank National Association. We paid approximately $5.4 million of the total debt, with payment of approximately $4.9 million on the KeyBank debt. Of the amount of remaining debt, $4.0 million is owed by PESI Northwest under a credit facility with KeyBank. The KeyBank credit facility and a related $1.75 million line of credit with KeyBank is guaranteed by Mr. Ferguson [and William Lampson, who prior to the merger was the vice-chairman and a vice-president of Nuvotec and PEcoS].

We paid Mr. Ferguson and entities controlled by him, as accredited stockholders in Nuvotec, a total of $224,560 cash and issued to him and the entities controlled by him a total of 192,783 shares of our common stock in consideration for the merger pursuant to the terms described above. The fair market value of the

192,783 shares of common stock issued to Mr. Ferguson was $584,133, based on the closing price of our common stock on July 23, 2007, the date of issuance. Mr. Ferguson and the entities controlled by him will also be entitled to receive 21.29% of the total Earn-Out Amount and 27.18% of the the Installment Payments payable under the terms of the Merger Agreement, based on the proportionate share of Nuvotec's common stock owned prior to the merger by Mr. Ferguson and entities controlled by him.

In connection with the merger, we agreed to increase the number of our directors from seven to eight and to take reasonable action to nominate and recommend Mr. Ferguson for election as a member of our Board of Directors, if such nomination would not breach any fiduciary duties or legal requirements of our Board. The Board of Directors subsequently determined that nominating Mr. Ferguson for election as a member of our Board would not breach the Board's fiduciary duties or legal requirements. Accordingly, our Corporate Governance and Nominating Committee considered Mr. Ferguson's qualifications and nominated him for election to the Board. Our shareholders elected Mr. Ferguson as a director at our 2007 annual meeting held on August 2, 2007.

The Company's Audit Committee acts under its Audit Committee Charter and reviews all related party transactions involving our directors and executives.

Director Independence
See "Item 10 of Part III – Directors, Executive Officers and Corporate Governance" regarding the independence of our Directors.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees
The aggregate fees and expenses billed by BDO Seidman, LLP ("BDO") for professional services rendered for the audit of the Company's annual financial statements for the fiscal years ended December 31, 2007 and 2006, for the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q for those fiscal years, and for review of documents filed with the Securities and Exchange Commission for those fiscal years were approximately $557,000 and $478,000, respectively. Audit fees for 2007 and 2006 include approximately $175,000 and $195,000, respectively, in fees related to the audit of internal control over financial reporting. Approximately 8% and 7% of the total hours spent on audit services for the Company for the years ended December 31, 2006, were spent by Cross, Fernandez and Riley, LLP ("CFR") and by McLeod and Company, respectively, members of the BDO alliance network of firms. Such members are not full time, permanent employees of BDO. No members of any BDO alliance network of firms performed audit services for the Company for the years ended December 31, 2007

Audit-Related Fees
BDO was not engaged to provide audit related services to the Company for the fiscal years ended December 31, 2007 and 2006. The aggregate fees billed by CFR for audit related services to the Company for the fiscal year ended December 31, 2007 was approximately $4,200.

CFR audited the Company's 401(k) Plan during 2007 and 2006, and billed $10,000 and $11,000, respectively.

Tax Services
BDO was not engaged to provide tax services to the Company for the fiscal year ended December 31, 2007 and 2006.

The aggregate fees billed by CFR for tax compliance services for 2007 and 2006 were approximately $7,800 and $34,000, respectively. CFR was engaged to provide consulting on corporate tax issues for the fiscal year ended December 31, 2006, resulting in fees billed of approximately $4,300.

All Other Fees

BDO was engaged to provide services related to the acquisition of Nuvotec USA, Inc. and its who1ly owned subsidiary, Pacific EcoSolutions, Inc. (“PEcoS”) and other corporate related matters for the fiscal year ended December 31, 2007, resulting in fees totaling approximately $12,000. In 2006, BDO was engaged to provide services related to our proposed acquisition of Nuvotec USA, Inc. and its who1ly owned subsidiary, Pacific EcoSolutions, Inc. (“PEcoS”), resulting in fees of approximately $4,300.

The Audit Committee of the Company's Board of Directors has considered whether BDO’s provision of the services described above for the fiscal years ended December 31, 2007 and 2006, is compatible with maintaining its independence. The Audit Committee also considered services performed by CFR and McLeod and Company to determine that it is compatible with maintaining independence.

Engagement of the Independent Auditor

The Audit Committee is responsible for approving all engagements with BDO and any members of the BDO alliance network of firms to perform audit or non-audit services for us, prior to engaging these firms to provide those services. All of the services under the headings Audit Fees, Audit Related Fees, Tax Services, and All Other Fees were approved by the Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X of the Exchange Act. The Audit Committee's pre-approval policy provides as follows:

- The Audit Committee will review and pre-approve on an annual basis any known audit, audit-related, tax and all other services, along with acceptable cost levels, to be performed by BDO and any members of the BDO alliance network of firms. The Audit Committee may revise the pre-approved services during the period based on subsequent determinations. Pre-approved services typically include: statutory audits, quarterly reviews, regulatory filing requirements, consultation on new accounting and disclosure standards, employee benefit plan audits, reviews and reporting on management's internal controls and specified tax matters.
- Any proposed service that is not pre-approved on the annual basis requires a specific pre-approval by the Audit Committee, including cost level approval.
- The Audit Committee may delegate pre-approval authority to one or more of the Audit Committee members. The delegated member must report to the Audit Committee, at the next Audit Committee meeting, any pre-approval decisions made.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

(a)(1) Consolidated Financial Statements

See Item 8 for the Index to Consolidated Financial Statements.

(a)(2) Financial Statement Schedules

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

(a)(3) Exhibits

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

SIGNATURES

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

Perma-Fix Environmental Services, Inc.

By	/s/ Dr. Louis F. Centofanti Dr. Louis F. Centofanti Chairman of the Board Chief Executive Officer	Date	March 31, 2008
By	/s/ Steven T. Baughman Steven T. Baughman Chief Financial Officer	Date	March 31, 2008

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

By	/s/ Dr. Louis F. Centofanti Dr. Louis F. Centofanti, Director	Date	March 31, 2008
By	/s/ Jon Colin Jon Colin, Director	Date	March 31, 2008
By	/s/ Robert L. Ferguson Robert L. Ferguson, Director	Date	March 31, 2008
By	/s/ Jack Lahav Jack Lahav, Director	Date	March 31, 2008
By	/s/ Joe R. Reeder Joe R. Reeder, Director	Date	March 31, 2008
By	/s/ Larry M. Shelton Larry M. Shelton, Director	Date	March 31, 2008
By	/s/ Charles E. Young Charles E. Young, Director	Date	March 31, 2008
By	/s/ Mark A. Zwecker Mark A. Zwecker, Director	Date	March 31, 2008

SCHEDULE II

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

VALUATION AND QUALIFYING ACCOUNTS
For the years ended December 31, 2007, 2006, and 2005
(Dollars in thousands)

Description	Balance at Beginning of Year	Additions Charged to Costs, Expenses and Other	Deductions	Balance at End of Year
Year ended December 31, 2007:				
Allowance for doubtful accounts-continuing operations	$ 168	$ 94	$ 124	$ 138
Allowance for doubtful accounts-discontinued opertions	247	113	91	269
Year ended December 31, 2006:				
Allowance for doubtful accounts-continuing operations	$ 285	$ (59)	$ 58	$ 168
Allowance for doubtful accounts-discontinued opertions	$ 317	$ 124	$ 194	$ 247
Year ended December 31, 2005:				
Allowance for doubtful accounts-continuing operations	$ 147	$ 167	$ 29	$ 285
Allowance for doubtful accounts-discontinued opertions	$ 548	$ (19)	$ 212	$ 317

EXHIBIT INDEX

Exhibit No.	Description
2.1	Agreement and Plan of Merger dated April 27, 2007, by and among Perma-Fix Environmental Services, Inc., Nuvotec USA, Inc., Pacific EcoSolutions, Inc. and PESI Transitory, Inc., which is incorporated by reference from Exhibit 2.1 to the Company’s Form 8-K, filed May 3, 2007. The Company will furnish supplementally a copy of any omitted exhibits or schedule to the Commission upon request.
2.2	First Amendment to Agreement and Plan of Merger, dated June 13, 2007, by and among Perma-Fix Environmental Services, Inc., Nuvotec USA, Inc., Pacific EcoSolutions, Inc., and PESI Transitory, Inc., which is incorporated by reference from Exhibit 2.2 to the Company’s Form 8-K, filed June 19, 2007. The Company will furnish supplementally a copy of any omitted exhibits or schedule to the Commission upon request.
2.3	Asset Purchase Agreement by and among Triumvirate Environmental Services, Inc., Triumvirate Environmental (Baltimore), LLC, Perma-Fix Environmental Services, Inc., and Perma-Fix of Maryland, Inc. dated January 18, 2008. Schedules and exhibits to the Agreement are listed in the Agreement, and the Company will furnish supplementally a copy of any omitted exhibits or schedule to the Commission upon request.
2.4	Asset Purchase Agreement by and among Perma-Fix of Dayton, Inc., Perma-Fix Environmental Services, Inc., and OGM, Ltd., dated March 14, 2008, as incorporated by reference from Exhibit 10.1 to the Company’s Form 8-K, filed March 20, 2008. The Company will furnish supplementally a copy of any omitted exhibits or schedule to the Commission upon request.
3(i)	Restated Certificate of Incorporation, as amended, and all Certificates of Designations are incorporated by reference from 3.1(i) to the Company's Form 10-Q for the quarter ended September 30, 2002.
3(ii)	Bylaws of Perma-Fix Environmental Services, Inc., as amended on October 30, 2007, as incorporated by reference from Exhibit 3(ii) to the Company’s Form 10-Q for the quarter ended September 30, 2007.
4.1	Specimen Common Stock Certificate as incorporated by reference from Exhibit 4.3 to the Company's Registration Statement, No. 33-51874.
4.2	Loan and Security Agreement by and between the Company, subsidiaries of the Company as signatories thereto, and PNC Bank, National Association, dated December 22, 2000, as incorporated by reference from Exhibit 99.1 to the Company's Form 8-K dated December 22, 2000.
4.3	First Amendment to Loan Agreement and Consent, dated January 30, 2001, between the Company and PNC Bank, National Association as incorporated by reference from Exhibit 99.7 to the Company's Form 8-K dated January 31, 2001.
4.4	Amendment No. 1 to Revolving Credit, Term Loan and Security Agreement, dated as of June 10, 2002, between the Company and PNC Bank is incorporated by reference from Exhibit 4.3 to the Company's Form 10-Q for the quarter ended September 30, 2002.
4.5	Amendment No. 2 to Revolving Credit, Term Loan and Security Agreement, dated as of May 23, 2003, between the Company and PNC Bank, as incorporated by reference from Exhibit 4.4 to the Company's Form 10-Q for the quarter ended June 30, 2003, and filed on August 14, 2003.
4.6	Amendment No. 3 to Revolving Credit, Term Loan, and Security Agreement, dated as of October 31, 2003, between the Company and PNC Bank, as incorporated by reference from Exhibit 4.5 to the Company's Form 10-Q for the quarter ended September 30, 2003, and filed on November 10, 2003.
4.7	Registration Rights Agreement, dated March 16, 2004, between the Company and Alexandra Global Master Fund, Ltd., Alpha Capital AG, Baystar Capital II, L.P., Bristol

Investment Fund, Ltd., Crescent International Ltd, Crestview Capital Master LLC, Geduld Capital Partners LP, Gruber & McBaine International, Irwin Geduld Revocable Trust, J Patterson McBaine, Jon D. Gruber and Linda W. Gruber, Lagunitas Partners LP, Omicron Master Trust, Palisades Master Fund, L.P., Stonestreet LP, is incorporated by reference from Exhibit 4.2 of our Registration Statement No. 333-115061.

4.8 Common Stock Purchase Warrant, dated March 16, 2004, issued by the company to Alexandra Global Master Fund, Ltd., for the purchase of 262,500 shares of the Company's common stock, is incorporated by reference from Exhibit 4.3 of our Registration Statement No. 333-115061. Substantially similar warrants were issued by the Company to the following: (1) Alpha Capital AG, for the purchase of up to 54,444 shares; (2)Baystar Capital II, L.P., for the purchase of up to 63,000 shares; (3) Bristol Investment Fund, Ltd., for the purchase of up to 62,222 shares; (4) Crescent International Ltd, for the purchase of up to 105,000 shares; (5) Crestview Capital Master LLC, for the purchase of up to 233,334 shares; (6) Geduld Capital Partners LP, for the purchase of up to 26,250 shares; (7) Gruber & McBaine International, for the purchase of up to 38,889 shares; (8) Irwin Geduld Revocable Trust, for the purchase of up to 17,500 shares; (9) J Patterson McBaine, for the purchase of up to 15,555 shares; (10) Jon D. Gruber and Linda W. Gruber, for the purchase of up to 38,889 shares; (11) Lagunitas Partners LP, for the purchase of up to 93,333 shares; (12) Omicron Master Trust, for the purchase of up to 77,778 shares; (13) Palisades Master Fund, L.P., for the purchase of up to 472,500 shares; and (14) Stonestreet LP, for the purchase of up to 54,444 shares. Copies will be provided to the Commission upon request.

4.9 Amendment No. 4 to Revolving Credit, Term Loan, and Security Agreement, dated as of March 25, 2005, between the Company and PNC Bank as incorporated by reference from Exhibit 4.12 to the Company's Form 10-K for the year ended December 31, 2004.

4.10 Letter from PNC Bank regarding intent to waive technical default on the Loan and Security Agreement with PNC Bank due to resignation of Chief Financial Officer.

4.11 Amendment No. 6 to Revolving Credit, Term Loan, and Security Agreement, dated as of June 12, 2007, between the Company and PNC Bank as incorporated by reference from Exhibit 4.1 to the Company's Form 10-Q for the quarter ended June 30, 2007.

4.12 Amendment No. 7 to Revolving Credit, Term Loan, and Security Agreement, dated as of July 18, 2007, between the Company and PNC Bank as incorporated by reference from Exhibit 4.2 to the Company's Form 10-Q for the quarter ended June 30, 2007.

4.13 Amendment No. 8 to Revolving Credit, Term Loan, and Security Agreement, dated as of November 2, 2007, between the Company and PNC Bank as incorporated by reference from Exhibit 4.1 to the Company's Form 10-Q for the quarter ended September 30, 2007.

4.14 Amendment No. 9 to Revolving Credit, Term Loan, and Security Agreement, dated as of December 18, 2007, between the Company and PNC Bank.

4.15 Amendment No. 10 to Revolving Credit, Term Loan, and Security Agreement, dated as of March 26, 2008, between the Company and PNC Bank.

10.1 1991 Performance Equity Plan of the Company as incorporated herein by reference from Exhibit 10.3 to the Company's Registration Statement, No. 33-51874.

10.2 1992 Outside Directors' Stock Option Plan of the Company as incorporated by reference from Exhibit 10.4 to the Company's Registration Statement, No. 33-51874.

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

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

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

10.6 Fourth Amendment to the Company's 1992 Outside Directors' Stock Option Plan as incorporated by reference from the Company's Proxy Statement, dated April 20, 1998.

10.7 1993 Non-qualified Stock Option Plan as incorporated by reference from the Company's Proxy Statement, dated

October 12, 1993.

10.8 401(K) Profit Sharing Plan and Trust of the Company as incorporated by reference from Exhibit 10.5 to the Company's Registration Statement, No. 33-51874.

10.9 Subcontract Change Notice between East Tennessee Materials and Energy Corporation and Bechtel Jacobs Company, LLC, No. BA-99446/7 and 8F, dated July 2, 2002, are incorporated by reference from Exhibit 10.24 to the Company's Registration Statement No. 333-70676.

10.10 Option Agreement, dated July 31, 2001, among the Company, AMI, and BEC is incorporated by reference from Exhibit 99.8 to the Company's Form 8-K, dated July 30, 2001.

10.11 Promissory Note, dated June 7, 2001, issued by M&EC in favor of Performance Development Corporation is incorporated by reference from Exhibit 10.1 to the Company's Form 8-K, dated June 15, 2001.

10.12 Form 433-D Installment Agreement, dated June 11, 2001, between M&EC and the Internal Revenue Service is incorporated by reference from Exhibit 10.2 to the Company's Form 8-K, dated June 15, 2001.

10.13 Common Stock Purchase Warrant, dated July 9, 2001, granted by the Registrant to Capital Bank–Grawe Gruppe AG for the right to purchase up to 1,830,687 shares of the Registrant's Common Stock at an exercise price of $1.75 per share incorporated by reference from Exhibit 10.12 to the Company's Registration Statement, No. 333-70676.

10.14 Common Stock Purchase Warrant, dated July 9, 2001, granted by the Registrant to Herbert Strauss for the right to purchase up to 625,000 shares of the Registrant's Common Stock at an exercise price of $1.75 per share, incorporated by reference from Exhibit 10.13 to the Company's Registration Statement, No. 333-70676.

10.15 Warrant Agreement, dated July 31, 2001, granted by the Registrant to Paul Cronson for the right to purchase up to 43,295 shares of the Registrant's Common Stock at an exercise price of $1.44 per share, incorporated by reference from Exhibit 10.20 to the Company's Registration Statement, No. 333-70676. Substantially similar Warrants, dated July 31, 2001, for the right to purchase up to an aggregate 186,851 shares of the Registrant's Common Stock at an exercise price of $1.44 per share were granted by the Registrant to Ryan Beck (6,836 shares), Ryan Beck (54,688), Michael Kollender (37,598 shares), Randy Rock (37,598 shares), Robert Goodwin (43,294 shares), and Meera Murdeshwar (6,837 shares). Copies will be provided to the Commission upon request.

10.16 Warrant to Purchase Common Stock, dated July 30, 2001, granted by the Registrant to David Avital for the purchase of up to 143,000 shares of the Registrant's Common Stock at an exercise price of $1.75 per share, incorporated by reference from Exhibit 10.21 to the Company's Registration Statement, No. 333-70676. Substantially similar Warrants for the purchase of an aggregate 4,249,022 were issued to Capital Bank (837,451 shares), CICI 1999 Qualified Annuity Trust (85,715 shares), Gerald D. Cramer (85,715 shares), CRM 1999 Enterprise Fund 3 (200,000 shares), Craig S. Eckenthal (57,143 shares), Danny Ellis Living Trust (250,000 shares), Europa International, Inc. (571,428 shares), Harvey Gelfenbein (28,571 shares), A. C. Israel Enterprises (285,715 shares), Kuekenhof Partners, L.P. (40,000), Kuekenhof Equity Fund, L.P. (60,000 shares), Jack Lahav (571,429 shares), Joseph LaMotta (28,571 shares), Jay B. Langner (28,571 shares), The F. M. Grandchildren Trust (42,857 shares), Peter Melhado (115,000 shares), Pamela Equities Corp. (42,857 shares), Josef Paradis (143,000 shares), Readington Associates (57,143 shares), Dr. Ralph Richart (225,000 shares), Edward J. Rosenthal Profit Sharing Plan (28,571 shares), Yariv Sapir IRA (85,714 shares), and Bruce Wrobel (150,000 shares), respectively. Copies will be provided to the Commission upon request.

10.17 Common Stock Purchase Warrant, dated July 30, 2001, granted by the Registrant to Ryan, Beck & Co. for the purchase of 20,000 shares of the Registrant's Common Stock at an exercise price of $1.75 per share, incorporated by reference from Exhibit 10.22 to the Company's Registration Statement, No. 333-70676. Substantially similar Warrants, dated July 30, 2001, for the purchase of an aggregate 48,000 shares of the Registrant's Common

Stock at an exercise price of $1.75 per share were issued to Ryan, Beck & Co., LLC (14,000 shares), and Larkspur Capital Corporation (34,000 shares). Copies will be provided to the Commission upon request.

10.18 Common Stock Purchase Warrant, dated July 31, 2001, granted by the Registrant to Associated Mezzanine Investors-PESI (I), L.P. for the purchase of up to 712,073 shares of the Registrant's Common Stock at an exercise price of $1.50 per share, incorporated by reference from Exhibit 10.23 to the Company's Registration Statement, No. 333-70676. A substantially similar Warrant was issued to Bridge East Capital L.P. for the right to purchase of up to 569,658 shares of the Registrant's Common Stock, and a copy will be provided to the Commission upon request.

10.19 2003 Outside Directors' Stock Plan of the Company as incorporated by reference from Exhibit B to the Company's 2003 Proxy Statement.

10.20 2003 Employee Stock Purchase Plan of the Company as incorporated by reference from Exhibit C to the Company's 2003 Proxy Statement.

10.21 2004 Stock Option Plan of the Company as incorporated by reference from Exhibit B to the Company's 2004 Proxy Statement.

10.22 Common Stock Purchase Warrant, dated March 16, 2004, granted by the Company to R. Keith Fetter, is incorporated by reference from Exhibit 10.3 of our Form S-3 Registration Statement dated April 30, 2004. Substantially similar warrants were granted to Joe Dilustro and Chet Dubov, each for the purchase of 30,000 shares of the Company's common stock. Copies will be provided to the Commission upon request.

10.23 Basic agreement between East Tennessee Materials and Energy Corporation and Bechtel Jacobs Company, LLC No. BA-99446F, dated September 20, 2005, as incorporated by reference from Exhibit 10.1 to our Form 10-Q for the quarter ended September 30, 2005. Attachments to this extended agreement will be provided to the Commission upon request.

10.24 Basic agreement between East Tennessee Materials and Energy Corporation and Bechtel Jacobs Company, LLC No. BA-99447F, dated September 20, 2005, as incorporated by reference from Exhibit 10.2 to our Form 10-Q for the quarter ended September 30, 2005. Attachments to this extended agreement will be provided to the Commission upon request.

10.25 2006 Executive Management Incentive Plan for Chairman, Chief Executive Officer and President, effective January 1, 2006, as incorporated by reference from Exhibit 10.25 to the Company’s Form 10-K for the year ended December 31, 2006.

10.26 2006 Executive Management Incentive Plan for Chief Operating Officer, effective January 1, 2006, as incorporated by reference from Exhibit 10.26 to the Company’s Form 10-K for the year ended December 31, 2006.

10.27 2006 Executive Management Incentive Plan for Vice President, Chief Financial Officer, effective May 15, 2006, as incorporated by reference from Exhibit 10.26 to the Company’s Form 10-K for the year ended December 31, 2006.

10.28 Settlement Agreement, dated December 19, 2007, by and between Barbara Fisher (“Fisher”) and Perma-Fix of Dayton, Inc.

10.29 Consent Decree, dated December 12, 2007, between United States of America and Perma-Fix of Dayton, Inc.

21.1 List of Subsidiaries

23.1 Consent of BDO Seidman, LLP

31.1 Certification by Dr. Louis F. Centofanti, Chief Executive Officer of the Company pursuant to Rule 13a-14(a) or 15d-14(a).

31.2 Certification by Steven T. Baughman, Chief Financial Officer of the Company pursuant to Rule 13a-14(a) or 15d-14(a).

32.1 Certification by Dr. Louis F. Centofanti, Chief Executive Officer of the Company furnished pursuant to 18

U.S.C. Section 1350.

32.2 Certification by Steven T. Baughman, Chief Financial Officer of the Company furnished pursuant to 18 U.S.C. Section 1350.

Execution Copy

ASSET PURCHASE AGREEMENT

BY AND AMONG
Triumvirate Environmental, Inc.
Triumvirate Environmental (Baltimore), LLC
Perma-Fix Environmental Services, Inc.
and
Perma-Fix of Maryland, Inc.

January 8, 2008

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ASSET PURCHASE AGREEMENT

Asset Purchase Agreement (the "Agreement"), dated as of January 8, 2008, by and among Triumvirate Environmental, Inc., a Massachusetts corporation ("TEI"); Triumvirate Environmental (Baltimore), LLC, a Maryland limited liability company (the "Buyer"); Perma-Fix Environmental Services, Inc., a Delaware corporation ("Parent"); and Perma-Fix of Maryland, Inc., a Maryland corporation (the "Company").

This Agreement sets forth the terms and conditions upon which the Buyer will purchase from the Company, and the Company will sell to the Buyer, substantially all the assets of the Company (other than the Retained Assets, as hereinafter defined) used by Company in connection with its commercial fuel operations and waste oil removal and remediation business (the "Business"), for the consideration provided herein.

In consideration of the foregoing, the mutual representations, warranties and covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1 Definitions. For the purposes of this Agreement, all capitalized words or expressions used in this Agreement (including the Schedules and Exhibits annexed hereto) shall have the meanings specified in this Article I, unless otherwise defined herein (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Affiliate" means (i) in the case of an individual, the members of the immediate family (including the individual's spouse and the parents, siblings and children of the individual and/or the individual's spouse) and any Business Entity that directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, any of the foregoing individuals, or (ii) in the case of a Business Entity, another Business Entity or a person that directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, the Business Entity.

"Business Day" means any day, excluding Saturday, Sunday and any other day on which commercial banks in New York City, New York, are authorized or required by law to close.

"Business Entity" means any corporation, partnership, limited liability company, trust or other domestic or foreign form of business association or organization.

"Carbon Avenue" means the real property located at 1500 Carbon Avenue, Baltimore, Maryland 21226 and all buildings, improvements, fixtures, construction in process and the like thereon, as more fully defined in the applicable Real Estate Purchase and Sale Agreement.

"CERCLA" means the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, and the regulations thereunder, and court decisions in respect thereof, all as the same shall be in effect at the time.

"Charter" means the Certificate of Incorporation, Articles of Incorporation or Organization or other organizational document of a corporation or limited liability company, as amended and restated through the date hereof.

"Claim" means an action, suit, proceeding, hearing, investigation, litigation, charge, complaint, claim or demand.

"Code" means the Internal Revenue Code of 1986, and the regulations thereunder, published Internal Revenue Service rulings, and court decisions in respect thereof, all as the same shall be in effect at the time.

"Compliance" or words of similar meaning shall mean the strict adherence to any and all applicable Legal Requirements.

"Current Assets" means the sum, as of the Closing Date, of the value of the Company's cash and cash equivalents, restricted cash, prepaid expenses (exclusive of prepaid insurance and other inter-company expenses for which Buyer does not receive a benefit upon transfer of the Purchase Assets), inventory and other current assets as of the Closing Date, plus the amount of any outstanding accounts receivable of the Company as of the Closing Date collected by Buyer during the 120 day period following the Closing.

"Current Liabilities" means, as of the Closing Date, the value of the Company's accounts and trade payables, accrued expenses (exclusive of accrued income taxes and accrued reserves for environmental liabilities), accrued compensation, and current and long term obligations under all of the Company's equipment leases.

"Environmental Action" means any administrative, regulatory or judicial action, suit, demand, demand letter, claim, notice of non-compliance or violation, investigation, request for information, proceeding, Lien, notice of Lien, consent order or consent agreement relating in any way to any Environmental Law or any Environmental Permit, including, without limitation, (a) any claim by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any Environmental Law and (b) any claim by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials, damage to the environment or alleged injury or threat of injury to human health or safety from pollution or other environmental degradation.

"Environmental Law" means any applicable federal, state and local laws, statutes, ordinances, rules, regulations as well as common law, relating to protection of human health or the environment, relating to Hazardous Substances, relating to liability for or costs of Remediation or prevention of Releases of Hazardous Substances or relating to liability for or costs of other actual or future danger to the environment. The term "Environmental Law" includes, but is not limited to, the following statutes, as amended, any successor thereto, and any regulations promulgated pursuant thereto, and any state or local statutes, ordinances, rules, regulations and the like addressing similar issues: Maryland Code §1-801 et. seq., the Maryland Uniform Environmental Covenants Act; Maryland Code §2-101 et. seq., Ambient Air Quality Control; Maryland Code §4-201 et. seq., Stormwater Management; Maryland Code §4-401 et seq., Water Pollution Control and Abatement; Maryland Code §6-601 et. seq., Toxic, Carcinogenic and Flammable Substances; Maryland Code §7-101 et seq., Hazardous Materials and Hazardous Substances; Code of Maryland Regulations ("COMAR") Title 26, Subtitle 8; COMAR Title 26, Subtitle 10; COMAR Title 26, Subtitle 11; COMAR Title 26, Subtitle 13; COMAR Title 26, Subtitle 17; COMAR Title 26, Subtitle 26; The Code of Public Local Laws of Baltimore City; Virginia Code, Title 62.1, Chapter 3.1 the State Water Control Law; Virginia Code Title 10.1, Chapter 14 The Virginia Waste Management Act; Virginia Code Title 10.1, Chapter 21.1 The Virginia Water Quality Improvement Act of 1997; Virginia Code Title 10.1, Chapter 13; 9 Virginia Administrative Code ("VAC") 20-60-10 – 20-60-1505; 5-10-10 – 9 VAC 5-510-250; 9 VAC 20-80-10 – 20-90-130; 9 VAC 20-110-10 – 20-110-130; 9 VAC 20-160-10 – 20-160-130; 25-10-10 – 9 VAC 25-820-70; the Comprehensive Environmental Response, Compensation and Liability Act; the Emergency Planning and Community Right-to-Know Act; the Hazardous Substances Transportation Act; the Resource Conservation and Recovery Act (including but not limited to Subtitle I relating to underground Storage Tanks); the Solid Waste Disposal Act; the Clean Water Act; the Clean Air Act; the Toxic Substances Control Act; the Safe Drinking Water Act; the Occupational Safety and Health Act; the Federal Water Pollution Control Act; the Federal Insecticide, Fungicide and Rodenticide Act; the Endangered Species Act; the National Environmental Policy Act; and the River and Harbors Appropriation Act and any similar state and local laws or by-laws, the rules, regulations and interpretations thereunder, all as the same shall be in effect from time to time.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, and any similar or successor federal statute, and the rules, regulations and interpretations thereunder, all as the same shall be in effect at the time.

"ERISA Affiliate" means, for purposes of Title IV of ERISA, any trade or business, whether or not incorporated, that together with the Company, would be deemed to be a "single employer" within the meaning of Section 4001 of ERISA, and, for purposes of the Code, any member of any group that, together with the Company, is treated as a "single employer" for purposes of Section 414 of the Code.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

"Hazardous Materials" includes but is not limited to any and all substances biological and etiologic agents or materials (whether solid, liquid or gas) defined, listed, or otherwise classified as pollutants, hazardous wastes, hazardous substances, hazardous materials, extremely hazardous wastes, or words of similar meaning or regulatory effect under any present or future Environmental Laws, including but not limited to petroleum and petroleum products, asbestos and asbestos-containing materials, chlorinated solvents; polychlorinated biphenyls, lead, lead-based paints, radon, radioactive materials, flammables and explosives, any biological organism or portion thereof (living or dead), including molds or other fungi, bacteria or other microorganisms, or any etiologic agents or materials, and any other substance or exposure.

"Indebtedness" means all obligations, contingent or otherwise, whether current or long-term, which in accordance with GAAP would be classified upon the obligor's balance sheet as liabilities (other than deferred taxes) and shall also include capitalized leases, guaranties, endorsements (other than for collection in the ordinary course of business) or other arrangements whereby responsibility is assumed for the obligations of others, including any agreement to purchase or otherwise acquire the obligations of others or any agreement, contingent or otherwise, to furnish funds for the purchase of goods, supplies or services for the purpose of payment of the obligations of others.

"IRS" means the Internal Revenue Service and any similar or successor agency of the federal government administering the Code.

"Knowledge" or words of similar meaning shall mean when referring to the Company and the Parent, the actual knowledge of any officer, director or member of management of Parent and the Company, after due inquiry and examination of the books and records of the Company (as the case may be).

"Lien" means, with respect to any asset, any mortgage, deed of trust, pledge, hypothecation, assignment, security interest, lien, charge, restriction, adverse claim by a third party, title defect or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, any assignment or other conveyance of any right to receive income and any assignment of receivables with recourse against assignor), any filing of any financing statement as debtor under the Uniform Commercial Code or comparable law of any jurisdiction and any agreement to give or make any of the foregoing.

"Material Adverse Effect" means a material adverse impact or effect on the business, operations, assets, liabilities, or condition (financial or otherwise) of the Company, or the occurrence of an event, circumstance or other matter that would reasonably be expected to have such material adverse impact or effect, provided, however, that any such impact or effect less than $15,000 individually or less than $40,000 in the aggregate for all such events, circumstances or other matters shall not be considered a Material Adverse Effect.

"Net Working Capital" means the difference between the Company's Current Assets and Current Liabilities.

"Off-site Contamination" shall mean the following: any Release and/or threat of Release of Hazardous Materials (including, without limitation, any degradation byproducts) at, on, to, from, beneath, and/or under any property off the premises owned or leased by the Company for the purpose of conducting the Business, and any soil, groundwater, surface water, sediment, air or any other element or substance which is or in the future becomes impacted or affected by any of the foregoing.

"Officer's Certificate" means a certificate signed in the name of a corporation, partnership, association, trust or limited liability company by its President, Chief Executive Officer, Treasurer, Chief Financial Officer, General Manager or, if so specified, the Clerk, Secretary or officer appointed to execute on behalf of the partnership, association, trust or limited liability company, acting in his or her official capacity.

"On-site Contamination" means environmental liabilities for conditions within the legal property boundaries of the facilities locate at (i) Carbon Avenue and (ii) Sun Street, provided however, that such liabilities shall exclude liabilities owing to governmental authorities prior to the Closing Date for fines, assessments or judgments or third party tort claims or causes of action existing or arising prior to the Closing Date.

"Person" means any individual, firm, partnership, association, trust, corporation, limited liability company, governmental body or other entity.

"PBGC" means the Pension Benefit Guaranty Corporation, and any successor thereto.

"Predecessor" means any Person, if any, whose status or activities could give rise to a claim against Buyer or the Company as a successor in interest to such Person.

"Purchase Documents" means this Agreement, each of the Real Estate Purchase and Sale Agreements, the Bill of Sale, the Closing Memorandum and any other certificate, document, instrument, stock power, or agreement executed in connection therewith.

"Release" means any release, issuance, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment or into or out of any property, including the movement of Hazardous Materials through or in the air, soil, surface water, ground water, or property other than in Compliance with all Environmental Laws and Permits.

"Subsidiary" means, with respect to any Person (a) any corporation, association or other entity of which at least a majority in interest of the outstanding capital stock or other equity securities having by the terms thereof voting power under ordinary circumstances to elect a majority of the directors, managers or trustees thereof, irrespective of whether or not at the time capital stock or other equity securities of any other class or classes of such corporation, association or other entity shall have or might have voting power by reason of the happening of any contingency, is at the time, directly or indirectly, owned or controlled by such Person, or (b) any entity (other than a corporation) in which such Person, one or more Subsidiaries of such Person, or such Person and one or more Subsidiaries of such Person, directly or indirectly at the date of determination thereof, has at least majority ownership interest. For purposes of this Agreement, a Subsidiary of the Company shall include the direct and indirect Subsidiaries of the Company.

"Sun Street" means the real property located at 3200 Sun Street, Baltimore Maryland and all buildings, improvements, fixtures, construction in process and the like thereon, as more fully defined in the applicable Real Estate Purchase and Sale Agreement.

"Tax" means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

"Tax Return" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including, without limitation, any consolidated tax returns of the Company and its Affiliates, including any schedule or attachment thereto, and including any amendment thereof.

1.2 Other Defined Terms. For purposes of this Agreement, the following terms have the respective meanings set forth in the section opposite each term:

Term	Section
2006 Financial Statements	4.5
Agreed Amount	9.4(b)
Agreement	Preamble
Allocation Schedules	2.5
Arbitrator	2.6
Assumed Liabilities	2.3
Basket Amount	9.5(a)
Bill of Sale	2.8
Business	Preamble
Business Relationship	6.1(f)
Buyer	Preamble
Buyer Indemnitees	9.2
Buyer Losses	9.2
Cap	9.5(b)
Carbon Properties	2.7
Claim Notice	9.4(a)
Claimed Amount	9.4(a)
Closing	Article III
Closing Balance Sheet	2.6
Closing Memorandum	6.3(c)
Closing Net Working Capital	2.6
Closing Date	Article III
Code	2.5
Company	Preamble
Company Indemnitees	9.3

Company Intellectual Property	4.12
Company Losses	9.3
Contested Amount	9.4(c)
Default	4.14
Disclosure Schedules	Article IV (Preamble)
EPA	4.19
Estimated Working Capital	2.6(c)
Financial Statements	4.5
Hired Employee	6.2(a)
Indemnifying Party	9.4(a)
Indemnitees	9.3
Large Customers	4.15
Large Suppliers	4.15
Legal Requirement	4.16(b)
Losses	9.3
Most Recent Financial Statements	4.5
Necessary Permits	4.16
Non-Solicitation Period	6.1(f)
Notice of Disagreement	2.6
Outside Date	8.1(b)
Parent	Preamble
PCBs	4.19
Perma-Fix of Ft. Lauderdale	7.1(q)
Plan	4.18(iv)
Prior Transaction	4.19
PTE	7.1(p)
Purchased Assets	2.1
Purchase Price	2.4
Real Estate Purchase and Sale Agreement(s)	2.7
Response Notice	9.4(b)
Restricted Party	6.1(f)
Retained Assets	2.2
Retained Liabilities	2.3
Straddle Periods	10.9(a)
Sun Street Properties	2.7
TEI	Preamble
Transfer Taxes	10.9(b)
UCC	6.1(r)

ARTICLE II

PURCHASE AND SALE OF ASSETS OF THE COMPANY

2.1 Purchase of Assets. Upon the terms and subject to the conditions contained in this Agreement, at the Closing (as defined in Article III, and, with respect to or arising out of the purchase of each of the Carbon Street and Sun Street properties from the Company, each of the Real Estate Purchase and Sale Agreements), Company shall sell, assign, transfer and convey to the Buyer or TEI (as shall be determined by TEI at or prior to the Closing), and the Buyer or TEI (as shall be determined by TEI at or prior to the Closing) shall purchase, acquire and accept from Company, all of the following assets of the Company (the "Purchased Assets") used in or required for the operation of the Business (other than those assets defined as "Retained Assets," as such term is defined in Section 2.2 below). The Purchased Assets shall consist of only the following assets and properties, provided, however, that notwithstanding the following list of assets and properties, none of the Purchased Assets shall include any of the Retained Assets:

(a) all assets owned by the Company set forth on Schedules 2.1(a) attached hereto, including, without limitation: (i) all inventories wherever located, including raw materials, goods consigned to vendors or subcontractors, work in process, finished goods and goods in transit; (ii) all machinery, computers, computer software programs, equipment, processing equipment, fixtures and furniture; and (iii) all motor vehicles;

(b) all of the Company's trade and other accounts receivable outstanding as of the Closing and that are payable to the Company;

(c) all rights and interests of the Company in and to those certain contracts for the purchase of materials, supplies and services and the sale of products and services, equipment leases, real estate leases, capital leases, and licenses listed under the applicable heading on Schedules 2.1(c) attached hereto;

(d) all of the Company's books, records and other data, except minute and stock record books, journals, ledgers and books of original entry, provided, however, that Parent may retain copies of such books and records;

(e) all of the Company's goodwill, dealer and customer lists and all other sales and marketing information, and all know-how, technology, drawings, engineering specifications, bills of materials, software and other intangible assets of the Company;

(f) all of Company's interest in patents, patent applications, proprietary designs, copyrights, trade names, servicemarks, trademarks and trademark applications, in each case together with the goodwill appurtenant thereto, all federal, state, local and foreign registrations thereof, if applicable, all common law rights thereto, and all claims or causes of action for infringement thereof;

(g) all permits (including, without limitation, all Environmental Permits) licenses, orders, ratings and approvals of all federal, state, local or foreign governmental or regulatory authorities or industrial bodies which are held by the Company, to the extent the same are transferable;

(h) all cash and cash equivalents and restricted cash of the Company as of the Closing Date, except the Purchase Price;

(i) the Carbon Avenue and Sun Street properties;

(j) all prepaid expenses of the Company as of the Closing Date for which Buyer will receive a benefit upon transfer of the Purchased Assets;

(k) all customer accounts of the Company and backlog as of the Closing Date;

(l) all business records relating to each of the aforementioned items;

(m) the exclusive right to use the name "A&A Environmental Services" and all variants thereof; and

(n) except for Retained Assets described in Section 2.2 below, all other items of property, real or personal, tangible or intangible, including without limitation all securities, corporate names, restrictive and negative covenant agreements with employees and others, and computer programs owned, used by or accruing to the benefit of the Company.

2.2 Retained Assets. The Company will retain ownership only of the following assets (collectively, the "Retained Assets"):

(a) the Company's minute and stock record books, journals, ledgers and books of original entry;

(b) the Company's rights under this Agreement;

(c) the Purchase Price;

(d) prepaid insurance proceeds; and

(e) those assets or contracts identified on Schedules 2.2(d), which are not otherwise included among the Purchased Assets.

2.3 Liabilities. On and after the Closing Date, the Buyer or TEI (as determined by TEI at the Closing) shall assume and agrees to pay, perform and discharge when due, as additional consideration for the purchase of the Purchased Assets, only the following debts, obligations and liabilities of the Company (collectively, the "Assumed Liabilities"):

(a) accrued compensation liabilities as of the Closing Date;

(b) all of the Company's outstanding accounts and trade payables, which are unpaid as of the Closing Date;

(c) all accrued expenses (excluding accrued income taxes and inter-company expenses arising in the ordinary course of business, which are unpaid as of the Closing Date);

(d) all liabilities under any customer accounts/contracts set forth on Schedule 2.1(c) accruing subsequent to the Closing Date;

(e) all of the Company's liabilities and obligations under those certain equipment leases and real estate leases set forth on Schedules 2.3(e) attached hereto, to the extent such obligations are by the terms of such contracts required to be performed and/or paid at or after the Closing Date and relate to the Purchased Assets;

(f) all obligations and liabilities for On-site Contamination; and

(g) any and all other liabilities arising or incurred by the Buyer subsequent to the Closing Date.

The Buyer shall not assume or agree to perform, pay or discharge, and the Company shall remain unconditionally liable for any of the Company's debt and obligations not listed above as Assumed Liabilities including, without limitation, (i) any and all liabilities with respect to any federal, state or local income Taxes required to be paid by the Company for any period ending on or prior to the Closing Date or as a result of the sale of the Purchased Assets to the Buyer pursuant to this Agreement; (ii) any and all liabilities arising as a result of the Company's termination of its insurance policies, leases, contracts and employee benefit pension and profit sharing plans; (iii) any and all severance obligations to employees of the Company in effect prior to the Closing Date, including, without limitation, those obligations set forth on Schedule 4.20 attached hereto (except for such obligations that arise after the Closing as a result of acts of Buyer at the Closing); (iv) any liabilities related to the conduct of the Business (other than Assumed Liabilities) that arose on or prior to the Closing Date; (v) any and all liabilities of the Company arising in connection with any fines, penalties, claim, litigation or proceeding with respect to the operation of the Business (including, without limitation, those matters set forth on Schedule 4.21 attached hereto); (vii) any and all liabilities for any Off-site Contamination existing as of the Closing Date; (viii) any and all legal, brokerage and accounting fees and expenses incurred by the Company or Parent in connection with the negotiation, execution and performance of this Agreement, including, without limitation, the brokerage agreement set forth on Schedule 4.23 attached hereto; (ix) any and all of the Plans listed on Schedule 4.18; (x) any contract, agreement, instrument or arrangement (whether oral or in writing) listed on Schedule 4.14 attached hereto that are not being assumed by TEI or Buyer in accordance with this Section 2.3; (xi) the municipal liens set forth on Schedule 4.8 attached hereto; and (xii) any and all other liabilities arising or incurred by the Company subsequent to the Closing Date (collectively, the "Retained Liabilities").

2.4 Purchase Price. Subject to adjustments that may be made in accordance with Sections 2.6, the purchase price (the "Purchase Price") to be paid by the Buyer to the Parent and Company for the Purchased Assets shall be Three Million Eight Hundred Twenty-Five Thousand Dollars ($3,825,000), plus the Buyer's assumption of the Assumed Liabilities. The Purchase Price shall be paid to the Company by wire transfer of immediately available federal funds.

2.5 Allocation of Purchase Price. The Purchase Price shall be allocated among the Purchased Assets for purposes of Section 1060 of the Internal Revenue Code of 1986, as amended (the "Code"), as set forth in Schedule 2.5 attached hereto. The Company, Parent, TEI and the Buyer agree to be bound by such allocations and to complete and attach Internal Revenue Form 8594 to their respective federal income tax returns to reflect such allocations (the "Allocation Schedules"). The Allocation Schedule shall be adjusted by Buyer, TEI, or the Company or Parent for any post-Closing adjustment to the Purchase Price or to the amount of any liabilities of the Company included in amount realized for federal income tax purposes.

Buyer shall file all Tax Returns (including amended Tax Returns and claims for refunds) in a manner consistent with the Allocation Schedule, as adjusted, and shall not take any position inconsistent with the allocations set forth in the Allocation Schedule, as adjusted, unless required to do so in accordance with a "determination" as defined in Section 1313(a)(i) of the Code or as otherwise required by law; provided, however, that the Tax basis in the Purchased Assets may exceed the total amount allocated in order to reflect Buyer's capitalized transaction costs not included in the Purchase Price or the Assumed Liabilities included in amount realized, and the Company's amount realized may be less than the total amount allocated in order to reflect the Company's transaction costs.

2.6 Adjustment to Asset Purchase Price.

(a) Working Capital. Within 130 days following the Closing Date, Buyer shall deliver to Parent and the Company a balance sheet of for the Company (in its final and binding form, the "Closing Balance Sheet") setting forth the net working capital of the Company as of the close of business on the Business Day immediately preceding the Closing Date (the "Closing Net Working Capital"). The Closing Balance Sheet shall include all known adjustments required in a year-end closing of the books and, except as otherwise specified in this Agreement, shall be prepared in a manner consistent with past practices. The Closing Balance Sheet will exclude any of the Company's accounts receivable as of the Closing Date that are not collected within 120 days after the Closing Date. Parent and the Company shall cooperate with Buyer as reasonably requested in connection with the preparation of the Closing Balance Sheet. The Closing Balance Sheet shall become final and binding upon the parties ten (10) days following the Parent's receipt thereof, unless the Company shall give written notice of its disagreement (a "Notice of Disagreement") to Buyer prior to such date. Any Notice of Disagreement shall specify in reasonable detail the nature and dollar amount of any disagreement so asserted. If a timely Notice of Disagreement is received by Buyer, then the Closing Balance Sheet (as revised in accordance with clause (x) or (y) below) shall become final and binding upon the parties on the earliest of (x) the date the parties resolve in writing any differences they have with respect to the matters specified in the Notice of Disagreement or (y) the date all matters in dispute are finally resolved by the Arbitrator. During the thirty (30) days following delivery of a Notice of Disagreement, the parties shall seek in good faith to resolve in writing any differences that they may have with respect to the matters specified in the Notice of Disagreement. Following delivery of a Notice of Disagreement, Buyer and its agents and representatives shall be permitted to review the Company's and its representatives' working papers relating to the Notice of Disagreement. At the end of the thirty (30)-day period referred to above, the parties shall submit to binding arbitration before Grant Thornton in Boston, Massachusetts (the "Arbitrator") for review and resolution of all matters (but only such matters) which remain in dispute and which were properly included in the Notice of Disagreement, and the Arbitrator shall make a final determination of the Closing Net Working Capital, to the extent such amounts are in dispute, in accordance with the guidelines and procedures set forth in this Agreement. In resolving any matters in dispute, the Arbitrator may not assign a value to any item in dispute greater than the greatest value for such item assigned by Buyer, on the one hand, or Parent and the Company, on the other hand, or less than the smallest value for such item assigned by Buyer, on the one hand, or Parent and the Company, on the other hand. The Arbitrator's determination will be based solely on presentations made by Buyer and Parent and the Company and in accordance with the guidelines and procedures set forth in this Agreement (i.e., not on the basis of an independent review). The Closing Balance Sheet and the determination of the Closing Net Working Capital shall become final and binding on the parties on the date the Arbitrator delivers his final resolution in writing to the parties (which final resolution shall be delivered not more than forty-five (45) days following submission of such disputed matters). The fees and expenses of the Arbitrator, in making the final determination of the Closing Net Working Capital, shall be shared equally by Buyer and the Parent and the Company.

(b) Post-Closing Adjustment. If the Closing Net Working Capital is greater than $500,000, then the Purchase Price shall be increased by the difference between the Closing Net Working Capital and $500,000 on a dollar for dollar basis. In the event the Closing Net Working Capital is less than $500,000, then the Purchase Price shall be decreased on a dollar for dollar basis by the difference between the Closing Net Working Capital and $500,000. Any adjustment to the Purchase Price shall be made within three (3) Business Days after the Closing Balance Sheet becomes final and binding on the parties, by wire transfer to the Buyer or the Company, as the case may be, in immediately available funds of the amount of such difference.

(c) Estimated Net Working Capital. Not more than ten (10) days prior to the Closing Date, the Company shall prepare and deliver Buyer an estimate of the Net Working Capital as of the Closing Date ("Estimated Net Working Capital"). In the event that the Estimated Net Working Capital is equal to or less than ninety-five percent (95%) of $500,000, then the Company shall cause a sufficient amount of the Company's account payables to be paid in full prior to the Closing in such amount such that the Closing Net Working Capital will not be less than $475,000. At Closing, the Company shall provide Buyer with documented evidence of the payment of such accounts payable pursuant to the foregoing sentence upon the payment thereof.

2.7 Real Estate Purchase and Sale Agreement. On the date hereof, the Company and each of Carbon Properties, Inc. ("Carbon Properties") and Sun Street Properties, Inc. ("Sun Street Properties"), each of which is an Affiliate of TEI and Buyer, will execute and deliver a Real Estate Purchase and Sale Agreement, in substantially the form of Exhibits A-1 and A-2, respectively, attached hereto (each a "Real Estate Purchase and Sale Agreement," and collectively, the "Real Estate Purchase and Sale Agreements"), relating to the purchase of each of (i) Carbon Avenue, and (ii) Sun Street. The transactions contemplated by each of the Real Estate Purchase and Sale Agreements must close and be consummated effective as of the Closing.

2.8 Execution and Delivery of Documents of Title by the Company. At the Closing, the Company shall execute and deliver to the Buyer a bill of sale, in substantially the form attached hereto as Exhibit B (the "Bill of Sale") and such deeds, conveyances, certificates of title, assignments, assurances and other instruments and documents as the Buyer may reasonably request in order to affect the sale, conveyance, and transfer of the Purchased Assets from the Company to the Buyer. Such instruments and documents shall be sufficient to convey to the Buyer good and merchantable title in all of the Purchased Assets. The Company will, from time to time after the Closing Date, take such additional actions and execute and deliver such further documents as the Buyer may reasonably request in order to more effectively sell, transfer and convey the Purchased Assets to the Buyer and to place the Buyer in position to operate and control all of the Purchased Assets.

2.9 Collection of Accounts Receivable. After the Closing Date, Buyer will exercise its commercially reasonable efforts to collect the accounts receivable existing as of the Closing Date in order to minimize the amount of accounts receivable which remain uncollected one hundred and twenty (120) days after the Closing Date without any requirement to incur third party expenses in collection efforts. In the event that after the 120 day period commencing on the Closing Date, any of the Company's accounts receivable existing as of the Closing Date which remain outstanding shall be assigned by Buyer to the Company within 125 days after the Closing and any proceed from collection there from shall be retained by the Company.

ARTICLE III

CLOSING

The closing of the transactions described herein (the "Closing") shall take place at the offices of Posternak Blankstein & Lund LLP, The Prudential Tower, 800 Boylston Street, Boston, Massachusetts, 02199 at 9:00 a.m. on January 8, 2008, or at such other place or time as the parties hereto may mutually agree. The date and time at which the Closing actually occurs is hereinafter referred to as the "Closing Date." For purposes of this Agreement, the effective time of the Closing means 12:01 a.m. est. on the Closing Date.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND PARENT

The Company and Parent, jointly and severally, hereby represent and warrant to the Buyer and TEI as of the date hereof, that the statements contained in this Article IV with respect to the Company are true and correct, except as set forth in the Disclosure Schedules attached hereto (the "Disclosure Schedules"). The Disclosure Schedules shall be arranged by Schedules corresponding to the numbered and lettered section and paragraphs contained in this Article IV, and the disclosures in any Schedule of the Disclosure Schedules shall qualify only the corresponding section or paragraph in this Article IV; provided, however, that a disclosure in a Schedule of the Disclosure Schedules shall be deemed to have been set forth in another Schedule of the Disclosure Schedules where such disclosure set forth in such other Schedule is specifically cross-referenced.

4.1 Organization and Qualification. Each of the Company and Parent is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation. Each of the Company and Parent has full power and authority to own, use and lease its properties and to conduct its business as such properties are owned, used or leased and as such business is currently conducted and as it is proposed to be conducted. The copies of the Company's Charter and By-Laws, as amended to date, certified by its Secretary and delivered to the Buyer's counsel prior to the Closing, are true, complete and correct. The Company is qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which it owns or leases property or maintains inventories or where the conduct of its business would require such qualification, except where such failure to qualify does not result in a Material Adverse Effect.

4.2 Authority; No Violation. Each of the Company and Parent has all requisite corporate power and authority to enter into this Agreement and to carry out the transactions contemplated hereby. The execution, delivery and performance of this Agreement by the Company and Parent has been duly and validly authorized and approved by all necessary corporate action. This Agreement constitutes the legal and binding obligation of the Company and Parent, enforceable against each in accordance with its terms, except that the enforceability hereof may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding may be brought. Assuming the accuracy of the representations and warranties of Buyer, the entering into of this Agreement by each of the Company and Parent does not, and the consummation by each of the Company and Parent of the transactions contemplated hereby, including specifically the transfer of the Purchased Assets to the Buyer by the Company, will not violate the provisions of (a) any applicable federal, state, local or foreign laws, the effect of which would have a Material Adverse Effect, (b) the Company's Charter or by-laws, or (c) any provision of, or result in a default or acceleration of any obligation under, or result in any change in the rights or obligations of the Company or under, any Lien, contract, agreement, license, lease, instrument, indenture, order, arbitration award, judgment, or decree to which the Company is a party or by which it is bound, or to which any property of the Company is subject, the effect of which would have a Material Adverse Effect.

4.3 Authorized and Outstanding Stock. At the Closing, the authorized capital stock of the Company will consist of 10,000 shares of common stock, $.001 par value per share, of which 10,000 shares are validly issued and outstanding. Parent is the sole record and beneficial owner of the Company.

4.4 Subsidiaries. The Company currently has no Subsidiaries.

4.5 Financial Statements. Attached hereto as Schedule 4.5 are the following (i) unaudited balance sheets and statements of income, changes in stockholders' equity, and cash flow as of December 31, 2006, for the Company (collectively, the "2006 Financial Statements"); and (ii) unaudited balance sheet and statement of income, changes in stockholders' equity, and cash flow as of September 30, 2007, for the Company (the "Most Recent Financial Statements" and, together with the 2006 Financial Statements, the "Financial Statements"). The Financial Statements (including the notes thereto) have been prepared in accordance with GAAP applied on a consistent basis throughout the periods covered thereby, present fairly the financial condition of the Company as of such dates and the results of operations of the Company for such periods, are correct and complete, and are consistent with the books and records of the Company, subject, in the case of the Most Recent Financial Statements, to normal year-end adjustments (which will not result in a Material Adverse Effect) and the absence of footnotes and other usual presentation items.

4.6 Absence of Undisclosed Liabilities. Except as set forth in the Most Recent Financial Statements and in Schedule 4.6 attached hereto, there are no liabilities of the Company, whether accrued, absolute, contingent or otherwise (including, without limitation, liabilities as guarantor or otherwise with respect to obligations of any other Person, or liabilities for Taxes due or then accrued or to become due), except for liabilities which have arisen in the ordinary course of business of the Company since the date of the Most Recent Financial Statements.

4.7 Absence of Certain Changes. Except as otherwise disclosed in Schedule 4.7 attached hereto, since the date of the Most Recent Financial Statements there has not been:

(a) to the Knowledge of the Company and Parent, any change in the business, operations, assets, liabilities, or conditions (financial or otherwise) of the Company, that, by itself or in conjunction with all other such changes, not arising in the ordinary course of business that involves more than $40,000;

(b) any obligation or liability incurred by the Company, other than obligations and liabilities incurred in the ordinary course of business for an amount not more than $10,000 in each case or $25,000 in the aggregate;

(c) any Lien placed on any of the Purchased Assets which remains in existence on the date hereof;

(d) any contingent liabilities incurred by the Company with respect to the obligations of any other Person that would result in a Material Adverse Effect;

(e) any purchase, sale, lease, assignment, transfer or other disposition, or any agreement or other arrangement for the purchase, sale, lease, assignment, transfer or other disposition, of any part of the Company's properties or assets, other than purchases for and sales from inventory for fair consideration in the ordinary course of business, except for fixed assets purchased or other capital expenditures made in amounts not exceeding $10,000 for any single item and $50,000 in the aggregate for all such items;

(f) any damage, destruction or loss, whether or not covered by insurance having a Material Adverse Effect;

(g) any labor trouble or claim of unfair labor practices involving the Company having a Material Adverse Effect; any material change in the employment contracts of or compensation payable or to become payable by the Company to any of its officers, directors or employees or any bonus payment or arrangement made to or with any of such officers, directors or employees or any change in coverage or benefits available under any Plan described in Section 4.18;

(h) any material change with respect to the Company's management or supervisory personnel;

(i) any material obligation or liability incurred by the Company with respect to any loan, advance or commitment to lend by any bank, financial institution or institutional lender to any of the officers, directors, employees or stockholders of the Company or to any other Person; or any material loans or advances made by the Company to any officers, directors, employees or stockholders of the Company, except for normal compensation, professional fees and expense allowances payable to officers and directors;

(j) any contracts, licenses, leases or agreements entered into by the Company which are outside the ordinary course of business or which obligate the Company for more than $10,000 in any one case or more than $25,000 in the aggregate;

(k) any recapitalization or reorganization;

(l) any amendment or other change (or any authorization to make such an amendment or change) to the Company's Charter or by-laws, except as required in connection with the consummation of the transactions contemplated hereby;

(m) any postponement or delay in payment of any accounts payable or other liability of the Company except in the ordinary course of business consistent with prior practices;

(n) any cancellation, waiver, compromise or release of any right or claim either involving more than $50,000 or outside the ordinary course of business consistent with prior practices; or

(o) any cancellation, termination, modification, or acceleration by any party to any contract, license, lease or agreement involving more than $50,000 to which any of the Company is a party or by which it is bound.

4.8 Title, Sufficiency and Condition of the Purchased Assets. Except as set forth on Schedule 4.8 (which may include a title commitment relating to each of Carbon Avenue and Sun Street) the Company has good and marketable title to, or a valid leasehold interest in, all of the Purchased Assets, free and clear of all Liens, and free of any material infractions or non-compliance with zoning and building laws. The sale and delivery of the Purchased Assets to the Buyer pursuant hereto shall vest in the Buyer good and marketable title thereto, free and clear of any and all Liens, other than as disclosed in Schedule 4.8 hereto or as may be created by the Buyer. The Company owns or leases all real, personal, tangible and intangible property and assets necessary for the conduct of their respective businesses as such businesses are presently conducted and are proposed to be conducted, and all such property and assets are included in the Purchased Assets, except for Retained Assets. All tangible properties and assets owned or leased by the Company and contained in the Purchased Assets are in good operating condition and repair, ordinary wear and tear excepted, have been well maintained, and conform with all applicable laws, statutes, ordinances, rules and regulations, the failure of which would not have a Material Adverse Effect.

4.9 Real Estate.

(a) Schedule 4.9(a) attached hereto lists and describes briefly all real property owned by the Company. With respect to each such parcel of owned real property: (i) there are no pending or, to the Knowledge of the Company and Parent, threatened condemnation proceedings, lawsuits, or administrative actions relating to the property; (ii) except as disclosed in Schedule 4.9(a) the legal description for the parcel contained in the deed thereof describes such parcel fully and adequately; and (iii) to the Knowledge of the Company and Parent, the land does not serve any adjoining property for any purpose inconsistent with the use of the land.

(b) Schedule 4.9(b) lists and describes all real property leased or subleased to the Company. With respect to each such lease and sublease: (i) correct and complete copies thereof have been delivered to the Buyer; (ii) the lease or sublease is legal, valid binding, enforceable, and in full force and effect and will continue to be so on identical terms following the consummation of the transactions contemplated hereby; and (iii) no party to the lease or sublease is in breach or default thereunder. The Company has good and marketable leasehold interests in, and enjoys peaceful and quiet possession of, all of the real property described in each lease and sublease set forth on Schedule 4.9(b), there are no disputes thereunder, and, to the Knowledge of the Company and Parent, there have been no threatened cancellations thereof. All necessary government approvals with respect to such leased property have been obtained, all necessary filings or registrations therefore have been made, and there have been, to the Knowledge of the Company and Parent, no threatened cancellations thereof and there are no outstanding disputes thereunder. The Company has performed all obligations required to be performed by it under such leases and all of such leased or subleased real property, and all equipment and fixtures on or serving such leased or subleased real property, are in good operating condition and repair, ordinary wear and tear excepted.

4.10 Accounts Receivable. All of the accounts receivable of the Company as of September 30, 2007 are properly reflected on Schedule 4.10 attached hereto, to the Knowledge of the Company and Parent, and are not subject to set-off or counterclaim, and, to the Knowledge of Parent and the Company, are collectible in such amount in the ordinary course of business. The Company has no accounts receivable or loans or notes receivable from any Affiliates or from any of its officers, directors, consultants, employees, agents or stockholders, except as set forth on Schedule 4.10.

4.11 Inventories. All of the supplies inventory of the Company can be used or consumed in the ordinary course of business as now conducted. Since the date of the Most Recent Financial Statements, except as set forth on Schedule 4.11, there has been no change in the amount of such inventory of the Company except for changes as a result of the material purchase and sale of, adjustment to, or consumption of inventory in the ordinary course of business consistent with prior practice, including, but not limited to, established seasonal patterns.

4.12 Intellectual Property. All patents, patent applications, proprietary designs, copyrights, software, trade names, servicemarks, trademarks and trademark applications which are owned by or licensed to the Company are listed in Schedule 4.12 attached hereto ("Company Intellectual Property"). To the Company's and Parent's Knowledge, none of the Company Intellectual Property violates or will violate any license or infringes or will infringe any intellectual property rights of any other party. Except as set forth on Schedule 4.12, the Company has not received any communications alleging that the Company has violated or, by conducting the Business, would violate any of the patents, trademarks, service marks, tradenames, copyrights, trade secrets, mask works or other proprietary rights or processes of any other Person. Listed with Schedule 4.12 are the software programs present on the Company's computers and other software-enabled electronic devices that the Company or Parent owns or leases or that it has otherwise provided to the Company's employees for their use in connection with the Business and which are part of the Purchased Assets. To the Knowledge of the

Company and Parent, the Company Intellectual Property constitutes all of the intellectual property that is material to the conduct of the Business as now conducted or proposed to be conducted. The Company and/or Parent have paid all amounts required to be paid in connection with all software used by the Company, except as otherwise provided on Schedule 4.12 attached hereto.

4.13 Trade Secrets and Customer Lists. Except as disclosed on Schedule 4.13, the Company has the right to use, free and clear of any Claims or rights of any other Person, all trade secrets and customer lists required for or used in the development or marketing of all services and products being sold by it, and all of such trade secrets and customer lists shall be transferred to the Buyer as part of the Purchased Assets, the failure of which would have a Material Adverse Effect. Any material payments required to be made by the Company for the use of such trade secrets or customer lists are described in Schedule 4.13 attached hereto. To the Knowledge of the Company and Parent, the Company is not making an unlawful or wrongful use of any confidential information or trade secrets of any other Person, including without limitation any former employer of any present or past employee of the Company. Except as described on Schedule 4.13 to the Knowledge of the Company and Parent, no officer, director or employee of the Company is a party to any non-competition or confidentiality agreement with any Person other than the Company.

4.14 Contracts. Except for contracts, commitments, leases, licenses, plans and agreements described in Schedule 4.7, 4.14 or 4.18 attached hereto, the Company is not a party to or subject to:

(a) any plan or contract regarding or providing for bonuses, pensions, options, stock purchases, deferred compensation, severance benefits retirement payments, profit sharing, stock appreciation, collective bargaining or the like, or any contract or agreement with any labor union;

(b) any employment or consulting contract or contract for personal services not terminable at will by the Company without penalty to the Company;

(c) any contract or agreement for the purchase of any commodity, product, material, supplies, equipment or other personal property, or for the receipt of any service, other than purchase orders entered into in the ordinary course of business for less than $10,000 each and which in the aggregate do not exceed $50,000;

(d) any contract or agreement for the purchase or lease of any fixed asset, whether or not such purchase or lease is in the ordinary course of business, for a price in excess of $10,000;

(e) any contract or agreement with any sales agent, distributor of products of the Company involving more than $10,000;

(f) any contract or agreement concerning a partnership or joint venture with one or more Persons;

(g) any confidentiality agreement or any non-competition agreement or other contract or agreement containing covenants limiting the Company's freedom to compete in any line of business or in any location or with any Person;

(h) any license agreement (as licensor or licensee) (other than shrink wrap licenses) involving more than $10,000;

(i) any contract or agreement with either a stockholder or any present or former officer, director, consultant, agent or stockholder of the Company or with any Affiliate of any of them, except Parent's cash management policy or filing consolidated income Tax Returns or management fees payable to Parent consistent with past practices;

(j) any loan agreement, indenture, note, bond, debenture or any other document or agreement evidencing a capitalized lease obligation;

(k) any agreement of guaranty, indemnification, or other similar commitment with respect to the obligations or liabilities of any other Person (other than lawful indemnification provisions contained in the Charters and by-laws of the Company in excess of $10,000; or

(l) any agreement under which the consequences of a default or termination would have a Material Adverse Effect.

Copies of all such contracts, commitments, plans, leases, licenses and agreements have been provided or made available to the Buyer prior to the execution of this Agreement, and all such copies are true, correct and complete and have been subject to no amendment, extension or other modification as of the date hereof, except such as are described in any of Schedules 4.7, 4.14 or 4.18. Except as listed and described in Schedule 4.14, the Company, or, to the Knowledge of the Company and Parent, any other Person, is in default under any such contract, commitment, plan, lease, license or agreement described in Schedule 4.14 (a "Default" being defined for purposes hereof as an actual default or event of default or the existence of any fact or circumstance which would, upon receipt of notice or passage of time, constitute a default), which would have a Material Adverse Effect.

4.15 Customers. Schedule 4.15 attached hereto sets forth (i) the twenty (20) largest customers of the Company for the period from January 1, 2007 to September 30, 2007 (the "Large Customers") and (ii) the ten (10) largest suppliers of the Company (the "Large Suppliers") . Except as set forth on Schedule 4.15, none of the Large Customers or Large Suppliers have canceled or otherwise terminated, or, to the Knowledge of the Company and Parent threatened to cancel or otherwise terminate, their relationship with the Company. To the Knowledge of the Company and Parent, except as set forth on Schedule 4.15, none of the Large Customers or Large Suppliers intends to cancel or to decrease materially or limit its usage or purchase of the services or products of the Company, the result of which would have a Material Adverse Effect. Since September 10, 2007, the Company has not transferred or assigned all or any portion of the services provided to any Large Customer to any of its Affiliates or any third party except as disclosed on Schedule 4.15.

4.16 Compliance with Laws.

(a) Except as disclosed on Schedule 4.16, the Company has all licenses, permits, Environmental Permits, franchises, orders, approvals, accreditations, written waivers and other authorizations as are necessary in order to enable it to own and conduct the Business as currently conducted and to occupy and use its real and personal properties without incurring any material liability, the failure of which would have a Material Adverse Effect ("Necessary Permits"), and is currently in Compliance with any and all recordkeeping, sampling, assessment, monitoring and document filing requirements of the same, the failure of which would have a Material Adverse Effect. With respect to each Necessary Permit, (i) the name of the holder of such Necessary Permit; (ii) the date of registration; (iii) the expiration date; and (iv) the registration number is set forth on Schedule 4.16(a) attached hereto. No registration, filing, application, notice, transfer, consent, approval, order, qualification, waiver or other action of any kind is required by virtue of the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby to effect the transfer to the Buyer of such Necessary Permits that are transferable under applicable law, except as otherwise required under any Environmental Law. Except as disclosed in Schedule 4.16, the Company is in Compliance with the terms and conditions of all Necessary Permits, the failure of which would have a Material Adverse Effect.

(b) Except as set forth on Schedule 4.16, to the Knowledge of the Company and Parent, the Company has conducted and is conducting the Business in Compliance with applicable federal, state, local and foreign laws, statutes, ordinances, regulations, rules or orders or other requirements of any governmental, regulatory or administrative agency or authority or court or other tribunal relating to it (including, but not limited to, any law, statute, ordinance, regulation, rule, order or requirement relating to securities, properties, business, products, advertising, zoning, sales or employment practices, immigration, terms and conditions of employment, wages and hours, safety, occupational safety, health or welfare conditions relating to premises occupied, product safety and liability or civil rights) ("Legal Requirement"), the failure of which would have a Material Adverse Effect. Except as disclosed in Schedule 4.16, the Company is not now charged with, and, to the Knowledge of the Company and Parent, is not now under investigation with respect to, any possible material violation of any applicable Legal Requirement relating to any of the foregoing in connection with the Business. The Company has filed all reports required to be filed with any federal, state or local governmental, regulatory or administrative agency or authority, the failure of which would have a Material Adverse Effect.

4.17 Taxes. The Company has filed all Tax Returns that it was required to file. All such Tax Returns were correct and complete in all respects. All Taxes owed by any of the Company have been paid (whether or not shown on any Tax Return). The Company currently is not the beneficiary of any extension of time within which to file any Tax Return. No Claim has ever been made by an authority in a jurisdiction where the Company does not file Tax Returns that it is or may be subject to the imposition of any Tax by that jurisdiction. The Company has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee. Neither the Company nor Parent is aware of any dispute or Claim concerning any liability for Taxes of the Company. The Company has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency. The unpaid Taxes of the Company (i) did not, as of the date of the 2006 Financial Statements, exceed the reserve for Tax liabilities (other than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of the 2006 Financial Statements (rather than in any notes thereto) and (ii) do not exceed that reserve as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of the Company in filing their Tax Returns.

4.18 Employee Benefit Plans. Schedule 4.18 attached hereto lists and identifies each:

(i) "Employee Pension Benefit Plan" (as such term is defined in Section 3(2) of ERISA) of the Company or which the Company contributes to or participates in, which is not a Multiemployer Plan;

(ii) "Multiemployer Plan" (as such term is defined in Section 3(37) of 4001(a)(3) of ERISA) of the Company or which the Company contributes to or participates in;

(iii) "Employee Welfare Benefit Plan" (as such term is defined in Section 3(3) of ERISA) of the Company or which the Company contributes to or participates in; and

(iv) Stock purchase, option, or bonus plan, deferred compensation, severance pay, incentive, merit or performance bonus, vacation, sick pay or leave, fringe benefit plan, policy, or arrangement, or payroll practice, which is maintained or contributed to by the Company or any ERISA Affiliate, or under which the Company or any ERISA Affiliate has any liability or contingent liability (individually a "Plan" and collectively, the "Plans").

To the Knowledge of the Company and Parent, each Plan which is intended to be "qualified" under Section 401(a) of the Code is and has been at all times so qualified or, in the case of a terminated plan, was so qualified throughout its existence, the failure of which would have a Material Adverse Effect; and each trust maintained thereunder is and has been at all times exempt from taxation under Section 501(a) of the Code, or in the case of a terminated trust, was so exempt throughout its existence, the failure of which would have a Material Adverse Effect. To the Knowledge of the Company and Parent, there have been no amendments to any such Plans which are not the subject of a determination letter issued with respect thereto by the Internal Revenue Service. To the Knowledge of the Company and Parent, no event has occurred that will or could give rise to disqualification of any such Plan under the Code. To the Knowledge of the Company and Parent, no event has occurred that will or could subject any such Plan to tax under Section 511 of the Code. No Plan has incurred any "accumulated funding deficiency" (as described in Section 302 of ERISA or Section 412 of the Code), whether or not waived, nor has there been any failure to make by its due date a required installment under Section 302(e) of ERISA or Section 412(m) of the Code with respect to any Plan.

No Plan listed in Schedule 4.18 is subject to Title IV of ERISA, except as otherwise set forth on Schedule 4.18. No Plan listed in Schedule 4.18 is a Multiemployer Plan. Except as listed in Schedule 4.18, each Welfare Benefit Plan has been funded exclusively through the purchase of insurance contracts under which there are no retroactive rate adjustments or loss sharing arrangements. Each Plan complies and has been administered in form and operation with all requirements of law and regulation applicable thereto, the failure of which would have a Material Adverse Effect. The Company and the ERISA Affiliates have performed all of their obligations under all such Plans. To the Knowledge of the Company and Parent, there have been no acts or omissions which have given rise to, or which could give rise to, any penalty, tax, or fine under Sections 409, 502(c), or 502(i) of ERISA, or Sections 4975 or 4976 of the Code, for which the Company or any ERISA Affiliate may be liable. To the Knowledge of the Company and Parent, none of the assets of any Plan are invested in any employer securities, employer real property, or any annuity contracts. All contributions required with respect to any Plan for all periods ending prior to the Closing (including periods from the first day of the current plan year to the Closing) will be timely made prior to the Closing by the Company or the ERISA Affiliates. Except as set forth on Schedule 4.18, neither the Company nor its ERISA Affiliates has any liability arising directly or indirectly in connection with any failure of the Company or any ERISA Affiliate to comply with Section 4980B of the Code or Part 6 of Subtitle B of Title I of ERISA or any applicable state law ("COBRA"). All required reports and descriptions of each Plan (including IRS Form 5500 Annual Reports, Summary Annual Reports, and Summary Plan Descriptions) have been timely filed and distributed, the failure of which would have a Material Adverse Effect. Except as set forth on Schedule 4.18, none of the Company or any ERISA Affiliate has any plan or commitment to establish any additional Plans or to amend any existing Plan. Except as set forth on Schedule 4.18, no Plan provides benefits, including without limitation death, medical, or severance benefits, with respect to current or former employees, officers, or directors (or their beneficiaries) beyond their retirement or other termination of service other than (i) coverage for benefits mandated by applicable law, (ii) death benefits or retirement benefits under an Employee Pension Benefit Plan, (iii) deferred compensation benefits properly accrued as liabilities on the Financial Statements, or (iv) benefits the full cost of which is borne by the current or former employee, officer, or director or his beneficiaries. There are no actions, suits, or claims (other than routine claims for benefits made in the ordinary course of plan administration for which plan administrative review procedures have not been exhausted) pending or, to the Knowledge of the Company and Parent, threatened involving any Plans or the assets of such Plans, and, to the Knowledge of the Company and Parent, no facts exist which could give rise to any such action, suit, or claim. For each Plan, a true and complete copy of each of the following documents have been delivered to the Buyer: (i) Plan document and all amendments thereto; (ii) most recent Summary Plan Description (together with each Summary of Material Modifications required under ERISA); (iii) IRS Form 5500 Annual Report, if required under ERISA, for the two most recent plan years, together with all schedules, financial statements, and opinions of independent accountants; (iv) the actuarial report, if required under ERISA, for the two most recent plan years; (v) Form PBGC-1, if required under ERISA, for the two most recent plan years; (vi) if the Plan is funded through a trust or any third-party funding vehicle (including a voluntary employee benefit association under Section 501(c)(9) of the Code, or a "multiple employer welfare arrangement" described in Section 3(40) of ERISA), the trust or other funding agreement, all amendments thereto, and the latest financial statements thereof for the two most recent plan years; and (vii) the most recent determination letter received from the Internal Revenue Service with respect to each Plan that is intended to be qualified under Section 401 of the Code.

4.19 Environmental Matters. Except as disclosed on Schedule 4.19, the use and operation by the Company of all of its facilities and properties used in the Business has been, and will be on the Closing Date, in Compliance with all Environmental Laws, the failure of which would result in a Material Adverse Effect, and no Environmental Action is currently pending, commenced, or, to the Knowledge of the Company and Parent, threatened with or against the Company alleging any failure so to comply, which would have a Material Adverse Effect. The Company has received all Environmental Permits required to allow it to conduct its operation and business, such Environmental Permits are valid and in effect, and, except as disclosed in Schedule 4.19, the Company is in Compliance with such Environmental Permits, the failure of which would result in a Material Adverse Effect. Except as set forth on Schedule 4.19, during the last three (3) years, the Company has never sent or arranged for the transportation of Hazardous Materials to a site, or owned or operated a site, which, pursuant to CERCLA or any similar state law, is, or is proposed (by the United States Environmental Protection Agency ("EPA") or similar state authority) to be placed, on the "National Priorities List," as in effect as of the Closing Date, of hazardous waste sites or any similar state list. Except as set forth on Schedule 4.19, during the last three (3) years, the Company has not received notice from any Person, (i) that it has been identified by the EPA or similar state authority as a potentially responsible party under CERCLA or any comparable State law with respect to a site listed or proposed to be listed on the "National Priorities List," as in effect as of the Closing Date, of hazardous waste sites or any similar state list; (ii) that any Hazardous Materials which the Company has generated, transported, or disposed of has been found at any site at which a Person has conducted, is in the process of conducting or has ordered that the Company conduct a remedial investigation, removal, or other response action pursuant to any Environmental Law; or (iii) that the Company is or shall be a named party to any Environmental Action arising out of any Person's incurrence of costs, expenses, losses, or damages of any kind whatsoever in connection with the release of Hazardous Materials. Neither Parent nor the Company has received written notice subsequent to Parent's acquisition of the Company and the Purchase Assets (the "Prior Acquisition") and/or is aware, based solely on the representations and warranties set forth in the acquisition agreement relating to the Prior Acquisition, that any Predecessor received (i) any notice of alleged, actual or potential responsibility for, or any inquiry or investigation regarding, a Release or threat of Release of any Hazardous Materials at any location, or (ii) any notice of any other claim, demand, or action by any Person alleging any actual or threatened injury or damage arising from or relating to the presence, Release or threat of Release of any Hazardous Materials. Except as disclosed in Schedule 4.19, there are no underground fuel or other storage tanks located at any of the facilities of the Company. To the Knowledge of Parent and the Company, all such tanks disclosed in Schedule 4.19, together with all appurtenant piping, valve, and related facilities, are, except as disclosed in Schedule 4.19, structurally sound, are not currently and have not in the past been leaking or releasing their contents into the soil or groundwater, and are in Compliance with all applicable registration, testing, monitoring, containment, and corrosion protection requirements, the result of which would have a Material Adverse Effect. Except as disclosed on Schedule 4.19, there have been no unpermitted Releases or threatened Releases of Hazardous Materials on, upon, into, under or from the real estate or other assets of the Company resulting in a Material Adverse Effect; and, to the Knowledge of the Company and Parent, there have been no Releases on, upon, from, under, or into any real property in the vicinity of the real estate currently owned by the Company which, through the soil, groundwater, or surface water have come to be located on or under real estate owned by the Company, the result of which would have a Material Adverse Effect. There is, to the Knowledge of the Company and Parent, no asbestos contained in or forming part of any building, building component, structure, or office space owned or leased by the Company, except as disclosed on Schedule 4.19; and, to the Knowledge of the Company and Parent, no polychlorinated biphenyls ("PCBs") are currently used or stored at any real property owned or leased by the Company. Except as disclosed on Schedule 4.19, the Company (i) owes no fees, fines, levies or assessments associated with the existence or validity of its Environmental Permits, (ii) is in Compliance with any and all deadlines for the filing of any reports, notices, summaries, assessments or forms required by its Environmental Permits or any Environmental Laws, and (iii) is in Compliance with any and all recordkeeping, and document filing requirements under its current Environmental Permits or any currently effective Environmental Laws, related to its conduct of the Business. Except as disclosed on Schedule 4.19, to the Knowledge of the Company and Parent, all properties and equipment used in the Business have been free of methylene chloride trichloroethylene, 1, 2 transdichloroethylene, dioxins, dibenzofurans, and Extremely Hazardous Substances, as such term is defined in Section 320 of the Emergency Planning and Community Right to Know Act of 1986, as amended, and subsequent to the Prior Transaction, neither Parent nor Company has received written notice that any properties and equipment used in the business of any Predecessor have not been free of any of the foregoing. Except as disclosed on Schedule 4.19, to the Knowledge of the Company and Parent, none of the real property owned by the Company is subject to any applicable environmental clean-up responsibility law or environmental restrictive transfer law or regulation, solely by virtue of the transactions set forth herein and contemplated hereby. There are no outstanding notices of violation or assessments pertaining to the environmental Compliance or conditions of any facility owned by the Company known to the Company and Parent, other than those set forth on Schedule 4.19, the result of which would have a Material Adverse Effect.

4.20 Employees. Schedule 4.20 attached hereto sets forth a true and complete list of all employees of the Company including each such employee's job title, remuneration and duration of employment period. The Company is not a party to, and none of its employees is subject to, any collective bargaining agreement or other union contract, other than as disclosed in Schedule 4.20. Except as disclosed on Schedule 4.20, the Company is in Compliance with applicable federal, state and local laws affecting labor, employment and employment practices, including terms and conditions of employment and wages and hours, the failure of which would have a Material Adverse Effect, and there are, and have been during the past three (3) years, no outstanding complaints against the Company pending or, to the Knowledge of the Company and Parent, threatened before the National Labor Relations Board or any similar state or local agency, except as set forth on Schedule 4.20. Except as disclosed on Schedule 4.20, the Company enjoys good relations with its employees and there is no pending or, to the Knowledge of the Company and Parent, threatened labor trouble with or effort to organize any of its employees, and there has been no such labor trouble or, to the Knowledge of the Company and Parent, effort to organize during the past three (3) years. Except as disclosed on Schedule 4.20, the Company is not a party to any severance agreements with any of its employees.

4.21 Litigation. Except as disclosed on Schedule 4.21 attached hereto, (a) there is no Claim pending or, to the Knowledge of the Company and Parent, threatened (or any facts which could lead to such a Claim) by, against, affecting or regarding the Purchased Assets, the Business, the Company or Parent at law or in equity, before any federal, state, local or foreign court or any other governmental or administrative agency or tribunal or any arbitrator or arbitration panel, and (b) there are no judgments, orders, rulings, charges, decrees, injunctions, notices of violation or other mandates against or affecting the Purchased Assets, the Business, the Company or Parent with respect to the businesses, properties or assets of the Company.

4.22 Insurance. Schedule 4.22 attached hereto sets forth a summary of all insurance policies (including policies providing property, casualty, liability, and workers' compensation coverage, benefits or coverage for any Plan described in Section 4.18, and bond and surety arrangements) to which any of the Company is a party, a named insured, or otherwise the beneficiary of coverage as of the date hereof and specifies the insurer, the amount of coverage, type of insurance, expiration date, and any retroactive premium adjustments or other loss sharing arrangements. The Company has not received any notice, and to the Knowledge of the Company and Parent, is not aware, of any threatened termination of, any insurance policy set forth on Schedule 4.22.

4.23 Brokers. Except as disclosed in Schedule 4.23 attached hereto, none of the Company, Parent, or anyone acting on their behalf, has engaged, retained, or incurred any liability to any broker, investment banker, finder or agent or has agreed to pay any brokerage fees, commissions, finder's fees or other fees with respect to the sale of the Common Stock, this Agreement or the transactions contemplated hereby.

4.24 Burdensome Orders. The Company is not subject to or bound by any judgment, decree or order which has or would have a Material Adverse Effect, except as disclosed on Schedule 4.24 attached hereto.

4.25 Records and Books. The minute books of the Company have previously been made available to the Buyer and accurately record all corporate action taken by the stockholders and boards of directors and committees thereof from the date of organization through the date hereof.

4.26 Transactions with Interested Persons. Except as set forth on Schedule 4.26 attached hereto, no officer, or director of the Company owns directly or indirectly, either individually or jointly, any material interest in, or serves as an officer or director of any Person which has a material contract or arrangement with the Company, except that Parent owns all of the issued and outstanding stock of the Company and certain executive officers and directors of Parent are officers and directors of the Company.

4.27 No Corrupt Practices. Neither the Company nor, to the Knowledge of the Company and Parent, any director, officer, agent, employee of the Company, in each case when acting on behalf of the Company, has used any corporate or other funds for unlawful contributions or payments relating to political activity, to government officials or established or maintained any unlawful or unrecorded funds with respect to the Business, the violation of which would have a Material Adverse Effect.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE BUYER AND TEI

The Buyer and TEI, jointly and severally, hereby represent and warrant to the Company and Parent as of the date hereof as follows:

5.1 Organization and Qualification. TEI is a Massachusetts corporation duly organized, validly existing and in good standing under the laws of The Commonwealth of Massachusetts, with full power and authority to own, use or lease its properties and to conduct its business as such properties are owned, used or leased and as such business is currently conducted. The Buyer is a Maryland limited liability company duly formed, validly existing and in good standing under the laws of the State of Maryland, with full power and authority to own, use or lease its properties and to conduct its business as such properties are owned, used or leased and as such business is currently conducted. TEI is the sole member of the Buyer.

5.2 Authority; No Violation. Each of TEI and the Buyer has the requisite corporate power and authority to enter into this Agreement and to carry out the transactions contemplated hereby. The execution, delivery and performance of this Agreement of each of TEI and the Buyer has been duly and validly authorized and approved by all necessary corporate action on the part of the Buyer and this Agreement constitutes the legal and binding obligation of TEI and the Buyer, enforceable against each of TEI and the Buyer in accordance with its terms, except that the enforceability hereof may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding may be brought. Assuming the accuracy of the representations and warranties of the Company and the Parent hereunder, the entering into of this Agreement by each of TEI and the Buyer does not, and the consummation by the Buyer of the transactions contemplated hereby will not, violate the provisions of (a) any applicable laws of the United States or any other state or jurisdiction in which the Buyer does business; (b) its Charter or by-laws (in the case of TEI); (c) except under TEI's current credit facility with Bank of America, N.A., any provision of, or result in a default or acceleration of any obligation under, or result in any change in the rights or obligations of the Buyer under or TEI, any Lien, contract, agreement, license, lease, instrument, indenture, order, arbitration award, judgment, or decree to which the Buyer is a party or by which it is bound, or to which any property of the Buyer or TEI is subject; or (d) give to any third party any interest or rights, including rights of termination of cancellation, in or with respect to any of the material properties, assets, agreements, contracts or business of Buyer or TEI, which would have a Material Adverse Effect.

5.3 Required Filings and Consents. The execution and delivery of this Agreement by each of TEI and the Buyer does not, and the performance of their respective obligations hereunder will not, require any consent, approval, authorization or permit of, or filing with or notification to, any federal, state or local governmental agency or authority.

5.4 Litigation. There are no claims, suits, actions or proceedings pending or to Buyer's or TEI's knowledge, threatened against Buyer or TEI, before any court, governmental department, commission, agency, instrumentality or authority, or any arbitrator that seeks to restrain or enjoin the consummation of the transactions contemplated by this Agreement.

5.5 Brokers. Except for Equities Securities Partners, neither TEI nor Buyer has retained the services of any broker or finder in connection with this Agreement or the transactions contemplated by this Agreement.

ARTICLE VI

COVENANTS

6.1 Covenants of the Company and Parent. The Company and Parent shall keep, perform and fully discharge the following covenants and agreements:

(a) Interim Conduct of Business. From the date hereof until the Closing, the Company shall operate the Business as a going concern consistent with prior practice and in the ordinary course of business (except as may be authorized pursuant to this Agreement or as set forth on Schedule 8.1(a) hereto). Without limiting the generality of the foregoing, from the date hereof until the Closing, except for transactions contemplated by this Agreement or expressly approved in writing by the Buyer and TEI, the Company, shall not:

(i) enter into or amend any employment, bonus, severance, or retirement contract or arrangement (including any Plan as described in Section 5.18), or materially increase any salary or other form of compensation payable or to become payable to any current employee, other than in the ordinary course of business consistent with prior practice;

(ii) purchase any assets or real estate or any interest therein other than in the ordinary course of business;

(iii) merge or consolidate with or agree to merge or consolidate with, or purchase or agree to purchase all or substantially all of the assets of, acquire securities of or otherwise acquire any Person;

(iv) sell, lease, transfer or otherwise dispose of or agree to sell, transfer, lease or otherwise dispose of any of its assets, properties, rights or claims, whether tangible or intangible having an aggregate book value in excess of $20,000, except in the ordinary course of business consistent with prior practice;

(v) incur any liability, guaranty or obligation (fixed or contingent) other than in the ordinary course of business consistent with prior practice;

(vi) place or permit to be placed any Lien on any of the Purchased Assets or properties, other than statutory Liens arising in the ordinary course of business;

(vii) change its accounting practices and/or procedures;

(viii) accelerate receivables or delay or postpone payment of any accounts payable or other liability, except in the ordinary course of business consistent with prior practice;

(ix) transfer any assets having a total cumulative book value in excess of $20,000 to Parent or any Affiliate or Subsidiary of Parent other than cash transferred to Affiliates in the normal and ordinary course of business consistent with past practices, or inventory of waste transferred to Affiliates for treatment, storage or disposal or activity in the ordinary course of business consistent with past practices or transfer cash to Parent consistent with Parent's cash management policy or to pay Taxes as a result of filing consolidated income tax returns or payment of management fees to Parent consistent with past practices; or

(x) agree to a mutual change or add to the terms and conditions of any Necessary Permit without the prior written approval of Buyer, which will not be unreasonably withheld;

(xi) materially increase the Company's disposal inventory by an amount not to exceed $15,000;

(xii) transfer any customer account to any of its Affiliate or any third party; or

(xiii) abandon any part of the Business that would result in a Material Adverse Effect.

(b) Access. The Company shall, upon reasonable notice, give the Buyer and its representatives full and free access to all properties, assets, books, contracts, commitments and records of the Company during reasonable business hours and shall promptly furnish the Buyer with all financial and operating data and other information as to the history, ownership, Affiliates, business, operations, properties, assets, liabilities, or condition (financial or otherwise) of the Company as the Buyer may from time to time reasonably request.

(c) Retained Liabilities. From and after the date hereof through the Closing Date and following the Closing, the Company and Parent agree to pay, perform and fully discharge all of the Retained Liabilities as they come due.

(d) Satisfaction of Conditions. The Company and Parent shall use their best efforts to accomplish the satisfaction of the conditions precedent to Closing contained in Section 6.1 herein on or prior to the Closing Date.

(e) Non-Solicitation of Employees. For the period beginning on the Closing Date and ending on the date two (2) years after the Closing Date (the "Non-Solicitation Period"), each of Parent and the Company shall not, and shall not permit any of their respective Affiliates (collectively, the "Restricted Parties" and individually, a "Restricted Party"), for its own benefit or for the benefit of any Person other than Buyer and TEI: (i) solicit, or assist any Person other than Buyer to solicit, any employees of Company listed on Schedule 4.20 to leave his employment; or (ii) hire or cause to be hired, any employee of Company listed on Schedule 4.20, except nothing contained herein shall prohibit the Parent, Company or any of their Affiliates from hiring an employee listed on Schedule 4.20 that is not longer employed by the buyer and such employee solicits the Parent, Company or their Affiliates for employment after the termination of any such individual's employment.

(f) Non-Solicitation of Customers. During the Non-Solicitation Period, each Restricted Party shall not solicit or encourage any of the Largest Customers to divert, terminate, curtail or otherwise limit its Business Relationship (as such term is defined herein) with the Company or the Buyer. For purposes hereof, the term "Business Relationship" means the business activities conducted by the Company with each such Large Customer during the nine (9) month period ending September 30, 2007.

(g) Acknowledgements. Each of Parent and the Company acknowledges that: the above covenants are manifestly reasonable on their face. The parties expressly agree that the restrictions set forth in Sections 6.1(e) and (f) have been designed to be reasonable and no greater than is required for the protection of Buyer and are a significant element of the consideration hereunder. If the final judgment of a court of competent jurisdiction declares that any term or provision of Section 6.1(e) and (f) is invalid or unenforceable, the parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope or duration of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

(h) No Solicitation, Confidentiality, Etc.

(i) Prior to the termination of this Agreement pursuant to Article VIII hereof, neither the Company, Parent or any of their respective agents, representatives, employees, officers and/or directors will (i) solicit or negotiate with respect to any inquiries or proposals relating to (x) the possible direct or indirect acquisition of any equity security of the Company or of all or a portion of the Purchased Assets or the Business or (y) any merger, consolidation, joint venture or business combination with the Company, or (ii) discuss or disclose either this Agreement or other confidential information pertaining to the Company or with any Person (except as may be required by law or except as may be required in connection with the transactions contemplated by this Agreement to Affiliates, officers, directors, employees and agents of the Company) without the prior written approval of the Buyer. The Buyer acknowledges that the prior distribution of material regarding the Company to interested parties shall not be deemed to violate this Section 6.1(i). The Company and Parent shall advise such parties of the existence of this Agreement and shall refrain from entering into further discussions with such parties concerning the sale of the Company to the extent otherwise prohibited by this Section 6(i). After the Closing, upon the receipt of a written request from Buyer, the Company and Parent will promptly request each Person that has executed, within twelve (12) months prior to the date of this Agreement, a confidentiality, standstill or similar agreement in connection with its consideration of a possible Acquisition Transaction to return or destroy all confidential information heretofore furnished to such Person by or on behalf of the Company and Parent, and provide the Buyer of written evidence of the same.

(ii) Notwithstanding anything contained in Section 6.1(h)(ii) to the contrary, the Board of Directors of Parent shall not be required to breach or violate its fiduciary duty or duties in any manner, and if, based on advise of counsel, in order not to violate its fiduciary duty or duties, the Board of Directors of Parent may require Parent to terminate this Agreement and thereafter enter into an agreement with a third party that has not been solicited by the Parent or the Company or any of their agents or Affiliates but provides a Superior Offer (as defined below). For the purpose of this paragraph "Superior Offer" means a binding offer to acquire all of the outstanding capital stock of the Company or all or substantially all of the assets of the Company on the terms that the Board of Directors of the Company determines, in good faith, after consultation with its legal counsel and its outside financial advisor, that if consummated, is more favorable to the Shareholder and its stockholders from a financial point of view than the transactions contemplated by this Agreement and will be consummated, taking into account all legal, financial and regulatory aspects of the offer and the person making the offer. In the event of termination of this Agreement by the Company or Parent pursuant to this paragraph, at the time of such termination the Company shall within ten (10) days of such termination, and regardless of whether the transaction constituting a Superior Offer is consummated, reimburse, or cause the third party buyer to reimburse, the Buyer for the Buyer's reasonable out-of-pocket expenses incurred by the Buyer in connection with this transaction (including reasonable attorney fees incurred by the Buyer to negotiate and complete this transaction).

(i) Accuracy of Representations and Warranties. The Company and Parent will promptly notify TEI and the Buyer in writing of any facts which come to their attention that would cause any of the representations and warranties of the Company or Parent to be untrue or materially misleading in any respect.

(j) Books and Records. For a period of six (6) years commencing on the Closing Date, or for such longer period as may be required by applicable law, the Company shall make all such books and records not included as part of the Purchased Assets available for inspection and copying by the Buyer and its representatives during regular business hours upon two (2) Business Days' prior notice.

(k) Lien Searches. Prior to the Closing, the Company shall conduct, or cause to be conducted by a nationally recognized service company, as of a date or dates as late as reasonably practicable prior to the Closing Date, a lien search, including without limitation security interests and other notice filings under the Uniform Commercial Code, Tax liens, and judgment liens, of record in each jurisdiction where assets of the Company are located or in which the Company conducts the Business upon, against or affecting the Purchased Assets. The results of such lieu search shall be delivered to the Buyer within ten (10) days prior to the Closing.

(l) Further Assurances. Each of the Company and Parent shall, from time to time, execute and deliver such additional instruments, documents, conveyances or assurances and take such other actions as shall be necessary, or otherwise reasonably requested by Buyer to confirm and assure the rights and obligations provided for in this Agreement and render effective the consummation of the transactions contemplated hereby.

(m) Use of Name. The Company will take such other actions within its power as may be necessary or appropriate to permit the Buyer, immediately after the Closing, to use the name "A&A Environmental Services". From and after the Closing Date, the Company shall not use the name "A&A Environmental Services" or any other name which includes such words or which is substantially similar thereto for any purpose except to refer to the business conducted by the Company prior to the Closing.

6.2 Covenants of the Buyer and TEI. Buyer and TEI hereby agree to keep, perform and fully discharge the following covenants and agreements:

(a) Employees. Except as provided in this section, the parties agree that Buyer may, at its sole and absolute discretion, after consultation with the Company, offer employment to qualified employees of the Company as of the Closing Date. Such employees who accept the offer of employment (each a "Hired Employee") will be employed by Buyer upon such terms and conditions as Buyer and such Hired Employee may agree, it being understood and agreed that Buyer shall not be responsible for any post-Closing obligations and any accrued liabilities of the Company to former or current employees not hired by Buyer. The Company shall retain, assume, bear and discharge all liabilities for any and all claims incurred or made by Hired Employees and their dependents and beneficiaries under any Plan. Buyer agrees that Hired Employees will receive full credit for service with the Company for purposes of determining eligibility and vesting under Plans of Buyer or its Affiliates. As of the Closing Date, each Hired Employee shall cease participation in any and all Plans of the Company. Notwithstanding anything in this section to the contrary, the Buyer shall retain as employees of the Buyer immediately upon the Closing a sufficient number of the Company's employees so that the Worker Adjustment and Retraining Notification Act and any other applicable state and local plant closing, mass layoffs, relocation or severance coverage laws associated with the employees of the Company are not applicable and are not required to be complied with.

(b) Satisfactory Conditions. TEI and the Buyer shall each comply with all of the conditions of Section 7.2 and accomplish to the satisfaction of the Company and Parent of the conditions precedent to Closing contained in Section 7.2 below on or prior to the Closing Date.

(c) Further Assurances. Buyer and TEI shall, from time to time, execute and deliver such additional instruments, documents, conveyances or assurances and take such other actions as shall be necessary, or otherwise reasonably requested by Parent and the Company to confirm and assure the rights and obligations provided for in this Agreement and render effective the consummation of the transactions contemplated hereby.

(d) Assumed Liabilities. From and after the Closing, the Buyer shall pay, perform and fully discharge all of the Assumed Liabilities as they become due.

6.3 Covenants of Parent, Company, TEI and Buyer.

(a) Confidentiality; Access to Information. Each party agrees to maintain in confidence any information that has been identified as non-public information and received from the other party, and to use such non-public information only for purposes of consummating the transactions contemplated by this Agreement. Such confidentiality obligations will not apply to (a) information which was known to the one party or their respective agents prior to receipt from the other party; (b) information which is or becomes generally known; (c) information acquired by a party or their respective agents from a third party who was not bound to an obligation of confidentiality; and (d) disclosure required by law. In the event this Agreement is terminated in accordance with the terms of this Agreement, each party (x) will return, destroy or cause to be returned or destroyed to the other all documents and other material obtained from the other in connection with the transactions contemplated by this Agreement, and (y) will use commercially reasonable efforts to delete from its computer systems all documents and other material obtained from the other in connection with the transactions contemplated by this Agreement.

(b) Regulatory Approvals. The Company and Buyer shall use all reasonable efforts to file, as soon as practicable after the date of this Agreement, all notices, reports and other documents required to be filed with any federal, state or local governmental regulatory or administrative agency or authority with respect to the transactions contemplated by this Agreement (if any), and to submit promptly any information requested by any such governmental agency or authority to the extent that Buyer and Company jointly determine it is reasonable and prudent to do so. Without limiting the generality of the foregoing, the Company and Buyer shall, promptly after the date of this Agreement, prepare and file any and all notifications and certifications required under the applicable federal and state Environmental Law and bulk transfer or similar state statute. From and after the date hereof through to the Closing Date and following the Closing the Company will use its best efforts to effect the transfer to the Buyer of all of the Necessary Permits and all other permits, licenses, and leases which are associated with the Business as presently conducted, to the extent the same are by their terms transferable. The Company and Buyer shall consult and cooperate with one another, and consider in good faith the views of one another, in connection with any analysis, appearance, presentation, memorandum, brief, argument, opinion or proposal made or submitted in connection with any governmental filing. In addition, except as may be prohibited by any federal, state or local governmental agency or authority or by any Legal Requirement, each of the Company and Buyer agrees to permit authorized representatives of the other party to be present at each meeting or conference relating to any such legal proceeding and to have access to and be consulted in connection with any document, opinion or proposal made or submitted to any federal, state or local governmental agency or authority in connection with any such legal proceeding.

(c) Closing Memorandum. Each party agrees to fulfill each such party's obligations under the Closing Memorandum, in substantially the form of Exhibit C attached hereto (the "Closing Memorandum"), in accordance with the terms and conditions thereunder.

ARTICLE VII

CLOSING CONDITIONS

7.1 Conditions to Obligations of Buyer and TEI. The obligations of the Buyer and TEI to consummate this Agreement and the transactions contemplated hereby are subject to the fulfillment, prior to or at the Closing, of the following conditions precedent:

(a) Representations, Warranties and Covenants. Each of the representations and warranties of the Company and Parent contained in this Agreement shall remain true and correct at the Closing Date as fully as if made on the Closing Date; the Company and Parent shall have performed, on or before the Closing Date, all of their respective obligations under this Agreement and the other Purchase Documents which by the terms thereof are to be performed on or before the Closing Date; and the Company and Parent shall have delivered to the Buyer an Officer's Certificate dated the Closing Date of the Company and Parent to such effect.

(b) No Pending Action. No legislation, order, rule, ruling or regulation shall have been proposed, enacted or made by or on behalf of any governmental body, department or agency, and no legislation shall have been introduced in either House of Congress or in the legislature of any state, and no investigation by any governmental authority shall have been commenced or threatened, and no action, suit, investigation or proceeding shall have been commenced before, and no decision shall have been rendered by, any court or other governmental authority or arbitrator, which, in any such case, in the reasonable judgment of the Buyer could adversely affect, restrain, prevent or rescind the transactions contemplated by this Agreement (including, without limitation, the purchase and sale of the Purchased Assets) or result in a Material Adverse Effect.

(c) Purchase Permitted by Applicable Laws; Legal Investment. The Buyer's purchase of and payment for the Purchased Assets (i) shall not be prohibited by any applicable law or governmental order, rule, ruling, regulation, release or interpretation, and (ii) shall not constitute a fraudulent or voidable conveyance under any applicable law.

(d) Proceedings Satisfactory. All proceedings taken in connection with the purchase and sale of the Purchased Assets, all of the other Purchase Documents and all documents and papers relating thereto, shall be in form and substance reasonably satisfactory to the Buyer. The Buyer and its counsel shall have received copies of such documents and papers as each of the Buyer or its counsel may reasonably request in connection therewith, all in form and substance reasonably satisfactory to the Buyer. Any Purchase Document, any Schedule or Exhibit to this Agreement and any other document, agreement or certificate contemplated by this Agreement, not approved by the Buyer in writing as to form and substance on the date this Agreement is executed, shall be reasonably satisfactory in form and substance to the Buyer.

(e) Consents - Permits. The Company shall have received (and there shall be in full force and effect) all material consents, approvals, licenses, permits, orders and other authorizations of, and shall have made (and there shall be in full force and effect) all such filings, registrations, qualifications and declarations with, any Person pursuant to any applicable law, statute, ordinance regulation or rule or pursuant to any agreement, order or decree to which the Company is a party or to which it is subject, in connection with the transactions contemplated by this Agreement and the sale of the Purchased Assets set forth on Schedule 7.1(e).

(f) Corporate Documents. Each of the Company and Parent shall have delivered to the Buyer:

(i) an Officer's Certificate of the Secretary of the entity certifying (x) the incumbency and genuineness of signatures of all officers of the entity, as the case may be, executing this Agreement, any document delivered by the entity at the Closing and any other document, instrument or agreement executed in connection herewith, (y) the truth and correctness of resolutions of the entity authorizing the entry by the entity into this Agreement and the transactions contemplated hereby and (z) the truth, correctness and completeness of its by-laws;

(ii) the Charter of the entity certified as of a recent date by the state of its incorporation; and

(iii) certificates of corporate and tax good standing and legal existence of the entity as of a recent date from the state of its incorporation and the state(s) in which it is qualified to do business.

(g) Transfer of Purchased Assets. All of the Purchased Assets shall have been effectively sold, transferred, conveyed and assigned to the Buyer, free and clear of all Liens (other than Liens relating to Assumed Liabilities), and all of the requisite and necessary deeds, conveyances, certificates of title, assignments, assurances and other instruments and documents shall have been executed, delivered and, if appropriate, filed or recorded. The Company shall deliver all of the original titles to all of the vehicles that are included in the Purchased Assets.

(h) Bill of Sale. The Company shall have executed the Bill of Sale.

(i) Transfer of Necessary Permits. All of the Necessary Permits (including, without limitation, any Environmental Permit) shall have been transferred to or obtained by the Buyer on or before the Closing Date.

(j) Opinion of Counsel. The Buyer and TEI shall have received a favorable opinion, dated the Closing Date and satisfactory in form to the Buyer and its counsel, of Conner & Winters, LLP, counsel to the Company and Parent.

(k) Real Estate Purchase Agreements. The Company shall have performed and taken all action and delivered all documents required of it under each of the Real Estate Purchase and Sale Agreements to the reasonable satisfaction of the Buyer and its counsel.

(l) FIRPTA Certificate. The Company shall prepare and deliver to the Buyer a FIRPTA Certificate in substantially the form of Exhibit D attached hereto.

(m) No Material Adverse Effect. Prior to the Closing Date, there shall have been no Material Adverse Effect.

(n) Termination of Plans. The Company shall have terminated each of the Plans on terms satisfactory to the Buyer (in its sole judgment), and shall have provided evidence satisfactory to Buyer to ensure that no employee has any further rights under such Plans and that all liabilities of the Company under such Plans are fully extinguished at no cost, and with no liability to the Buyer.

(o) Employment of Craig Childres. Buyer and Mr. Craig Childres shall enter an employment agreement under which Mr. Childres agrees to serve as General Manager over the Purchased Assets under terms and conditions acceptable to Buyer.

(p) Lender Approval. Parent shall provide a written consent of Parent's and the Company's lender to this Agreement and the transactions contemplated herein, including releases and discharges of all mortgages, Liens, claims and other encumbrances on the Purchased Assets.

(q) Perma-Fix of Ft. Lauderdale, Inc. Buyer and Perma-Fix of Ft. Lauderdale, Inc. ("Perma-Fix of Ft. Lauderdale") shall enter into a subcontract agreement, in substantially the form of Exhibit E attached hereto, pursuant to which Buyer shall perform services as a subcontractor to Perma-Fix of Ft. Lauderdale for Royal Caribbean Cruise Lines in the Port of Baltimore consistent with past practice between Company and Perma-Fix of Ft. Lauderdale.

(r) Closing Memorandum. The Company and Parent shall have executed and delivered the Closing Memorandum.

7.2 Conditions to Obligations of the Company and Parent. The obligations of the Company and the Parent to consummate this Agreement and the transactions contemplated hereby are subject to the fulfillment, prior to or at the Closing, of the following conditions precedent:

(a) Representations, Warranties and Covenants. Each of the representations and warranties of the Buyer and TEI in this Agreement shall remain true and correct at the Closing Date, and the Buyer and TEI shall, on or before the Closing Date, have performed all of their obligations under this Agreement and the other Purchase Documents which by the terms thereof are to be performed by it on or before the Closing Date; and the Buyer and TEI shall have delivered an Officer's Certificate to the Company dated the Closing Date to such effect.

(b) No Pending Action. No legislation, order, rule, ruling or regulation shall have been proposed, enacted or made by or on behalf of any governmental body, department or agency, and no legislation shall have been introduced in either House of Congress or in the legislature of any state, and no investigation by any governmental authority shall have been commenced or threatened, and no action, suit, investigation or proceeding shall have been commenced before, and no decision shall have been rendered by, any court or other governmental authority or arbitrator, which, in any such case, was not known by the Company or Parent on the date hereof or which could adversely affect, restrain, prevent or rescind the transactions contemplated by this Agreement (including, without limitation, the purchase and sale of the Purchased Assets) or result in a Material Adverse Effect.

(c) Payment of Purchase Price. The Buyer shall have delivered, via wire transfer, the Purchase Price to the Company.

(d) Real Estate Purchase and Sale Agreements. The Buyer shall have caused each of Carbon Properties and Sun Street Properties to have taken any and all actions and delivered any and all documents as required of it under each of the Real Estate Purchase and Sale

Agreements to the reasonable satisfaction of the Company and Parent and its counsel. The transaction contemplated by each of the Real Estate Purchase and Sale Agreements shall have been consummated pursuant to their terms simultaneously with the Closing.

(e) Opinion of Counsel. The Company and Parent shall have received a favorable opinion dated the Closing Date and satisfactory in form to the Company and Parent and its counsel, of Posternak Blankstein & Lund LLP, counsel to the Buyer and TEI.

(f) Closing Memorandum. Buyer and TEI shall have executed and delivered the Closing Memorandum.

(g) Lender Approval. Parent's and the Company's lender shall approve the transactions contemplated by this Agreement.

ARTICLE VIII

TERMINATION

8.1 Termination of Agreement. This Agreement and the transactions contemplated hereby may (at the option of the party having the right to do so) be terminated at any time prior to the Closing:

(a) Mutual Consent. By mutual written consent of TEI and Parent;

(b) Outside Date. By any party, if the Closing shall not have occurred, through no fault of such party, on the original Closing Date or on such other mutually agreed upon date on or before January 18, 2008 (the "Outside Date").

(c) Court Order. By the Buyer and TEI or Parent and Company if any court of competent jurisdiction shall have issued an order pursuant to the request of a third party restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement; or

(d) Termination by Buyer and TEI. By Buyer and TEI by notice to Parent and the Company at any time after the Outside Date if (i) a condition to the performance of Parent and the Company set forth in Section 7.1 hereof shall not be fulfilled at the time specified for the fulfillment thereof, (ii) a default under or a breach of this Agreement shall be made by Parent and the Company that is not cured to the satisfaction of the Buyer and TEI within thirty (30) days of notification thereof, or (iii) any representation or warranty set forth in this Agreement or in any other Purchase Document delivered by Parent and the Company pursuant hereto shall be false or misleading.

(e) Termination by Parent. By Parent by notice to Buyer and TEI at any time after the Outside Date if (i) a condition to the performance of Buyer set forth in Section 7.2 hereof shall not be fulfilled at the time specified for the fulfillment thereof, (ii) a default under or a breach of this Agreement shall be made by Buyer and TEI that is not cured to the satisfaction of the Parent within thirty (30) days of notification thereof, or (iii) any representation or warranty of Buyer set forth in this Agreement or in any of the Purchase Documents delivered by the Buyer and TEI pursuant hereto shall be false or misleading.

8.2 Effect of Termination and Right to Proceed. If this Agreement is terminated pursuant to Section 8.1, all further obligations of the parties under this Agreement shall terminate; provided, however, that if Parent and the Company terminate this Agreement and within ninety (90) days of such termination either of them or any of their Affiliates enters into an agreement to sell or transfer (i) all or substantially all of the outstanding capital stock of the Company whether through or pursuant to a merger, consolidation, spinoff, dividend, share exchange, stock purchase or similar transaction, or (ii) all or substantially all of the assets of the Company, then Parent shall within ten (10) days from the date of receipt of a statement from Buyer reimburse Buyer for any and all reasonable expenses incurred by Buyer (including, without limitation, all reasonable attorneys fees) in connection with this Agreement and the transactions contemplated hereunder, up to a maximum payment of $200,000. The parties shall, in all events, remain bound by and continue to be subject to the provisions set forth in Sections 6.1(h)(i), 8.2, 10.1, 10.3, 10.6, 10. 7 and 10.8. In addition, anything in this Agreement to the contrary notwithstanding, if any of conditions to obligations specified in Section 7.1 hereof have not been satisfied, the Buyer, in addition to any other rights which it may have, shall have the right to waive its rights to have such conditions satisfied and elect to proceed with the transactions contemplated hereby and, if any of the conditions to the obligations of the Company and Parent specified in Section 7.2 hereof have not been satisfied, the Company and Parent in addition to any other rights which may be available to them, shall waive their rights to have such conditions satisfied and elect to proceed with the transactions contemplated hereby.

ARTICLE IX

INDEMNIFICATION

9.1 Survival of Representations and Warranties. Each and every representation and warranty set forth in this Agreement shall survive until the second anniversary of the Closing Date, except with respect to the following: (a) the representations and warranties set forth in Sections 4.1, 4.2 and 4.8 (only as to title to the non-real estate Purchased Assets), which shall survive the Closing until the expiration of the applicable statute of limitations; and (b) the representations and warranties set forth in Sections 4.16, 4.17 and 4.19, which shall survive the Closing for a period of forty-two (42) months from the Closing Date. Each and every covenant set forth herein shall survive the Closing until fully performed or discharged. If, at any time prior to the expiration of the survival period set forth above with respect to any particular representation or warranty of a party, an Indemnitee delivers to an Indemnifying Party a written notice alleging the existence of an inaccuracy in or a breach of such representation or warranty (and setting forth in reasonable detail the basis for such Indemnitee's belief that such an inaccuracy or breach may exist) and asserting a claim for Losses based on such alleged inaccuracy or breach, then the representation or warranty underlying the claim asserted in such notice and all related indemnity obligations under this Article IX related thereto shall survive. The representations, warranties, covenants and obligations of each party, and the rights and remedies that may be exercised by an Indemnitee shall not be limited or otherwise affected by or as a result of any information furnished to, or any investigation made by or knowledge of, any of such party or any of its Affiliates, agents and/or representatives. The parties recognize and agree that the representation and warranties also operate as bargained for promises and risk allocation devices and that, accordingly, any party's knowledge, and the waiver of any condition based on the accuracy of any representation or warranty, or on the performance of or Compliance with any covenant or obligation, shall not affect the right to indemnification or payment of Losses or other remedy based on such representations, warranties, covenants, and obligations. This Section 9.1 shall have no effect upon any other obligation of the parties hereto, whether to be performed before or after the Closing Date.

9.2 Indemnification by Parent and the Company. Subject to the terms, conditions and limitations set forth in this Article IX, Parent and the Company, jointly and severally shall indemnify, defend and hold TEI, the Buyer and their respective officers, directors, consultants, employees, owners, agents, representatives and Affiliates (collectively the "Buyer Indemnitees"), harmless from and against any and all damages, losses, obligations, deficiencies, liabilities, claims, encumbrances, penalties, costs, and expenses, including reasonable attorneys' fees and costs ("Buyer Losses"), in connection with any Buyer Losses which any Buyer Indemnitee may suffer or incur, resulting from, related to or arising out of any of the following: (i) any breach of a representation or warranty by the Company or the Parent set forth in the Agreement or in any other Purchase Document, (ii) nonfulfillment of any of the covenants of the Company or Parent in this Agreement or in any Purchase Document to which it is a party; (iii) any matter disclosed on Schedule 4.21; (iv) any of the Retained Liabilities; (v) fraud or intentional misrepresentation on the part of each of the Company or Parent in connection with the representations and warranties of the Company or the Parent contained in this Agreement; (vi) any Taxes required to be paid by the Company or Parent with respect to the Purchased Assets or the Business for any period ending on or before the Closing Date; and (vii) any and all actions, suits, investigations, proceedings, demands, assessments, audits, judgments and claims resulting from, arising out of or relating to any of the foregoing.

9.3 Indemnification by the Buyer. Subject to the terms, conditions and limitations set forth in this Article IX, TEI and the Buyer, jointly and severally, shall indemnify, defend and hold the Company and Parent, and their respective officers, directors, consultants, employees, owners, agents and Affiliates (collectively, the "Company Indemnitees," and at times together with the Buyer Indemnitees, "Indemnitees"), harmless from and against any and all damages, losses, obligations, deficiencies, liabilities, claims, encumbrances, penalties, costs, and expenses, including reasonable attorneys' fees and costs ("Company Losses," and at times together with Buyer Losses, "Losses"), in connection with any Company Losses which the Company Indemnitee may suffer or incur, resulting from, related to or arising out of any of the following: (i) any breach of a representation or warranty or nonfulfillment of any of the covenants of the Buyer or TEI in this Agreement or in any other Purchase Document; (ii) any of the Assumed Liabilities; (iii) fraud or intentional misrepresentation on the part of the Buyer or TEI; (iv) the Purchased Assets or the operation of the Business by Buyer which arise after the Closing Date; and (v) any and all actions, suits, investigations, proceedings, demands, assessments, audits, judgments and claims resulting from, arising out of or related to any of the foregoing.

9.4 Notice and Opportunity to Defend.

(a) If an Indemnitee has incurred or suffered Losses for which it may be entitled to indemnification under this Article IX, such Indemnitee shall, prior to the expiration of the representation, warranty, covenant or agreement to which such claim relates, give written notice of such claim (a "Claim Notice") to Parent and the Company or the Buyer and TEI (as the case may be) (the "Indemnifying Party"). Each Claim Notice shall state the amount of claimed Losses (the "Claimed Amount"), if known, and the factual background and basis for such claim in reasonably sufficient detail so as to enable the Indemnifying Party to understand and respond to the Claim Notice as provided in Section 9.4(b) below.

(b) Except as set forth in clause (iv) herein, within twenty (20) Business Days after delivery of a Claim Notice, the Indemnifying Party shall provide to the Indemnitee a written response (the "Response Notice") in which the Indemnifying Party shall: (i) agree that all of the Claimed Amount is owed to the Indemnitee, (ii) agree that part, but not all, of the Claimed Amount (the "Agreed Amount") is owed to the Indemnitee, (iii) contest that any of the Claimed Amount is owed to the Indemnitee, or (iv) request additional information that the Indemnifying Party believes in good faith it needs to respond to the Claim Notice, which request must be made within ten (10) Business Days after the Indemnifying Party's receipt of the Claim Notice. In the event the Indemnifying Party requests further information pursuant to the foregoing clause (iv), the Indemnitee shall provide the additional information, if any, within ten (10) Business Days, and the Indemnifying Party shall then respond as provided in the foregoing clauses (i), (ii) or (iii) within ten (10) Business Days after receipt of such additional information or notice from the Indemnitee that no further information exists. The Indemnifying Party may contest the payment of all or a portion of the Claimed Amount only based upon a good faith belief that all or such portion of the Claimed Amount does not constitute Losses for which the Indemnitee is entitled to indemnification under this Article IX. If no Response Notice is delivered by the Indemnifying Party within such twenty (20) Business Day period, the Indemnifying Party shall be deemed to have agreed that all of the Claimed Amount is owed to the Indemnitee; provided, however, that the failure to adhere strictly to the timing provided herein shall not be a waiver of any indemnification claim or defense, except to the extent such failure causes prejudice to the other party.

(c) If the Indemnifying Party in the Response Notice agrees (or is deemed to have agreed) that all of the Claimed Amount is owed to the Indemnitee, the Indemnifying Party shall promptly (and in any event within five (5) Business Days) pay the Claimed Amount to the Indemnitee. If the Indemnifying Party in the Response Notice agrees that part, but not all, of the Claimed Amount is owed to the Indemnitee, the Indemnifying Party shall promptly (and in any event within five (5) Business Days) pay to the Indemnitee, directly, an amount equal to the Agreed Amount set forth in such Response Notice. Acceptance by the Indemnitee of part payment of any Claimed Amount shall be without waiver to that Indemnitee's right to claim and the Indemnifying Party's obligation to pay the balance of any such Claimed Amount that is due the Indemnitee. If the Indemnifying Party in the Response Notice contests all or part of the Claimed Amount (the "Contested Amount"), the Indemnifying Party and the Indemnitee shall proceed in good faith to negotiate a resolution of such dispute and, if not resolved through negotiations within twenty (20) days, either may commence a lawsuit or other appropriate proceeding in a court of competent jurisdiction.

(d) The Indemnitee shall give prompt written notification to the Indemnifying Party of the commencement of any action, suit or proceeding relating to a third party claim for which indemnification pursuant to this Article IX may be sought; provided, however, that no delay on the part of the Indemnitee in notifying the Indemnifying Party shall relieve the Indemnifying Party of any liability for Losses hereunder except to the extent of any Loss or material prejudice caused by or arising out of such delay. Within five (5) Business Days after delivery of such notification, the Indemnifying Party may, upon written notice thereof to the Indemnitee, assume control of the defense of such action, suit or proceeding with counsel reasonably satisfactory to the Indemnitee. If the Indemnifying Party does not so assume control of such defense, the Indemnitee shall control such defense. If the Indemnifying Party assumes the defense notwithstanding the satisfaction of the foregoing conditions, the Indemnitee may object in writing within three (3) Business Days, and in the event of such objection the parties shall negotiate in good faith which party will control the defense. In the absence of agreement as to which party controls the defense within three (3) Business Days from the Indemnifying Party's receipt of an objection, the Indemnifying Party shall assume control of the defense. The party not controlling such defense may participate therein at its own expense; provided that if the Indemnifying Party assumes control of such defense and counsel selected by the Indemnifying Party to defend such action reasonably concludes that the Indemnifying Party and the Indemnitee have conflicting interests or different defenses available with respect to such action, suit or proceeding, the reasonable fees and expenses of one counsel for all of the Indemnitees shall be considered "Losses" for purposes of this Agreement, whether or not the Indemnitee prevails in such action, suit or proceeding. The party controlling such defense shall keep the other party advised of the status of such action, suit or proceeding and the defense thereof and shall consider in good faith recommendations made by the other party with respect thereto. Except as provided in Section 9.4(e) below, the Indemnitee shall not agree to any settlement of such action, suit or proceeding without the prior written consent of the Indemnifying Party, which shall not be unreasonably withheld, conditioned or delayed. The Indemnifying Party shall not agree to any settlement of or the entry of a judgment in any action, suit or proceeding without the prior written consent of the Indemnitee, which shall not be unreasonably withheld, conditioned or delayed (it being understood that it is reasonable to withhold, condition or delay such consent if, among other things, the settlement or the entry of a judgment (A) lacks a complete release of the Indemnitee for all liability with respect thereto or (B) imposes any liability or obligation on the Indemnitee).

9.5 Limitations on Certain Indemnification Obligations.

(a) Basket. The Buyer Indemnitees shall not assert any indemnification claim under Section 9.2(i), and Company and Parent shall have no obligation to indemnify therefore, until the aggregate amount of all claims for Buyer Losses by the Buyer Indemnitees exceeds $25,000 (the "Basket Amount"), in which event Parent will be responsible for all amounts and the liabilities, including, without limitation, the Basket Amount, subject to the Cap (as such term is defined herein).

(b) Cap. The liability of the Company and/or the Parent for all of Buyer Losses arising pursuant to Section 9.2(i) shall not exceed $1,000,000 in the aggregate (the "Cap"); except that if a court of competent jurisdiction determines in a non-appealable order that the Buyer Losses arose pursuant to (i) Section 9.2(v) above, then the Company's and/or Parent's liability for such Buyer Losses shall not exceed $4,000,000 in the aggregate; or (ii) Section

9.2(ii) above, then the Company's and/or Parent's liability for such Buyer Losses shall not exceed $2,500,000 in the aggregate.

(c) Other Remedies. Notwithstanding anything to the contrary contained in this Agreement, nothing in this Agreement shall preclude an Indemnitee from seeking injunctive relief or specific performance with respect to any covenant, agreement or obligation of an Indemnifying Party contained in this Agreement.

(d) Limitation Period. No claim for identification, defense or hold harmless under this Article IX shall be brought by any Buyer Indemnitees after the expiration of two years after the Closing Date; except for claims for Buyer Losses:

(i) as a result of breach of the representations and warranties set forth in Sections 4.1, 4.2, 4.8 (only as to title to the non-real estate Purchased Assets), which must be brought during the applicable statute of limitations period;

(ii) as a result of breach of the representations and warranties set forth in Sections 4.16, 4.17 and 4.19, which must be brought within forty-two (42) months after the Closing Date; or

(iii) under Sections 9.2(ii)-(vi), and any and all actions, suits, investigations, proceedings, demands, assessments, audits, judgments and claims resulting from, arising out of or relating to any of the foregoing Section 9.2(ii)-(vi), which must be brought within the applicable statute of limitations periods.

(e) Determination of Losses. If an Indemnitee proceeds with the defense of any claim all reasonable fees and expenses, including reasonable attorney's fees, relating to the defense of such Claim and/or the enforcement of its rights hereunder shall be deemed to be Losses for which such Indemnitee is entitled to indemnification hereunder whether or not the Indemnitee prevails in any such action, suit or proceeding. For purposes of this Article IX, "breach" shall be deemed to include any action, demand or claim by a third party against an Indemnitee which, if true, would give rise to a breach of a covenant, agreement, representation or warranty by an Indemnifying Party. Losses will be reduced by and to the extent that a party receives insurance proceeds under any insurance policies, risk sharing pools or similar arrangements maintained by each party in connection with any matter for which it claims indemnification, except to the extent that such receipt results in such party incurring any reimbursement obligation or any obligation for any retrospective insurance premium or similar chargeback.

ARTICLE X

MISCELLANEOUS

10.1 Fees and Expenses. Each of the parties hereto will pay and discharge its own expenses and fees in connection with the negotiation of and entry into this Agreement and the consummation of the transactions contemplated hereby.

10.2 Publicity and Disclosures. Prior to the Closing, no press release or any public disclosure, either written or oral, of the transactions contemplated by this Agreement shall be made by any party without the prior knowledge and written consent of Parent and the Buyer, except as otherwise required by law.

10.3 Notices. All notices, requests, demands, consents and communications necessary or required under this Agreement or any other Purchase Document shall be made in the manner specified, or, if not specified, shall be delivered by hand or sent by registered or certified mail, return receipt requested, or by telecopy (receipt confirmed) to:

if to the Buyer and TEI:

Triumvirate Environmental, Inc.
61 Inner Belt Road
Somerville, MA 02143
Attention: John F. McQuillan, President
Facsimile Transmission Number: (617) 628-8099

with a copy to:

Posternak Blankstein & Lund LLP
The Prudential Tower
800 Boylston Street, 33rd Floor
Boston, MA 02199
Attention: Donald H. Siegel, P.C./David M. Barbash, Esq.
Facsimile Transmission Number: (617) 367-2315

if to Parent and the Company:

Perma-Fix Environmental Services, Inc.
8302 Dunwoody Place, Suite 250
Atlanta, Georgia 30350
Attention: Dr. Louis F. Centofanti, Chairman,
President, and Chief Executive Officer
Facsimile Transmission Number: (770) 587-9937

with a copy to:

Conner & Winters, LLP
1700 One Leadership Square
211 North Robinson Avenue
Oklahoma City, Oklahoma 73102
Attention: Irwin H. Steinhorn, Esq.
Facsimile Transmission Number: 405-232-2695

All such notices, requests, demands, consents and other communications shall be deemed to have been duly given or sent two (2) days following the date on which mailed, or on the date on which delivered by hand or by facsimile transmission (receipt confirmed), as the case may be, and addressed as aforesaid.

10.4 Successors and Assigns. All covenants and agreements set forth in this Agreement and made by or on behalf of any of the parties hereto shall bind and inure to the benefit of the successors and assigns of such party, whether or not so expressed, except that the Company and Parent may not assign or transfer any of their respective rights or obligations under this Agreement without the consent in writing of the Buyer. The Buyer may assign its rights and obligations hereunder to one or more Affiliates of the Buyer.

10.5 Counterparts; Descriptive Headings; Variations in Pronouns. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which together shall constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart. The headings of the sections and paragraphs of this Agreement have been inserted for convenience of reference only and shall not be deemed to be part of this Agreement. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the identity of the Person or Persons may require.

10.6 Severability; Entire Agreement. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason in any jurisdiction, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired or affected, it being intended that each of the parties' rights and privileges shall be enforceable to the fullest extent permitted by law, and any such invalidity, illegality and unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the fullest extent permitted by law, the parties hereby waive any provision of any law, statute, ordinance, rule or regulation which might render any provision hereof invalid, illegal or unenforceable. This Agreement, including the Schedules and Exhibits referred to herein, is complete, and all promises, representations, understandings, warranties and agreements with reference to the subject matter hereof, and all inducements to the making of this Agreement relied upon by any of the parties hereto, have been expressed herein or in said Schedules or Exhibits. This Agreement may not be amended except by an instrument in writing signed on behalf of the Company, the Buyer and Parent.

10.7 Attorneys' Fees. In any action or proceeding brought to enforce any provision of this Agreement or the other Purchase Documents, or where any provision hereof or thereof is validly asserted as a defense, the successful party shall be entitled to recover reasonable attorneys' fees in addition to any other available remedy.

10.8 Course of Dealing. No course of dealing and no delay on the part of any party hereto in exercising any right, power, or remedy conferred by this Agreement shall operate as a waiver thereof or otherwise prejudice such party's rights, powers and remedies. The failure of any of the parties to this Agreement to require the performance of a term or obligation under this Agreement or the waiver by any of the parties to this Agreement of any breach hereunder shall not prevent subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach hereunder. No single or partial exercise of any rights, powers or remedies conferred by this Agreement shall preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

10.9 Tax Matters.

(a) The Company shall prepare and timely file any Tax Returns of Company for Tax periods which begin before the Closing Date and end after the Closing Date (the "Straddle Periods"). Such Tax Returns shall be prepared in a manner consistent with Parent and the Company's prior practice to the extent consistent with applicable law, provided that it is understood that the Company, Parent and their Affiliates file consolidated income tax returns provided that it is understood that Parent, the Company and their Affiliates file consolidated Tax Returns.

(b) If under Maryland law a particular party hereto is required to pay the real property transfer Taxes, sales Taxes, documentary stamp Taxes, recording charges and other similar Taxes resulting from, arising under or in connection with the transfer of the Purchased Assets (collectively, the "Transfer Taxes"), then that particular party as required under Maryland law shall pay such Transfer Taxes.

10.10 GOVERNING LAW. THIS AGREEMENT, INCLUDING THE VALIDITY HEREOF AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER, SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS (EXCLUDING THE CHOICE OF LAW RULES THEREOF).

10.11 WAIVER OF JURY TRIAL. EACH OF THE BUYER, TEI, THE COMPANY AND PARENT HEREBY EXPRESSLY WAIVES ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, ANY OTHER PURCHASE DOCUMENT, THE PURCHASED ASSETS, OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT. EACH OF THE COMPANY, TEI, PARENT AND BUYER ALSO WAIVE ANY BOND OR SURETY OR SECURITY UPON SUCH BOND WHICH MIGHT, BUT FOR THIS WAIVER, BE REQUIRED OF ANY PARTY. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH OF THE COMPANY, TEI, PARENT AND BUYER FURTHER WARRANT AND REPRESENT THAT EACH HAS REVIEWED THIS WAIVER WITH ITS OR HIS LEGAL COUNSEL; AND THAT EACH VOLUNTARILY WAIVES ITS OR HIS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE AND MAY ONLY BE MODIFIED IN AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, ANY OTHER PURCHASE DOCUMENT OR THE SHARES. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL (WITHOUT A JURY) BY THE COURT.

IN WITNESS WHEREOF the parties hereto have executed this Agreement under seal as of the date first set forth above.

ATTEST:

____

BUYER:

TRIUMVIRATE ENVIRONMENTAL, (Baltimore), LLC.

By: __________________________
John F. McQuillan, Jr.
General Manager

ATTEST:

____

PARENT:

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

By: __________________________
Name:
Title:

ATTEST:

____

COMPANY:

PERMA-FIX OF MARYLAND, INC.

By: __________________________
Name:
Title:

ATTEST:

____

TEI:

TRIUMVIRATE ENVIRONMENTAL, INC.

By: __________________________
John F. McQuillan, Jr.
President

AMENDMENT NO. 9
TO
REVOLVING CREDIT, TERM LOAN AND SECURITY AGREEMENT

THIS AMENDMENT NO. 9 dated as of December 18, 2007 (this "Amendment"), relating to the Loan Agreement referenced below, is by and among PERMA-FIX ENVIRONMENTAL SERVICES, INC., a Delaware corporation (the "Borrower"), the Lenders from time to time parties thereto, and PNC BANK, NATIONAL ASSOCIATION, a national banking association, as agent for the Lenders (in such capacity, the "Agent"). Terms used herein but not otherwise defined herein shall have the meanings provided to such terms in the Loan Agreement (defined below).

WITNESSETH

WHEREAS, a credit facility has been previously extended to the Borrower pursuant to the terms of that certain Revolving Credit, Term Loan and Security Agreement dated as of December 22, 2000, as amended (as such may be amended, restated, supplemented and/or modified from time to time, the "Loan Agreement") among the Borrower, the Lenders identified therein, and the Agent;

WHEREAS, the Borrower has requested that certain provisions of the Loan Agreement be amended; and

WHEREAS, the parties have agreed to amend the Loan Agreement as set forth herein.

NOW, THEREFORE, IN CONSIDERATION of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendments. The Loan Agreement is amended as set forth below:

(a) New definitions of "Industrial Division Properties" and "Margined Collateral Value" are added to Section 1.2 in correct alphabetical order to read as follows:

" "Industrial Division Properties" shall mean the Real Property where the following subsidiaries are located: Perma-Fix of Maryland, Inc., Perma-Fix Treatment Services, Inc., Perma-Fix of Dayton, Inc., Perma-Fix of South Georgia, Inc., Perma-Fix of Orlando, Inc. and Perma-Fix of Ft. Lauderdale, Inc.

"Margined Collateral Value" shall mean, with respect to each of the Industrial Division Properties, the amount originally assigned to such property by Agent equal to seventy percent (70%) of the appraised real estate value plus eighty percent (80%) of the appraised machinery and equipment value."

(b) The definition of "L/C Commitment" set forth in Section 1.2 is amended to read as follows:

> " "L/C Commitment" means the commitment of the Issuing Bank to Issue, and the commitment of the Lenders severally to participate in, Letters of Credit from time to time Issued or outstanding as provided herein, in an aggregate amount not to exceed on any date the sum of $2,500,000; provided that the L/C Commitment is part of the Revolving Credit Facility, rather than a separate independent commitment."

(c) Section 2.11(a) is amended by adding the following to the end of the Section:

> "Notwithstanding the foregoing, upon the sale of any of the Industrial Division Properties the Borrower shall repay the Advances in a minimum amount of the Margined Collateral Value for the property sold (the "Minimum Release Price"). The Minimum Release Price shall be applied at first to the Term Loan in the inverse order of the maturities thereof with any amount in excess of the Minimum Release Price being applied to the Revolving Credit Facility Advances. Upon receipt of the repayment Agent agrees to release its lien on the property sold."

2. Amendment Fee. The Borrower agrees to pay the Agent an amendment fee of $10,000.

3. Representations and Warranties. The Borrower hereby represents and warrants in connection herewith that as of the date hereof (after giving effect hereto) (i) the representations and warranties set forth in Article V of the Loan Agreement are true and correct in all material respects (except those which expressly relate to an earlier date), and (ii) no Default or Event of Default has occurred and is continuing under the Loan Agreement.

4. Acknowledgments, Affirmations and Agreements. The Borrower (i) acknowledges and consents to all of the terms and conditions of this Amendment and (ii) affirms all of its obligations under the Loan Agreement and the Other Documents.

5. Loan Agreement. Except as expressly modified hereby, all of the terms and provisions of the Loan Agreement remain in full force and effect.

6. Expenses. The Borrower agrees to pay all reasonable costs and expenses in connection with the preparation, execution and delivery of this Amendment, including the reasonable fees and expenses of the Agent's legal counsel.

7. Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original. It shall not be necessary in making proof of this Amendment to produce or account for more than one such counterpart.

8. Governing Law. This Amendment shall be deemed to be a contract under, and shall for all purposes be construed in accordance with, the laws of the State of New York.

(Remainder of page intentionally left blank)

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

BORROWER:

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

By:____________________
Name: Steve Baughman
Title: CFO

LENDERS:

PNC BANK, NATIONAL ASSOCIATION,
in its capacity as Agent and as Lender

By:____________________
Name: ALEX M. COUNCIL
Title: VICE PRESIDENT

CONSENTED AND AGREED TO:

SCHREIBER, YONLEY AND ASSOCIATES, INC.
PERMA-FIX TREATMENT SERVICES, INC.
PERMA-FIX OF FLORIDA, INC.
PERMA-FIX OF MEMPHIS, INC.
PERMA-FIX OF DAYTON, INC.
PERMA-FIX OF FT. LAUDERDALE, INC.
PERMA-FIX OF ORLANDO, INC.
PERMA-FIX OF SOUTH GEORGIA, INC.
PERMA-FIX OF MICHIGAN, INC.
DIVERSIFIED SCIENTIFIC SERVICES, INC.
INDUSTRIAL WASTE MANAGEMENT, INC.
EAST TENNESSEE MATERIALS & ENERGY CORPORATION
PERMA-FIX OF MARYLAND, INC.
PERMA-FIX OF PITTSBURGH, INC.

By:____________________
Name: Steve Baughman
Title: CFO
of each of the foregoing entities

AMENDMENT NO. 10
TO
REVOLVING CREDIT, TERM LOAN AND SECURITY AGREEMENT

THIS AMENDMENT NO. 10 dated as of March 26, 2008 (this "Amendment"), relating to the Loan Agreement referenced below, is by and among PERMA-FIX ENVIRONMENTAL SERVICES, INC., a Delaware corporation (the "Borrower"), the Lenders from time to time parties thereto, and PNC BANK, NATIONAL ASSOCIATION, a national banking association, as agent for the Lenders (in such capacity, the "Agent"). Terms used herein but not otherwise defined herein shall have the meanings provided to such terms in the Loan Agreement (defined below).

WITNESSETH

WHEREAS, a credit facility has been previously extended to the Borrower pursuant to the terms of that certain Revolving Credit, Term Loan and Security Agreement dated as of December 22, 2000, as amended (as such may be amended, restated, supplemented and/or modified from time to time, the "Loan Agreement") among the Borrower, the Lenders identified therein, and the Agent;

WHEREAS, the Borrower has requested that certain provisions of the Loan Agreement be amended; and

WHEREAS, the parties have agreed to amend the Loan Agreement as set forth herein.

NOW, THEREFORE, IN CONSIDERATION of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendments. The Loan Agreement is amended as set forth below:

(a) New definitions of "Interest Expense", "Net Income" and "Ordinary Course of Business" are added to Section 1.2 in correct alphabetical order to read as follows:

" "Interest Expense" shall mean for any period interest expense, net of cash interest income, of Borrower for such period, as determined in accordance with GAAP.

"Net Income" shall mean for any period, the net income (or loss) of Borrower, determined in accordance with GAAP; provided, that there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of Borrower or is merged into or consolidated with the Borrower, (b) the net income (or deficit) of any Person (other than a Subsidiary of Borrower) in which the Borrower has an ownership interest, except to the extent that any such income is actually received by Borrower in the form of dividends or similar distributions and (c) the undistributed earnings of Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is at the time prohibited by the terms of any agreement to which such Person is a party or by which it or any of its property is bound, any of such Person's organizational documents or other legal proceedings binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Ordinary Course of Business" shall mean the ordinary course of Borrower's business as conducted on the Closing Date."

(b) The definitions of "EBITDA", "Fixed Charge Coverage Ratio" and "Overadvance Amount" set forth in Section 1.2 are amended to read as follows:

" "EBITDA" shall mean for any period, for Borrower, the sum of (i) Net Income for such period, plus (ii) all Interest Expense for such period, plus (iii) all charges against income of Borrower for such period for federal, state and local taxes expensed, plus (iv) depreciation expenses for such period, plus (v) amortization expenses for such period, plus (vi) any extraordinary, unusual or non-recurring non-cash expenses or losses (including non-cash losses on sales of assets outside of the Ordinary Course of Business) during such period, minus (vii) any extraordinary, unusual or non-recurring non-cash income or gains (including gains on the sale of assets outside of the Ordinary Course of Business) during such period, in each case, only to the extent included in the statement of net income for such period.

"Fixed Charge Coverage Ratio" shall mean and include, with respect to any fiscal period, the ratio of (a) EBITDA plus $2,500,000 for non-recurring expenses incurred in fiscal year 2007 for the quarters ending March 31, 2008, June 30, 2008 and September 30, 2008 only to (b) the sum (without duplication) of (i) all Senior Debt Payments, Subordinated Debt Payments and Preferred Stock dividends paid during such period plus (ii) Unfinanced Capital Expenditures made during such period plus (iii) federal, state and local income taxes actually paid during such period.

"Overadvance Amount" shall mean $2,000,000 until the earlier of (i) July 31, 2008 or (ii) the date this Agreement is restructured with Agent and Lenders."

(c) The definition of "Earnings Before Interest and Taxes" in Section 1.2 is deleted.

(d) Section 13.1 is amended to read as follows:

" 13.1 Term. This Agreement, which shall insure to the benefit of and shall be binding upon the respective successors and permitted assigns of Borrower, Agent and each Lender, shall become effective on the date hereof and shall continue in full force and effect until September 30, 2009 (the "Termination Date") unless sooner terminated as herein provided. Borrower may terminate this Agreement at any time upon sixty (60) days' prior written notice upon payment in full of the Obligations."

2. Waiver. The Agent and the Lenders hereby waive the violation by the Borrower of the Fixed Charge Coverage Ratio covenant set forth in Section 6.6 for the fiscal quarter ending on December 31, 2007.

3. Fee. The Borrower agrees to pay the Agent an amendment and waiver fee of $25,000.

4. Representations and Warranties. The Borrower hereby represents and warrants in connection herewith that as of the date hereof (after giving effect hereto) (i) the representations and warranties set forth in Article V of the Loan Agreement are true and correct in all material respects (except those which expressly relate to an earlier date), and (ii) no Default or Event of Default has occurred and is continuing under the Loan Agreement.

5. Acknowledgments, Affirmations and Agreements. The Borrower (i) acknowledges and consents to all of the terms and conditions of this Amendment and (ii) affirms all of its obligations under the Loan Agreement and the Other Documents.

6. Loan Agreement. Except as expressly modified hereby, all of the terms and provisions of the Loan Agreement remain in full force and effect.

7. Expenses. The Borrower agrees to pay all reasonable costs and expenses in connection with the preparation, execution and delivery of this Amendment, including the reasonable fees and expenses of the Agent's legal counsel.

8. Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original. It shall not be necessary in making proof of this Amendment to produce or account for more than one such counterpart.

9. Governing Law. This Amendment shall be deemed to be a contract under, and shall for all purposes be construed in accordance with, the laws of the State of New York.

(Remainder of page intentionally left blank)

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

BORROWER:

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

By:____________________
Name: Steve Baughman
Title: VP + CFO

LENDERS:

PNC BANK, NATIONAL ASSOCIATION,
in its capacity as Agent and as Lender

By:____________________
Name: Alex M. Council
Title: Vice President

CONSENTED AND AGREED TO:

SCHREIBER, YONLEY AND ASSOCIATES, INC.
PERMA-FIX TREATMENT SERVICES, INC.
PERMA-FIX OF FLORIDA, INC.
PERMA-FIX OF MEMPHIS, INC.
PERMA-FIX OF DAYTON, INC.
PERMA-FIX OF FT. LAUDERDALE, INC.
PERMA-FIX OF ORLANDO, INC.
PERMA-FIX OF SOUTH GEORGIA, INC.
PERMA-FIX OF MICHIGAN, INC.
DIVERSIFIED SCIENTIFIC SERVICES, INC.
INDUSTRIAL WASTE MANAGEMENT, INC.
EAST TENNESSEE MATERIALS & ENERGY CORPORATION
PERMA-FIX OF MARYLAND, INC.
PERMA-FIX OF PITTSBURGH, INC.

By:____________________
Name: Steve Baughman
Title: VP + CFO
of each of the foregoing entities

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

BORROWER:

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

By:________________________
Name: STEVE BAUGHMAN
Title: VP & CFO

LENDERS:

PNC BANK, NATIONAL ASSOCIATION,
in its capacity as Agent and as Lender

By:________________________
Name: Alex M. Council
Title: Vice President

CONSENTED AND AGREED TO:

SCHREIBER, YONLEY AND ASSOCIATES, INC.
PERMA-FIX TREATMENT SERVICES, INC.
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PERMA-FIX OF FT. LAUDERDALE, INC.
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DIVERSIFIED SCIENTIFIC SERVICES, INC.
INDUSTRIAL WASTE MANAGEMENT, INC.
EAST TENNESSEE MATERIALS & ENERGY CORPORATION
PERMA-FIX OF MARYLAND, INC.
PERMA-FIX OF PITTSBURGH, INC.

By:________________________
Name: STEVE BAUGHMAN
Title: VP & CFO
of each of the foregoing entities

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made and entered into by and between Barbara Fisher ("Fisher") and Perma-Fix of Dayton, Inc. (which shall, along with all parties bound under Paragraph 2(A) of this Agreement, be referred to as "PFD") as of the date reflected below.

RECITALS

A. Fisher, a resident and citizen of Dayton, Ohio, rents property located at 43 West End Avenue, Dayton, Ohio, in the neighborhood that is in the immediate vicinity of an industrial facility, currently operated by PFD, located at 300 South West End Avenue, Dayton, Ohio (the "Facility"); and,

B. The Facility handles industrial waste that it treats, stores, and disposes of; and,

C. On December 2, 2004, Fisher filed a complaint in the Southern District of Ohio (the "Court") styled as *Fisher v. Perma-Fix of Dayton, Inc.*, Civil Action No. 3:04 CV 00418 (United States District Court for the Southern District of Ohio, Western Division) (hereinafter the "Litigation") alleging that PFD is violating the federal Clean Air Act and Ohio's federally-approved State Implementation Plan. Fisher's complaint (the "Complaint") expressly alleges that PFD is a major source of hazardous air pollutants; that PFD is a public air nuisance in violation of Section 3745-15-07 of the Ohio Administrative Code; and that PFD is not complying with other specified requirements that are enforceable under the Clean Air Act. The Complaint seeks, among other relief, remediation of the harm caused by the alleged statutory violations (collectively referred to as "Plaintiff's federal claims"); and,

D. On February 1, 2005, PFD filed an answer denying the material allegations of the Complaint and requested judgment in PFD's favor; and

E. On August 24, 2006, Plaintiff-Intervenor the United States of America, on behalf of the United States Environmental Protection Agency ("EPA"), filed an Amended Complaint in Intervention (the "Complaint in Intervention") in the Litigation, also alleging that PFD is a major source of hazardous air pollutants that fails to comply with specified requirements under the Clean Air Act. In addition, the Complaint in Intervention alleges that PFD failed to respond to a July 26, 2002 information request issued by EPA, in alleged violation of Section 114(a) of the Clean Air Act (all claims in the Complaint in Intervention shall be collectively referred to as "Plaintiff-Intervenor's claims"); and,

F. On September 11, 2006, PFD filed an answer denying the material allegations of the Complaint in Intervention and requested judgment in PFD's favor; and

G. The parties have engaged in good faith negotiations that have resulted in an April 25, 2007 agreement in principle ("Agreement in Principle"), which, once it is memorialized in a final consent decree (the "Consent Decree") and, subject to approval by the Court, will, along with this Agreement, resolve all of the plaintiffs' federal claims; and

H. On May 3, 2007, the Court, based upon the filings by the parties, vacated the trial date and remaining pretrial dates and entered a stay of all proceedings pending settlement negotiations. The Court subsequently rescheduled the trial to begin on January 7, 2008; and,

I. Fisher and PFD desire to avoid the uncertainties and expense of continuing the Litigation and wish to settle and compromise, on the terms set forth below and in the Consent Decree, any and all claims that Fisher could have raised against PFD through and including the date of the signing of this Agreement, including claims for past attorneys' fees and litigation costs.

PROVISIONS

NOW, THEREFORE, in consideration of the premises aforesaid, the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Fisher and PFD hereby agree as follows:

1. Recitals Incorporated: The Recitals and prefatory phrases in the recital paragraphs set forth above, are hereby incorporated in full and made a part of this Agreement.

2. Parties Bound: This Settlement Agreement shall apply to and be binding upon, and inure to the benefit of:

A. PFD, and its agents, principals, partners, representatives, employees, directors, officers, shareholders, predecessors, successors, acquirers, purchasers (including purchasers of some or all of PFD's assets who continue any substantial or material operations at the 300 South West End Avenue location in Dayton, Ohio, a.k.a., the Facility), transferees, insurers, subsidiaries, parent corporations, corporations affiliated with or acquired by PFD, and/or its respective assigns;

B. Fisher and her heirs, executors, administrators, agents and representatives.

3. <u>Neighborhood Environmental Committee:</u> It is the desire of Fisher and PFD to promote open dialogue between the surrounding neighborhood and PFD and to provide a means for the neighborhood to address environmental issues of concern to the neighborhood. In furtherance of that mutual interest, Fisher and PFD agree to conduct meetings between representatives of PFD and a Neighborhood Environmental Committee ("the Committee"). These meetings will provide a forum to discuss and attempt to resolve environmental issues of concern to the neighborhood and/or PFD relating to or arising from PFD activities. These issues may include implementation of the Consent Decree that the parties anticipate will be entered in the Litigation, or other environmental matters related to operations at the 300 South West End Ave. location in Dayton, Ohio, a.k.a., the Facility.

The Committee shall be comprised of up to 12 people from the surrounding community. The members of the Committee from time to time shall be jointly selected by Fisher and the Committee's counsel, Advocates for Basic Legal Equality, Inc. ("ABLE"), in the sole and complete discretion of Fisher and ABLE. The Committee may adopt such rules or by-laws for its internal governance as it deems appropriate.

As one means of addressing the concerns of the Committee, the Committee and PFD shall meet once every 30 days during the 18 month period following the Consent Decree Entry Date, as defined in Paragraph 11 of this Agreement, with the first meeting taking place within 60 days of the Consent Decree Entry Date. After 18 months, the

Committee and PFD shall meet once every 60 days, for 3 years after the Consent Decree Entry Date or PFD has met its Consent Decree obligations to the satisfaction of the Court, whichever is later, unless at an earlier date, the parties mutually agree further meetings are unnecessary. The frequency of meetings may be varied by mutual agreement of the parties. Either party may request special meetings more frequently than set forth herein to address issues of immediate concern. The parties shall use their best efforts to promptly schedule meetings at mutually convenient times. Nothing contained herein shall preclude the parties from continuing to meet after they are no longer obligated to do so if the parties desire to do so.

PFD shall designate one or more representatives to attend meetings. PFD has the sole and complete discretion to designate representatives of its own choosing, but shall bear in mind the underlying purpose of encouraging dialogue and seeking resolution of issues of concern to the Committee and/or PFD. To the extent PFD is given advance notice by the Committee of issues the Committee wishes to discuss at any particular meeting, PFD shall also consider those issues in designating its representative(s), and, if available, provide representatives who are knowledgeable about the designated issues.

The following language shall be included in the Consent Decree submitted for approval and entry by the Court in the Litigation:

> "Plaintiff Fisher and Perma-Fix represent that they have entered into an additional settlement agreement that is not incorporated in this Consent Decree. Plaintiff Fisher and Perma-Fix represent that they have agreed, as part of that settlement, that Fisher and her counsel will organize a Neighborhood Environmental Committee that will, as one means of addressing the Committee's concerns, meet, from time to time, with representatives of the Facility to discuss and seek to resolve issues of concern to the neighborhood and/or Perma-Fix (including all successors, transferees,

and/or other entities or persons bound by this Consent Decree) arising out of operations at the Facility."

4. <u>Provision of Information to the Committee:</u> In furtherance of the Committee's work, ABLE may request documents or information from PFD subject to the following terms:

A. It is the intent of the parties bound by this Agreement to allow the exchange of sufficient information concerning PFD's compliance with or implementation of the Consent Decree and/or concerning specific incidents about which the Committee has received neighborhood complaints or questions to allow the Committee to address such concerns. In order to facilitate this exchange of information, ABLE shall confer with a representative of PFD to informally request such information, and ABLE and the PFD representative shall make a good-faith effort to agree on the information to be provided to ABLE.

B. In the event that the informal process set forth in Paragraph 4(A) does not reasonably satisfy the Committee's informational needs, ABLE may make a written request to PFD for specific information concerning PFD's compliance with or implementation of the Consent Decree or concerning specific incidents about which the Committee has received neighborhood complaints or questions. Before making such a formal request, ABLE shall consult with a PFD representative knowledgeable about the nature and extent of available information, and ABLE shall use reasonable efforts to tailor its request to minimize the burden imposed on PFD.

C. In responding to ABLE's requests for information, PFD agrees that it will promptly provide ABLE with copies of requested information so long as the request is within the scope of, and ABLE reasonably follows the procedures contained in, Paragraph 4(B) of this Agreement, unless the Court, upon motion, determines that the production poses an unreasonable burden on PFD. PFD may designate documents or other information so provided as confidential so long as those documents or that information could be designated as confidential under the requirements of Paragraph I.A. and Paragraph V of the December 1, 2006 Agreed Protective Order Regarding Defendant's Confidential Information (Docket No. 72)(the "Protective Order"). ABLE and its consultants shall use information designated as confidential solely for purposes of the work of the Committee and shall take all reasonable steps to protect the confidentiality of any such designated information. The Court shall retain jurisdiction to enforce the confidentiality of the documents or information provided pursuant to this Paragraph. ABLE and its consultants shall return all copies or records, summaries, or compilations of such documents or information when they are: (1) no longer needed to monitor PFD's compliance with or implementation of the Consent Decree; and/or (2) no longer needed by the Committee for other environmental issues related to the Facility.

D. Nothing herein shall prevent ABLE from providing the Committee with summaries of information obtained from PFD as long as such summaries do not contain the particular information that PFD has designated as confidential.

5. Committee Payment: PFD shall cause the sum of One Hundred Thousand U.S. Dollars ($100,000.00) (the "Committee Payment") to be paid pursuant to the mechanism set forth in Paragraph 8 of this Agreement. Fisher, on behalf of the neighborhood, has initially elected to use the Committee Payment to provide technical support to the Committee. If, after consultation with the Committee, Fisher and ABLE agree that the Committee has no need or no further need for such technical assistance,

ABLE and Fisher in their sole and complete discretion shall designate other uses for the remaining Committee Payment, provided that those uses benefit the neighborhood. PFD shall have no further financial responsibility for the Committee or any expenses it incurs beyond the payment contemplated herein.

6. Legal Fees and Litigation Costs: PFD shall cause the sum of One Million Two Hundred Thousand U.S. Dollars ($1,200,000.00) (the "Legal Expense Payment Amount") to be paid pursuant to the mechanism set forth in Paragraph 8 of this Agreement. The Legal Expense Payment Amount represents full payment for the legal fees and litigation costs incurred by Fisher's Counsel and satisfies in full any and all claims for attorneys' fees, expert witness fees, costs, and expenses incurred by Fisher and her lawyers in connection with, relating to, or arising out of the Litigation between Fisher and PFD.

7. Settlement Amount: PFD shall cause U.S. funds in the confidential amount referenced in Exhibit A, attached hereto (the "Settlement Amount"), to be paid pursuant to the mechanism set forth in Paragraph 8 of this Agreement. The Settlement Amount shall be paid to ABLE and shall be deposited by ABLE in a special trust account maintained by ABLE for the exclusive benefit of Barbara Fisher, and represents the full and complete compensation for bodily injury claims that Fisher has or could have brought as of the date of the signing of this Agreement.

8. Payments through Direct Pay Letters of Credit: Upon execution of this Agreement, PFD shall deliver to either of D. David Altman, Esq. or Ellis Jacobs, Esq., or their designated successor under Paragraph 28 of this Agreement, (collectively referred to as "Fisher's Counsel"): (i) an Irrevocable Direct Pay Letter of Credit ("Letter of Credit A") issued by a federally insured financial institution reasonably acceptable to Fisher (the "Financial Institution") in a face amount equal to the amount of the Committee Payment;

(ii) an Irrevocable Direct Pay Letter of Credit ("Letter of Credit B") issued by the Financial Institution in a face amount equal to the amount of the Legal Expense Payment Amount; and (iii) an Irrevocable Direct Pay Letter of Credit ("Letter of Credit C" and together with the Letter of Credit A and Letter of Credit B, the "Letters of Credit") issued by the Financial Institution in a face amount equal to the Settlement Amount. The sum of all amounts payable under the Letters of Credit is referred to herein as the "Settlement Payment." Fisher's Counsel shall be the stated beneficiaries of the Letters of Credit. The expiry date of the Letters of Credit (which may be extended) shall be a date not earlier than one year from the Effective Date of this Agreement. The forms of the Letters of Credit, sight draft and certificate are set forth in Exhibit B attached hereto. The Letters of Credit shall be secured by compensating deposits or other security provided by PFD satisfactory to the Financial Institution.

A. Fisher's Counsel shall be entitled to make draws on the Letters of Credit as follows:

(i) Pursuant to Paragraph 5 of this Agreement, Fisher's Counsel may draw $100,000 against Letter of Credit A at any time after the Consent Decree Entry Date, as defined in Paragraph 11 or as otherwise permitted pursuant to Section 8B. hereof; and

(ii) Pursuant to Paragraph 6 of this Agreement, Fisher's Counsel may draw $1,200,000 against Letter of Credit B payable to D. David Altman Co., L.P.A. Trust Account (or another trust account designated by Fisher's Counsel) at any time following the Consent Decree Entry Date, as defined in Paragraph 11 or as otherwise permitted pursuant to Section 8 B. hereof; and

(iii) Pursuant to Paragraph 7 of this Agreement, Fisher's Counsel may draw the Settlement Amount against Letter of Credit C at any time after the Consent

Decree Entry Date, as defined in Paragraph 11 or as otherwise permitted pursuant to Section 8 B. hereof, and such amount shall be paid to a special trust account maintained by ABLE for the exclusive benefit of Barbara Fisher.

B. In addition to the right to draw against the Letters of Credit after the Consent Decree Entry Date, Fisher's Counsel shall also be entitled to make draws on the Letters of Credit in the event that:

(i) there is a material breach of this Agreement by PFD; and/or

(ii) a consent decree is not lodged (i.e., there is no Consent Decree Lodging Date) in conjunction with direct or indirect acts or omissions of PFD, such as PFD's:

(a) failing to affirmatively support the Consent Decree, except as set forth in subparagraph 8 C.(i) below; and/or

(b) making changes to PFD's business structures or operations which result in a failure to lodge the Consent Decree; and/or

(c) filing of voluntary bankruptcy by PFD or the filing of involuntary bankruptcy against PFD, except where the petitioning creditor(s) are Fisher, persons bound under Paragraph 2 B., Fisher's Counsel, or members of the Committee; and/or

(d) otherwise preventing, impairing, or adversely affecting the lodging, except as set forth in subparagraph 8 C.(i) below; and/or

(iii) the Consent Decree is lodged, but is not entered (i.e., there is no Consent Decree Entry Date) in conjunction with direct or indirect acts or omissions of PFD, such as PFD's:

(a) failing to affirmatively support the Consent Decree; and/or

(b) making changes to PFD's business structures or operations which result in a failure to enter the Consent Decree; and/or

(c) filing of voluntary bankruptcy by PFD or the filing of involuntary bankruptcy against PFD, except where the petitioning creditor(s) are Fisher, persons bound under Paragraph 2 B., Fisher's Counsel, or members of the Committee; and/or

(d) otherwise preventing, impairing, or adversely affecting the entering;

then upon the occurrence of any of the events set forth in subparagraph 8 B. (i) through (iii) hereof, Fisher's Counsel may draw the entire amounts due under the Letters of Credit.

C. If none of the events, acts, or omissions described in subparagraphs 8 A. and 8 B. has occurred and:

(i) PFD has withheld its signature from a consent decree solely because the consent decree is materially inconsistent with the Agreement in Principle; and

(ii) no consent decree is entered and the parties to the Litigation have abandoned seeking a consent decree;

then PFD shall be entitled to move for an order of the Court terminating the Letters of Credit on the ground that the proposed consent decree is materially inconsistent with the Agreement in Principle. Fisher shall be entitled to oppose that motion. In the event that the Court grants such motion, PFD shall be entitled to the entry of an order terminating the Letters of Credit and the release of any compensating deposits or security for the Letters of Credit and each party shall be entitled to proceed with the Litigation.

9. Effective Date: The "Effective Date" of this Agreement is the date that this Agreement is executed by all the parties hereto.

10. Consent Decree Lodging Date: The "Consent Decree Lodging Date" is the date that the Consent Decree is lodged with the Court.

11. Consent Decree Entry Date: The "Consent Decree Entry Date" is the date that the Court enters a consent decree as a judgment.

12. Mutual Release and Waiver of Claims: Effective ninety-five (95) days following the completion of all draws under the Letters of Credit (the "Release Effective Date"), Fisher and PFD, for themselves, their heirs, predecessors, successors, and assigns, do hereby release, remise, acquit, and forever discharge each other, together with their respective principals, partners, directors, officers, employees, attorneys, shareholders, subsidiaries, affiliates, parents, agents, representatives, and insurers, and any and all of the heirs, predecessors, successors, and assigns of the foregoing, from any and all manner of action, causes of action, claims, counterclaims, or demands whatsoever (collectively referred to for purposes of this Paragraph as "claims") that are set forth in the lawsuit captioned Barbara Fisher, et al. v. Perma-Fix of Dayton, Inc., CASE NO: 3:04 CV 0418, or those claims that, as of the date that the parties signed this Agreement, the parties knew about, or through the exercise of reasonable diligence, should have been discovered and asserted in the Litigation. This Mutual Release and Waiver does not extend to the rights and obligations of the parties arising out of this Agreement, and the respective rights and obligations of the parties herein shall survive this Mutual Release and Waiver. This Mutual Release and

Waiver is subject to all of the terms and conditions of this Agreement, and does not release or excuse the full and complete performance of the obligations of the parties hereunder.

13. Continuing Jurisdiction of the Court: The parties bound by this Agreement agree that the Court shall retain jurisdiction to construe and enforce the terms of this Agreement.

14. Dismissal of Fisher Claims: Within ten (10) days following the Release Effective Date, the parties shall take such steps as are reasonably necessary to cause a stipulated order of dismissal to be entered by the Court that causes all claims that Fisher has asserted in the Litigation to be dismissed with prejudice and without costs to either party. The stipulated order of dismissal shall contain an express provision retaining continuing jurisdiction of the Court over enforcement and interpretation of the terms of this Agreement, and the terms of this Agreement shall be incorporated into the stipulated order of dismissal, except that the amount of the confidential Settlement Amount referenced in Exhibit A shall not be incorporated into the stipulated order of dismissal. The express retention of jurisdiction language in the stipulated order of dismissal shall state the following: "This Court shall retain continuing jurisdiction to construe and enforce the provisions of the Settlement Agreement entered into between Plaintiff Fisher and Perma-Fix of Dayton." The dismissal of Plaintiff's federal claims shall not be used in any manner adverse to Fisher in any dispute over this Agreement, any communication with the government concerning any matter related to the litigation, or any subsequent environmental order or agreement involving PFD or any other party bound by the terms of this Agreement.

15. Entry of Consent Decree: PFD and Fisher will not object to the entry of a consent decree that reflects the Agreement in Principle and will support its entry by the Court. PFD and Fisher shall use their respective best efforts to cause such consent

decree to be entered by the Court as expeditiously as possible.

16. Transfer of Ownership or Sale: Fisher has been advised by PFD that PFD may transfer the ownership or operation of the Facility or some or all of PFD's assets (a "Transfer") to an acquirer who may continue some or all of the operations at the Facility (an "Acquirer"). No more than five (5) days after entering into any binding agreement with an Acquirer with respect to the Transfer (an "Acquisition Agreement"), PFD shall provide a copy of the Acquisition Agreement to Fisher's Counsel. The Acquisition Agreement shall include a provision requiring the Acquirer to assume PFD's obligations under this Agreement. Any attempt to effect a Transfer without complying with the notice provisions of this Paragraph, or any failure of an Acquirer to assume PFD's obligations as contemplated hereunder, shall constitute a material breach of this Agreement.

17. Proper Authority: PFD represents, warrants, and covenants that PFD has proper legal authority, on behalf of itself, its parent, and all other PFD-related parties currently bound, to enter into this Agreement and all related documents required to be executed in connection therewith. Plaintiff Barbara Fisher represents, warrants, and covenants that she has the proper legal authority, on behalf of herself and all Fisher-related parties currently bound, to enter into this Agreement and all related documents required to be executed in connection therewith.

18. PFD's Financial Viability: PFD represents, warrants and covenants that: (i) there are no cases or proceedings pending under the United States Bankruptcy Code or any other similar state or federal insolvency, reorganization or receivership laws involving PFD; (ii) PFD has no present reason to seek relief under the United States Bankruptcy Code or any other similar state or federal insolvency, reorganization, receivership or similar laws; (iii) PFD has no present intention to seek relief at the present time or in the future under the United States Bankruptcy Code or any other similar state or federal insolvency,

reorganization, receivership or similar laws; (iv) PFD is not insolvent, as defined in the United States Bankruptcy Code or any applicable state or federal statute, and PFD will not be rendered insolvent by the execution, delivery and performance of this Agreement; (v) upon the performance of the obligations under this Agreement, PFD will have the financial wherewithal to pay PFD's debts as and when they become due; (vi) PFD does not intend to, nor does PFD believe that it will, incur debts beyond its ability to pay such debts as they mature; and (vii) PFD does not and will not have unreasonably small capital to conduct its business after the execution of this Agreement and the performance of its obligations (including payment of the Settlement Payment) under this Agreement.

19. Entire Agreement: This Agreement constitutes the entire agreement of the parties, and no understandings, agreements, or representations, oral or otherwise, exist or have been made by or among the parties.

20. Confidentiality: The Settlement Amount paid by PFD pursuant to Paragraph 7 of this Agreement is confidential. The parties represent that they have not disclosed the Settlement Amount and will not publish, disclose or cause to be disclosed the Settlement Amount, except to banks issuing the Letters of Credit, as needed to seek approval of this Agreement, to a tax preparer if necessary, or except as required by law or Court order. Nothing in this Paragraph shall prevent any party from disclosing that the parties have reached an amicable resolution of the dispute and that Fisher was paid a nominal amount as part of that settlement.

21. No Prior Assignment or Transfer: The parties represent and warrant to each other that they have neither made nor suffered to be made any assignments or transfer of any right, claim, demand or cause of action covered by this Agreement, and that they are the sole and absolute legal and equitable owners thereof.

22. No Oral Modifications: This Agreement may be modified only by a

writing executed by each of the parties hereto.

23. **Time is of the Essence:** Time is of the essence in finalizing the terms of the Consent Decree and in carrying out the completion of the terms and obligations set forth herein.

24. **Informed Consent:** The parties hereto warrant and represent that they have read and understand this Agreement, have consulted with their respective legal counsel regarding its effect, and have all necessary authority to execute and deliver this Agreement, including all ancillary agreements or other documents required to be executed in connection herewith.

25. **Counterpart, Facsimile Execution:** This Agreement may be executed in counter-parts, all of which counter-parts together shall constitute one agreement. Telefacsimiled or e-mailed signatures are valid and binding.

26. **No Admission:** This Agreement and its execution and performance do not constitute an admission by any of the parties hereto as to their liability or damages suffered with respect to any claims being resolved or released by this Agreement.

27. **No Liability Assumed:** Fisher shall not assume any liability for work performed by PFD under this Agreement or any Consent Decree that is eventually approved by the Court, nor is Plaintiff Fisher deemed an agent of PFD because of her role in any work performed under this Agreement or any Consent Decree that is approved by the Court.

PFD does not undertake any responsibility and shall not assume any liability for the activity of or work performed by the Committee or its attorneys or consultants, nor is PFD deemed an agent of the Committee or its agents or consultants in connection with the work of the Committee.

28. **Notices:** Notices or tenders sent or made in connection with this

Agreement shall be made by 1) telefacsimile or e-mail with a copy by First Class Mail, or 2) by hand delivery, addressed as follows:

IF TO PERMA-FIX OF DAYTON, INC.:

Mr. Scott Ellis
Business, Government & Legal Affairs Manager Perma-
Fix Environmental Services, Inc.
701 Scarboro Road
Suite 300
Oak Ridge, Tennessee 37830
(865) 813-1301 - facsimile
sellis@perma-fix.com - e-mail

with a copy to:

Mr. Paul T. Fox
Greenberg Traurig, LLP
77 West Wacker Dr. Suite 2500
Chicago, Illinois 60601
(312) 899-0314 - facsimile
foxp@gtlaw.com - e-mail

or to such other individual as may be designated in writing by PFD.

IF TO FISHER:

Ms. Barbara Fisher
43 West End Avenue
Dayton, Ohio 45247

with copies to:

Mr. Ellis Jacobs
Advocates for Basic Legal Equality, Inc. 333 W.
First St., Suite 500B
Dayton, OH 45402
(937) 449-8131 - facsimile
ejacobs@ablelaw.org - e-mail

and

Mr. D. David Altman
David Altman Co., LPA

15 East Eighth St.
Suite 200W
Cincinnati, Ohio 45202
(513) 721-2299 - facsimile
daltman@one.net - e-mail

or such other individual as may be designated in writing by Ms. Fisher.

29. Governing Law: This Agreement is deemed to have been made in Montgomery County, Ohio and shall be governed by the contract law of the State of Ohio and other applicable Ohio and federal law. The parties expressly agree that this Agreement shall be construed as if jointly drafted by counsel for the respective parties.

30. Date of Execution: This Agreement shall be deemed fully executed on the date it is executed by all of the parties hereto.

In Witness Whereof, this Agreement has been entered into this 19th day of December ~~November~~, 2007.

PERMA-FIX OF DAYTON, INC.,

By:

____

____
Its Duly Authorized Representative

____
BARBARA FISHER

15 East Eighth St.
Suite 200W
Cincinnati, Ohio 45202
(513) 721-2299 - facsimile
daltman@one.net - e-mail

or such other individual as may be designated in writing by Ms. Fisher.

29. Governing Law: This Agreement is deemed to have been made in Montgomery County, Ohio and shall be governed by the contract law of the State of Ohio and other applicable Ohio and federal law. The parties expressly agree that this Agreement shall be construed as if jointly drafted by counsel for the respective parties.

30. Date of Execution: This Agreement shall be deemed fully executed on the date it is executed by all of the parties hereto.

In Witness Whereof, this Agreement has been entered into this ____ day of December, 2007.

PERMA-FIX OF DAYTON, INC.,

By:

Vice President
Its Duly Authorized Representative

____

BARBARA FISHER

CONFIDENTIAL

EXHIBIT A – SETTLEMENT AMOUNT

The Settlement Amount, as defined in Paragraph 7 of the Settlement Agreement, is $25,000 U.S. Dollars. The dollar amount of the Settlement Amount shall be kept confidential in accordance with the terms of Paragraph 20 of the Settlement Agreement.

BENEFICIARY:
ELLIS JACOBS, ESQ. OR THE
SUCCESSOR (AS DEFINED BELOW)
SEE BELOW FOR COMPLETE NAME/ADDRESS
DAYTON, OH 45402

APPLICANT:
PERMA-FIX OF DAYTON, INC.
ATTN: JOANIE INGRAM
8302 DUNWOODY PLACE, SUITE 250
ATLANTA, GA 30350

IRREVOCABLE STANDBY LETTER OF CREDIT

OUR REFERENCE:	18108502-00-000
AMOUNT:	USD $100,000.00
ISSUE DATE:	DECEMBER 20, 2007
EXPIRY DATE:	DECEMBER 20, 2008
EXPIRY PLACE:	OUR COUNTERS

BENEFICIARY COMPLETE NAME AND ADDRESS TO READ AS FOLLOWS:

ELLIS JACOBS, ESQ. OR THE
SUCCESSOR (AS DEFINED BELOW)
C/O ADVOCATES FOR BASIC LEGAL EQUALITY, INC.
333 W. FIRST ST., SUITE 500B
DAYTON, OH 45402

DRAFT

PNC BANK, NATIONAL ASSOCIATION (THE "BANK") HEREBY ESTABLISHES IN FAVOR OF ELLIS JACOBS, ESQ. ("JACOBS") OR, IN THE EVENT OF HIS DEATH, DISABILITY OR UNAVAILABILITY, A SUCCESSOR APPROVED IN WRITING BY PERMA-FIX OF DAYTON, INC (THE "SUCCESSOR") (EACH OF JACOBS AND/OR THE SUCCESSOR BEING A "BENEFICIARY" HEREUNDER, AND EACH WITH THE AUTHORITY TO ACT ALONE IN MAKING ANY DRAWINGS HEREUNDER) FOR THE ACCOUNT OF PERMA-FIX OF DAYTON, INC., A OHIO CORPORATION (THE "COMPANY"), ITS IRREVOCABLE LETTER OF CREDIT NO. 18108502-00-000 (THIS "LETTER OF CREDIT") IN THE AMOUNT OF ONE HUNDRED THOUSAND AND 00/100THS UNITED STATES DOLLARS (US $100,000.00), EFFECTIVE IMMEDIATELY AND EXPIRING AT 5:00 P.M., PITTSBURGH, PENNSYLVANIA TIME, ON DECEMBER 20, 2008 (THE "EXPIRATION DATE") OR IF THE EXPIRATION DATE IS NOT A BUSINESS DAY (AS HEREINAFTER DEFINED) ON THE NEXT SUCCEEDING BUSINESS DAY, UNLESS TERMINATED EARLIER IN ACCORDANCE WITH THE PROVISIONS HEREOF.

THIS LETTER OF CREDIT IS BEING ISSUED AS "LETTER OF CREDIT A" IN CONNECTION WITH THAT CERTAIN SETTLEMENT AGREEMENT (THE "SETTLEMENT AGREEMENT") BETWEEN THE COMPANY AND BARBARA FISHER DATED DECEMBER 19, 2007, PURSUANT TO WHICH THE COMPANY HAS AGREED TO MAKE PAYMENT THROUGH THIS DIRECT PAY IRREVOCABLE LETTER OF CREDIT. ALL CAPITALIZED TERMS USED BUT NOT DEFINED HEREIN SHALL HAVE THE MEANINGS ASCRIBED THERETO IN THE SETTLEMENT AGREEMENT.

AS USED IN THIS LETTER OF CREDIT, THE TERM "BUSINESS DAY" SHALL MEAN ANY DAY OF THE YEAR, OTHER THAN A SATURDAY OR A SUNDAY, ON WHICH BANKS LOCATED IN PITTSBURGH, PENNSYLVANIA, ARE NOT REQUIRED OR AUTHORIZED BY LAW TO REMAIN CLOSED OR ON WHICH THE NEW YORK STOCK EXCHANGE IS NOT CLOSED.

DRAFT

THE BENEFICIARY IS HEREBY IRREVOCABLY AUTHORIZED TO DRAW ON US, FOR THE ACCOUNT OF THE COMPANY, IN ACCORDANCE WITH THE TERMS AND CONDITIONS HEREOF, AN AGGREGATE AMOUNT NOT EXCEEDING ONE HUNDRED THOUSAND AND 00/100THS UNITED STATES DOLLARS (US $100,000) (THE "STATED AMOUNT"). ALL DRAWINGS UNDER THIS LETTER OF CREDIT WILL BE PAID WITH OUR OWN FUNDS AND WILL NOT BE PAID DIRECTLY OR INDIRECTLY FROM FUNDS OR COLLATERAL ON DEPOSIT WITH OR FOR THE ACCOUNT OF, OR PLEDGED WITH OR FOR THE ACCOUNT OF, THE BANK BY THE COMPANY.

FUNDS UNDER THIS LETTER OF CREDIT ARE ONLY AVAILABLE TO THE BENEFICIARY AGAINST A SIGHT DRAFT DRAWN ON US, SUBSTANTIALLY IN THE FORM OF EXHIBIT 1 HERETO (THE "SIGHT DRAFT"), STATING ON ITS FACE: "DRAWN UNDER PNC BANK, NATIONAL ASSOCIATION, LETTER OF CREDIT NO. 18108502-00-000" AND UPON THE BENEFICIARY'S PRESENTING TO US THE WRITTEN CERTIFICATE IN THE FORM OF EXHIBIT 2 HERETO (THE "CERTIFICATE"). DRAWS UNDER THIS LETTER OF CREDIT WILL BE PAID BY WIRE TRANSFER AS DIRECTED IN THE SIGHT DRAFT.

PRESENTATION OF THE SIGHT DRAFT AND CERTIFICATE SHALL BE MADE ON A BUSINESS DAY AT OUR OFFICE LOCATED AT 500 FIRST AVENUE, 3RD FLOOR, PITTSBURGH, PENNSYLVANIA 15219 (ATTENTION: STANDBY LC DEPARTMENT) OR ANY OTHER OFFICE MAINTAINED BY BANK. IF WE RECEIVE SUCH SIGHT DRAFT AND CERTIFICATE AT SUCH OFFICE, ALL IN STRICT CONFORMITY WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT, ON OR PRIOR TO THE TERMINATION HEREOF, WE WILL HONOR THE SAME AND MAKE PAYMENT HEREUNDER. IF THE SIGHT DRAFT AND CERTIFICATE ARE PRESENTED TO US AS AFORESAID BY 11:00 A.M., PITTSBURGH, PENNSYLVANIA TIME, PAYMENT WILL BE MADE, IN IMMEDIATELY AVAILABLE FUNDS BY WIRE TRANSFER BY 12:00 P.M., ON THE NEXT SUCCEEDING BUSINESS DAY FOLLOWING PRESENTATION; OTHERWISE, PAYMENT WILL BE MADE, IN IMMEDIATELY AVAILABLE FUNDS BY WIRE TRANSFER, BY 10:00 A.M ON THE THIRD BUSINESS DAY FOLLOWING PRESENTMENT. IF REQUESTED BY THE BENEFICIARY, PAYMENT MAY BE MADE BY DEPOSIT OF SUCH FUNDS INTO A DESIGNATED BANK ACCOUNT MAINTAINED BY THE BENEFICIARY.

ONLY THE BENEFICIARY OR THE SUCCESSOR MAY MAKE A DRAWING UNDER THIS LETTER OF CREDIT. UPON THE PAYMENT OF THE AMOUNT SPECIFIED IN THE SIGHT DRAFT AS DESIGNATED IN THE SIGHT DRAFT, WE WILL BE FULLY DISCHARGED OF OUR OBLIGATION UNDER THIS LETTER OF CREDIT WITH RESPECT TO SUCH SIGHT DRAFT AND SHALL NOT THEREAFTER BE OBLIGATED TO MAKE ANY FURTHER PAYMENTS UNDER THIS LETTER OF CREDIT IN RESPECT OF SUCH SIGHT DRAFT. BY PAYING THE AMOUNT DEMANDED IN SUCH SIGHT DRAFT WE MAKE NO REPRESENTATION AS TO THE CORRECTNESS OF THE AMOUNT DEMANDED IN SUCH SIGHT DRAFT. THE BANK SHALL NOT BE CALLED UPON TO DETERMINE QUESTIONS OF FACT OR LAW AT ISSUE BETWEEN THE BANK'S CUSTOMER AND THE BENEFICIARY OF THIS LETTER OF CREDIT.

THIS LETTER OF CREDIT SHALL AUTOMATICALLY TERMINATE WITHOUT ANY ACTION OR NOTICE AND SHALL BE DELIVERED TO US FOR CANCELLATION UPON THE EARLIEST OF: (I) THE MAKING BY THE BENEFICIARY OF THE DRAWING AVAILABLE TO BE MADE HEREUNDER; (II) OUR RECEIPT OF A WRITTEN CERTIFICATE SIGNED BY A BENEFICIARY AND AN OFFICER OF THE COMPANY STATING THAT THE TERMS OF THE SETTLEMENT AGREEMENT ALLOWING TERMINATION OF THIS LETTER OF CREDIT HAVE OCCURRED; OR (III) THE OCCURRENCE OF THE EXPIRATION DATE.

THIS LETTER OF CREDIT WILL BE AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ADDITIONAL PERIODS OF ONE YEAR FROM THE EXPIRATION DATE STATED

ABOVE OR ANY EXTENDED EXPIRATION DATES; UNLESS WE ARE PROVIDED WITH, FIVE BUSINESS DAYS PRIOR TO THE EXPIRATION DATE, A JOINT WRITTEN DIRECTION PURPORTEDLY SIGNED BY BOTH (1) THE BENEFICIARY (OR HIS SUCCESSOR) AND (2) AN AUTHORIZED REPRESENTATIVE OF THE APPLICANT STATING THAT LETTER OF CREDIT NO. 18108502-00-000 SHALL EXPIRE AND SHALL NOT AUTOMATICALLY RENEW.

THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES/ISP98, INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590" (THE "ISP 98"). THIS LETTER OF CREDIT SHALL BE DEEMED TO BE MADE UNDER THE LAWS OF THE STATE OF OHIO, AND SHALL, AS TO MATTERS NOT GOVERNED BY THE ISP 98, BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OHIO.

COMMUNICATIONS WITH RESPECT TO THIS LETTER OF CREDIT SHALL BE IN WRITING AND SHALL BE ADDRESSED TO US AT 500 FIRST AVENUE, 3RD FLOOR, PITTSBURGH, PENNSYLVANIA 15219 (ATTENTION: STANDBY LC DEPARTMENT), SPECIFICALLY REFERRING TO THE NUMBER OF THIS LETTER OF CREDIT.

THIS LETTER OF CREDIT SETS FORTH IN FULL OUR UNDERTAKING AND SHALL NOT IN ANY WAY BE MODIFIED, AMENDED, AMPLIFIED OR LIMITED BY REFERENCE TO ANY DOCUMENT, INSTRUMENT OR AGREEMENT REFERRED TO HEREIN (INCLUDING, WITHOUT LIMITATION, THE LOAN AGREEMENT), EXCEPT ONLY THE CERTIFICATE AND THE DRAFT REFERRED TO HEREIN; AND ANY SUCH REFERENCE SHALL NOT BE DEEMED TO INCORPORATE HEREIN BY REFERENCE ANY DOCUMENT, INSTRUMENT OR AGREEMENT EXCEPT FOR SUCH CERTIFICATE AND SUCH DRAFT.

PNC BANK, NATIONAL ASSOCIATION
GLOBAL TRADE SERVICE OPERATIONS

DRAFT

DRAFT

EXHIBIT 1

SIGHT DRAFT

_______________, 20__

FOR VALUE RECEIVED

Pay on Demand to: ______________________________ Trust Account, One Hundred Thousand and 00/100 United States Dollars in immediately available funds by wire transfer as follows:

Bank Name: ______________________________

Account Name: ______________________________

Routing No.: ______________________________

Account No: ______________________________

Charge to account of Perma-Fix of Dayton, Inc., an Ohio corporation.

Drawn under PNC Bank, National Association Letter of Credit No. __________.

TO: PNC Bank, National Association
Standby LC Department
500 First Avenue, 3rd Floor
Pittsburgh, Pennsylvania 15219

____
Ellis Jacobs, Esq.

or

____
Name: ______________________________
As Successor

(The signature of only one of the foregoing individuals shall be required)

DRAFT

EXHIBIT 2

CERTIFICATE

The undersigned Beneficiary or Successor Beneficiary hereby certifies to PNC Bank, National Association (the "Bank") with reference to PNC Bank, National Association Irrevocable Letter of Credit No. ___________ (the "Letter of Credit," the capitalized terms defined therein and not defined herein being used as therein defined) issued by the Bank in favor of the Beneficiary that:

(1) The undersigned Beneficiary or Successor Beneficiary is making a drawing under the Letter of Credit with respect to payment due under the Settlement Agreement.

(2) The undersigned Beneficiary or Successor Beneficiary hereby certify either that:

(i) The conditions described in Paragraph 8A. of the Settlement Agreement have occurred entitling the Beneficiary to draw under the Letter of Credit; OR

(ii) The conditions described in Paragraph 8B. of the Settlement Agreement have occurred entitling the Beneficiary to draw under the Letter of Credit.

(2) The maximum amount due and payable under this Letter of Credit is $100,000. The amount of the draft accompanying this certificate does not exceed such amount.

IN WITNESS WHEREOF, the undersigned Beneficiary has executed and delivered this certificate as of this ____ day of _________, 20__.

____
Ellis Jacobs, Esq.

or

____
Name:___________________________
As Successor

(The signature on only one of the foregoing individuals shall be required)

BENEFICIARY:
D. DAVID ALTMAN, ESQ. OR THE
SUCCESSOR (AS DEFINED BELOW)
SEE BELOW FOR COMPLETE NAME/ADDRESS
CINCINNATI, OH 45202

APPLICANT:
PERMA-FIX OF DAYTON, INC.
ATTN: JOANIE INGRAM
6302 DUNWOODY PLACE, SUITE 250
ATLANTA, GA 30350

IRREVOCABLE STANDBY LETTER OF CREDIT

OUR REFERENCE:	18108503-00-000
AMOUNT:	USD $1,200,000.00
ISSUE DATE:	DECEMBER 20, 2007
EXPIRY DATE:	DECEMBER 20, 2008
EXPIRY PLACE:	OUR COUNTERS

DRAFT

BENEFICIARY COMPLETE NAME AND ADDRESS TO READ AS FOLLOWS:

D. DAVID ALTMAN, ESQ. OR THE
SUCCESSOR (AS DEFINED BELOW)
C/O D. DAVID ALTMAN CO., L.P.A.
15 E. EIGHTH STREET, SUITE 200W
CINCINNATI, OHIO 45202

PNC BANK, NATIONAL ASSOCIATION (THE "BANK") HEREBY ESTABLISHES IN FAVOR OF D. DAVID ALTMAN, ESQ ("ALTMAN") OR, IN THE EVENT OF HIS DEATH, DISABILITY OR UNAVAILABILITY, A SUCCESSOR APPROVED IN WRITING BY PERMA-FIX OF DAYTON, INC (THE "SUCCESSOR") (EACH OF ALTMAN AND/OR THE SUCCESSOR BEING A "BENEFICIARY" HEREUNDER, AND EACH WITH THE AUTHORITY TO ACT ALONE IN MAKING ANY DRAWINGS HEREUNDER) FOR THE ACCOUNT OF PERMA-FIX OF DAYTON, INC., A OHIO CORPORATION (THE "COMPANY"). ITS IRREVOCABLE LETTER OF CREDIT NO. 18108503-00-000 (THIS "LETTER OF CREDIT") IN THE AMOUNT OF ONE MILLION TWO HUNDRED THOUSAND AND 00/100 UNITED STATES DOLLARS (US $1,200,000), EFFECTIVE IMMEDIATELY AND EXPIRING AT 5:00 P.M., PITTSBURGH, PENNSYLVANIA TIME, ON DECEMBER 20, 2008 (THE "EXPIRATION DATE") OR IF THE EXPIRATION DATE IS NOT A BUSINESS DAY (AS HEREINAFTER DEFINED) ON THE NEXT SUCCEEDING BUSINESS DAY, UNLESS TERMINATED EARLIER IN ACCORDANCE WITH THE PROVISIONS HEREOF.

THIS LETTER OF CREDIT IS BEING ISSUED AS "LETTER OF CREDIT B" IN CONNECTION WITH THAT CERTAIN SETTLEMENT AGREEMENT (THE "SETTLEMENT AGREEMENT") BETWEEN THE COMPANY AND BARBARA FISHER DATED DECEMBER 19, 2007, PURSUANT TO WHICH THE COMPANY HAS AGREED TO MAKE PAYMENT THROUGH THIS DIRECT PAY IRREVOCABLE LETTER OF CREDIT. ALL CAPITALIZED TERMS USED BUT NOT DEFINED HEREIN SHALL HAVE THE MEANINGS ASCRIBED THERETO IN THE SETTLEMENT AGREEMENT.

AS USED IN THIS LETTER OF CREDIT, THE TERM "BUSINESS DAY" SHALL MEAN ANY DAY OF THE YEAR, OTHER THAN A SATURDAY OR A SUNDAY, ON WHICH BANKS LOCATED IN PITTSBURGH, PENNSYLVANIA, ARE NOT REQUIRED OR AUTHORIZED BY LAW TO REMAIN CLOSED OR ON WHICH THE NEW YORK STOCK EXCHANGE IS NOT CLOSED.

THE BENEFICIARY IS HEREBY IRREVOCABLY AUTHORIZED TO DRAW ON US, FOR THE ACCOUNT OF THE COMPANY, IN ACCORDANCE WITH THE TERMS AND CONDITIONS HEREOF, AN AGGREGATE AMOUNT NOT EXCEEDING ONE MILLION TWO HUNDRED THOUSAND AND 00/100S UNITED STATES DOLLARS (US $1,200,000) (THE "STATED AMOUNT"). ALL DRAWINGS UNDER THIS LETTER OF CREDIT WILL BE PAID WITH OUR OWN FUNDS AND WILL NOT BE PAID DIRECTLY OR INDIRECTLY FROM FUNDS OR COLLATERAL ON DEPOSIT WITH OR FOR THE ACCOUNT OF, OR PLEDGED WITH OR FOR THE ACCOUNT OF, THE BANK BY THE COMPANY.

FUNDS UNDER THIS LETTER OF CREDIT ARE ONLY AVAILABLE TO THE BENEFICIARY AGAINST A SIGHT DRAFT DRAWN ON US, SUBSTANTIALLY IN THE FORM OF EXHIBIT 1 HERETO (THE "SIGHT DRAFT"), STATING ON ITS FACE: "DRAWN UNDER PNC BANK, NATIONAL ASSOCIATION, LETTER OF CREDIT NO. 18108503-00-000" AND UPON THE BENEFICIARY'S PRESENTING TO US THE WRITTEN CERTIFICATE IN THE FORM OF EXHIBIT 2 HERETO (THE "CERTIFICATE"). DRAWS UNDER THIS LETTER OF CREDIT WILL BE PAID BY WIRE TRANSFER AS DIRECTED IN THE SIGHT DRAFT.

PRESENTATION OF THE SIGHT DRAFT AND CERTIFICATE SHALL BE MADE ON A BUSINESS DAY AT OUR OFFICE LOCATED AT 500 FIRST AVENUE, 3RD FLOOR, PITTSBURGH, PENNSYLVANIA 15219 (ATTENTION: STANDBY LC DEPARTMENT) OR ANY OTHER OFFICE MAINTAINED BY BANK. IF WE RECEIVE SUCH SIGHT DRAFT AND CERTIFICATE AT SUCH OFFICE, ALL IN STRICT CONFORMITY WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT, ON OR PRIOR TO THE TERMINATION HEREOF, WE WILL HONOR THE SAME AND MAKE PAYMENT HEREUNDER. IF THE SIGHT DRAFT AND CERTIFICATE ARE PRESENTED TO US AS AFORESAID BY 11:00 A.M., PITTSBURGH, PENNSYLVANIA TIME, PAYMENT WILL BE MADE, IN IMMEDIATELY AVAILABLE FUNDS BY WIRE TRANSFER BY 12:00 P.M., ON THE NEXT SUCCEEDING BUSINESS DAY FOLLOWING PRESENTATION; OTHERWISE, PAYMENT WILL BE MADE, IN IMMEDIATELY AVAILABLE FUNDS BY WIRE TRANSFER, BY 10:00 A.M ON THE THIRD BUSINESS DAY FOLLOWING PRESENTMENT. IF REQUESTED BY THE BENEFICIARY, PAYMENT MAY BE MADE BY DEPOSIT OF SUCH FUNDS INTO A DESIGNATED BANK ACCOUNT MAINTAINED BY THE BENEFICIARY.

ONLY THE BENEFICIARY OR THE SUCCESSOR MAY MAKE A DRAWING UNDER THIS LETTER OF CREDIT. UPON THE PAYMENT OF THE AMOUNT SPECIFIED IN THE SIGHT DRAFT AS DESIGNATED IN THE SIGHT DRAFT, WE WILL BE FULLY DISCHARGED OF OUR OBLIGATION UNDER THIS LETTER OF CREDIT WITH RESPECT TO SUCH SIGHT DRAFT AND SHALL NOT THEREAFTER BE OBLIGATED TO MAKE ANY FURTHER PAYMENTS UNDER THIS LETTER OF CREDIT IN RESPECT OF SUCH SIGHT DRAFT. BY PAYING THE AMOUNT DEMANDED IN SUCH SIGHT DRAFT WE MAKE NO REPRESENTATION AS TO THE CORRECTNESS OF THE AMOUNT DEMANDED IN SUCH SIGHT DRAFT. THE BANK SHALL NOT BE CALLED UPON TO DETERMINE QUESTIONS OF FACT OR LAW AT ISSUE BETWEEN THE BANK'S CUSTOMER AND THE BENEFICIARY OF THIS LETTER OF CREDIT.

THIS LETTER OF CREDIT SHALL AUTOMATICALLY TERMINATE WITHOUT ANY ACTION OR NOTICE AND SHALL BE DELIVERED TO US FOR CANCELLATION UPON THE EARLIEST OF: (I) THE MAKING BY THE BENEFICIARY OF THE DRAWING AVAILABLE TO BE MADE HEREUNDER; (II) OUR RECEIPT OF A WRITTEN CERTIFICATE SIGNED BY A BENEFICIARY AND AN OFFICER OF THE COMPANY STATING THAT THE TERMS OF THE SETTLEMENT AGREEMENT ALLOWING TERMINATION OF THIS LETTER OF CREDIT HAVE OCCURRED; OR (III) THE OCCURRENCE OF THE EXPIRATION DATE.

THIS LETTER OF CREDIT WILL BE AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ADDITIONAL PERIODS OF ONE YEAR FROM THE EXPIRATION DATE STATED

DRAFT

ABOVE OR ANY EXTENDED EXPIRATION DATES; UNLESS WE ARE PROVIDED WITH, FIVE BUSINESS DAYS PRIOR TO THE EXPIRATION DATE, A JOINT WRITTEN DIRECTION PURPORTEDLY SIGNED BY BOTH (1) THE BENEFICIARY (OR HIS SUCCESSOR) AND (2) AN AUTHORIZED REPRESENTATIVE OF THE APPLICANT STATING THAT LETTER OF CREDIT NO.
18108503-00-000 SHALL EXPIRE AND SHALL NOT AUTOMATICALLY RENEW.

THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES/ISP98, INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590" (THE "ISP 98"). THIS LETTER OF CREDIT SHALL BE DEEMED TO BE MADE UNDER THE LAWS OF THE STATE OF OHIO, AND SHALL, AS TO MATTERS NOT GOVERNED BY THE ISP 98, BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OHIO.

COMMUNICATIONS WITH RESPECT TO THIS LETTER OF CREDIT SHALL BE IN WRITING AND SHALL BE ADDRESSED TO US AT 500 FIRST AVENUE, 3RD FLOOR, PITTSBURGH, PENNSYLVANIA 15219 (ATTENTION: STANDBY LC DEPARTMENT), SPECIFICALLY REFERRING TO THE NUMBER OF THIS LETTER OF CREDIT.

THIS LETTER OF CREDIT SETS FORTH IN FULL OUR UNDERTAKING AND SHALL NOT IN ANY WAY BE MODIFIED, AMENDED, AMPLIFIED OR LIMITED BY REFERENCE TO ANY DOCUMENT, INSTRUMENT OR AGREEMENT REFERRED TO HEREIN (INCLUDING, WITHOUT LIMITATION, THE LOAN AGREEMENT), EXCEPT ONLY THE CERTIFICATE AND THE DRAFT REFERRED TO HEREIN; AND ANY SUCH REFERENCE SHALL NOT BE DEEMED TO INCORPORATE HEREIN BY REFERENCE ANY DOCUMENT, INSTRUMENT OR AGREEMENT EXCEPT FOR SUCH CERTIFICATE AND SUCH DRAFT.

____

PNC BANK, NATIONAL ASSOCIATION
GLOBAL TRADE SERVICE OPERATIONS

DRAFT

EXHIBIT 1

SIGHT DRAFT

___________, 20__

FOR VALUE RECEIVED

Pay on Demand to: ______________________________Trust Account, One Million Two Hundred Thousand and 00/100 United States Dollars in immediately available funds by wire transfer as follows:

Bank Name: ______________________________

Account Name: ______________________________

Routing No.:______________________________

Account No:______________________________

Charge to account of Perma-Fix of Dayton, Inc., an Ohio corporation.

Drawn under PNC Bank, National Association Letter of Credit No. __________.

TO: PNC Bank, National Association
Standby LC Department
500 First Avenue, 3rd Floor
Pittsburgh, Pennsylvania 15219

____
D. David Altman Esq.

or

____
Name:__________________________
As Successor

(The signature of only one of the foregoing individuals shall be required)

EXHIBIT 2

CERTIFICATE

The undersigned Beneficiary or Successor Beneficiary hereby certifies to PNC Bank, National Association (the "Bank") with reference to PNC Bank, National Association Irrevocable Letter of Credit No. ____________ (the "Letter of Credit," the capitalized terms defined therein and not defined herein being used as therein defined) issued by the Bank in favor of the Beneficiary that:

(1) The undersigned Beneficiary or Successor Beneficiary is making a drawing under the Letter of Credit with respect to payment due under the Settlement Agreement.

(2) The undersigned Beneficiary or Successor Beneficiary hereby certify either that:

(i) The conditions described in Paragraph 8A. of the Settlement Agreement have occurred entitling the Beneficiary to draw under the Letter of Credit; OR

(ii) The conditions described in Paragraph 8B. of the Settlement Agreement have occurred entitling the Beneficiary to draw under the Letter of Credit.

(2) The maximum amount due and payable under this Letter of Credit is $1,200,000.00 The amount of the draft accompanying this certificate does not exceed such amount.

IN WITNESS WHEREOF, the undersigned Beneficiary has executed and delivered this certificate as of this _____ day of __________, 20__.

____
D. David Altman, Esq.

or

____
Name:__________________________
As Successor

(The signature on only one of the foregoing individuals shall be required)

BENEFICIARY:
ELLIS JACOBS, ESQ. OR THE
SUCCESSOR (AS DEFINED BELOW)
SEE BELOW FOR COMPLETE NAME/ADDRESS
DAYTON, OH 45402

APPLICANT:
PERMA-FIX OF DAYTON, INC.
ATTN: JOANIE INGRAM
8302 DUNWOODY PLACE, SUITE 250
ATLANTA, GA 30350

IRREVOCABLE STANDBY LETTER OF CREDIT

OUR REFERENCE:	18108504-00-000
AMOUNT:	USD $25,000.00
ISSUE DATE:	DECEMBER 20, 2007
EXPIRY DATE:	DECEMBER 20, 2008
EXPIRY PLACE:	OUR COUNTERS

BENEFICIARY COMPLETE NAME AND ADDRESS TO READ AS FOLLOWS: DRAFT

ELLIS JACOBS, ESQ. OR THE
SUCCESSOR (AS DEFINED BELOW)
C/O ADVOCATES FOR BASIC LEGAL EQUALITY, INC.
333 W. FIRST ST., SUITE 500B
DAYTON, OH 45402

PNC BANK, NATIONAL ASSOCIATION (THE "BANK") HEREBY ESTABLISHES IN FAVOR OF ELLIS JACOBS, ESQ. ("JACOBS") OR, IN THE EVENT OF HIS DEATH, DISABILITY OR UNAVAILABILITY, A SUCCESSOR APPROVED IN WRITING BY PERMA-FIX OF DAYTON, INC (THE "SUCCESSOR") (EACH OF JACOBS AND/OR THE SUCCESSOR BEING A "BENEFICIARY" HEREUNDER, AND EACH WITH THE AUTHORITY TO ACT ALONE IN MAKING ANY DRAWINGS HEREUNDER) FOR THE ACCOUNT OF PERMA-FIX OF DAYTON, INC., A OHIO CORPORATION (THE "COMPANY"), ITS IRREVOCABLE LETTER OF CREDIT NO. 18108504-00-000 (THIS "LETTER OF CREDIT") IN THE AMOUNT OF TWENTY FIVE THOUSAND AND 00/100S UNITED STATES DOLLARS (US $25,000), EFFECTIVE IMMEDIATELY AND EXPIRING AT 5:00 P.M., PITTSBURGH, PENNSYLVANIA TIME, ON DECEMBER 20, 2008 (THE "EXPIRATION DATE") OR IF THE EXPIRATION DATE IS NOT A BUSINESS DAY (AS HEREINAFTER DEFINED) ON THE NEXT SUCCEEDING BUSINESS DAY, UNLESS TERMINATED EARLIER IN ACCORDANCE WITH THE PROVISIONS HEREOF.

THIS LETTER OF CREDIT IS BEING ISSUED AS "LETTER OF CREDIT C" IN CONNECTION WITH THAT CERTAIN SETTLEMENT AGREEMENT (THE "SETTLEMENT AGREEMENT") BETWEEN THE COMPANY AND BARBARA FISHER DATED DECEMBER 19, 2007, PURSUANT TO WHICH THE COMPANY HAS AGREED TO MAKE PAYMENT THROUGH THIS DIRECT PAY IRREVOCABLE LETTER OF CREDIT. ALL CAPITALIZED TERMS USED BUT NOT DEFINED HEREIN SHALL HAVE THE MEANINGS ASCRIBED THERETO IN THE SETTLEMENT AGREEMENT.

AS USED IN THIS LETTER OF CREDIT, THE TERM "BUSINESS DAY" SHALL MEAN ANY DAY OF THE YEAR, OTHER THAN A SATURDAY OR A SUNDAY, ON WHICH BANKS LOCATED IN PITTSBURGH, PENNSYLVANIA, ARE NOT REQUIRED OR AUTHORIZED BY LAW TO REMAIN CLOSED OR ON WHICH THE NEW YORK STOCK EXCHANGE IS NOT CLOSED.

THE BENEFICIARY IS HEREBY IRREVOCABLY AUTHORIZED TO DRAW ON US, FOR THE ACCOUNT OF THE COMPANY, IN ACCORDANCE WITH THE TERMS AND CONDITIONS HEREOF, AN AGGREGATE AMOUNT NOT EXCEEDING TWENTY FIVE THOUSAND AND 00/100S UNITED STATES DOLLARS (US $25,000) (THE "STATED AMOUNT"). ALL DRAWINGS UNDER THIS LETTER OF CREDIT WILL BE PAID WITH OUR OWN FUNDS AND WILL NOT BE PAID DIRECTLY OR INDIRECTLY FROM FUNDS OR COLLATERAL ON DEPOSIT WITH OR FOR THE ACCOUNT OF, OR PLEDGED WITH OR FOR THE ACCOUNT OF, THE BANK BY THE COMPANY.

FUNDS UNDER THIS LETTER OF CREDIT ARE ONLY AVAILABLE TO THE BENEFICIARY AGAINST A SIGHT DRAFT DRAWN ON US, SUBSTANTIALLY IN THE FORM OF EXHIBIT 1 HERETO (THE "SIGHT DRAFT"), STATING ON ITS FACE: "DRAWN UNDER PNC BANK, NATIONAL ASSOCIATION, LETTER OF CREDIT NO. 18108504-00-000" AND UPON THE BENEFICIARY'S PRESENTING TO US THE WRITTEN CERTIFICATE IN THE FORM OF EXHIBIT 2 HERETO (THE "CERTIFICATE"). DRAWS UNDER THIS LETTER OF CREDIT WILL BE PAID BY WIRE TRANSFER AS DIRECTED IN THE SIGHT DRAFT.

PRESENTATION OF THE SIGHT DRAFT AND CERTIFICATE SHALL BE MADE ON A BUSINESS DAY AT OUR OFFICE LOCATED AT 500 FIRST AVENUE, 3RD FLOOR, PITTSBURGH, PENNSYLVANIA 15219 (ATTENTION: STANDBY LC DEPARTMENT) OR ANY OTHER OFFICE MAINTAINED BY BANK. IF WE RECEIVE SUCH SIGHT DRAFT AND CERTIFICATE AT SUCH OFFICE, ALL IN STRICT CONFORMITY WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT, ON OR PRIOR TO THE TERMINATION HEREOF, WE WILL HONOR THE SAME AND MAKE PAYMENT HEREUNDER. IF THE SIGHT DRAFT AND CERTIFICATE ARE PRESENTED TO US AS AFORESAID BY 11:00 A.M., PITTSBURGH, PENNSYLVANIA TIME, PAYMENT WILL BE MADE, IN IMMEDIATELY AVAILABLE FUNDS BY WIRE TRANSFER BY 12:00 P.M., ON THE NEXT SUCCEEDING BUSINESS DAY FOLLOWING PRESENTATION; OTHERWISE, PAYMENT WILL BE MADE, IN IMMEDIATELY AVAILABLE FUNDS BY WIRE TRANSFER, BY 10:00 A.M ON THE THIRD BUSINESS DAY FOLLOWING PRESENTMENT. IF REQUESTED BY THE BENEFICIARY, PAYMENT MAY BE MADE BY DEPOSIT OF SUCH FUNDS INTO A DESIGNATED BANK ACCOUNT MAINTAINED BY THE BENEFICIARY.

ONLY THE BENEFICIARY OR THE SUCCESSOR MAY MAKE A DRAWING UNDER THIS LETTER OF CREDIT. UPON THE PAYMENT OF THE AMOUNT SPECIFIED IN THE SIGHT DRAFT AS DESIGNATED IN THE SIGHT DRAFT, WE WILL BE FULLY DISCHARGED OF OUR OBLIGATION UNDER THIS LETTER OF CREDIT WITH RESPECT TO SUCH SIGHT DRAFT AND SHALL NOT THEREAFTER BE OBLIGATED TO MAKE ANY FURTHER PAYMENTS UNDER THIS LETTER OF CREDIT IN RESPECT OF SUCH SIGHT DRAFT. BY PAYING THE AMOUNT DEMANDED IN SUCH SIGHT DRAFT WE MAKE NO REPRESENTATION AS TO THE CORRECTNESS OF THE AMOUNT DEMANDED IN SUCH SIGHT DRAFT. THE BANK SHALL NOT BE CALLED UPON TO DETERMINE QUESTIONS OF FACT OR LAW AT ISSUE BETWEEN THE BANK'S CUSTOMER AND THE BENEFICIARY OF THIS LETTER OF CREDIT.

THIS LETTER OF CREDIT SHALL AUTOMATICALLY TERMINATE WITHOUT ANY ACTION OR NOTICE AND SHALL BE DELIVERED TO US FOR CANCELLATION UPON THE EARLIEST OF: (I) THE MAKING BY THE BENEFICIARY OF THE DRAWING AVAILABLE TO BE MADE HEREUNDER; (II) OUR RECEIPT OF A WRITTEN CERTIFICATE SIGNED BY A BENEFICIARY AND AN OFFICER OF THE COMPANY STATING THAT THE TERMS OF THE SETTLEMENT AGREEMENT ALLOWING TERMINATION OF THIS LETTER OF CREDIT HAVE OCCURRED; OR (III) THE OCCURRENCE OF THE EXPIRATION DATE.

THIS LETTER OF CREDIT WILL BE AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ADDITIONAL PERIODS OF ONE YEAR FROM THE EXPIRATION DATE STATED

DRAFT

ABOVE OR ANY EXTENDED EXPIRATION DATES; UNLESS WE ARE PROVIDED WITH, FIVE BUSINESS DAYS PRIOR TO THE EXPIRATION DATE, A JOINT WRITTEN DIRECTION PURPORTEDLY SIGNED BY BOTH (1) THE BENEFICIARY (OR HIS SUCCESSOR) AND (2) AN AUTHORIZED REPRESENTATIVE OF THE APPLICANT STATING THAT LETTER OF CREDIT NO.
18108504-00-000 SHALL EXPIRE AND SHALL NOT AUTOMATICALLY RENEW.

THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES/ISP98, INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590" (THE "ISP 98"). THIS LETTER OF CREDIT SHALL BE DEEMED TO BE MADE UNDER THE LAWS OF THE STATE OF OHIO, AND SHALL, AS TO MATTERS NOT GOVERNED BY THE ISP 98, BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OHIO.

COMMUNICATIONS WITH RESPECT TO THIS LETTER OF CREDIT SHALL BE IN WRITING AND SHALL BE ADDRESSED TO US AT 500 FIRST AVENUE, 3RD FLOOR, PITTSBURGH, PENNSYLVANIA 15219 (ATTENTION: STANDBY LC DEPARTMENT), SPECIFICALLY REFERRING TO THE NUMBER OF THIS LETTER OF CREDIT.

THIS LETTER OF CREDIT SETS FORTH IN FULL OUR UNDERTAKING AND SHALL NOT IN ANY WAY BE MODIFIED, AMENDED, AMPLIFIED OR LIMITED BY REFERENCE TO ANY DOCUMENT, INSTRUMENT OR AGREEMENT REFERRED TO HEREIN (INCLUDING, WITHOUT LIMITATION, THE LOAN AGREEMENT), EXCEPT ONLY THE CERTIFICATE AND THE DRAFT REFERRED TO HEREIN; AND ANY SUCH REFERENCE SHALL NOT BE DEEMED TO INCORPORATE HEREIN BY REFERENCE ANY DOCUMENT, INSTRUMENT OR AGREEMENT EXCEPT FOR SUCH CERTIFICATE AND SUCH DRAFT.

____

PNC BANK, NATIONAL ASSOCIATION
GLOBAL TRADE SERVICE OPERATIONS

EXHIBIT I

SIGHT DRAFT

____________, 20__

FOR VALUE RECEIVED

Pay on Demand to: ______________________________Trust Account, Twenty Five Thousand and 00/100 United States Dollars in immediately available funds by wire transfer as follows:

Bank Name: ____

Account Name: ______________________________________

Routing No.:_______________________________________

Account No:____

Charge to account of Perma-Fix of Dayton, Inc., an Ohio corporation.

Drawn under PNC Bank, National Association Letter of Credit No. __________.

TO: PNC Bank, National Association
Standby LC Department
500 First Avenue, 3rd Floor
Pittsburgh, Pennsylvania 15219

____
Ellis Jacobs, Esq.

or

____
Name:__________________________
As Successor

(The signature of only one of the foregoing individuals shall be required)

DRAFT

EXHIBIT 2

CERTIFICATE

The undersigned Beneficiary or Successor Beneficiary hereby certifies to PNC Bank; National Association (the "Bank") with reference to PNC Bank, National Association Irrevocable Letter of Credit No. __________ (the "Letter of Credit," the capitalized terms defined therein and not defined herein being used as therein defined) issued by the Bank in favor of the Beneficiary that:

(1) The undersigned Beneficiary or Successor Beneficiary is making a drawing under the Letter of Credit with respect to payment due under the Settlement Agreement.

(2) The undersigned Beneficiary or Successor Beneficiary hereby certify either that:

(i) The conditions described in Paragraph 8A. of the Settlement Agreement have occurred entitling the Beneficiary to draw under the Letter of Credit: OR

(ii) The conditions described in Paragraph 8B. of the Settlement Agreement have occurred entitling the Beneficiary to draw under the Letter of Credit.

(2) The maximum amount due and payable under this Letter of Credit is $25,000. The amount of the draft accompanying this certificate does not exceed such amount.

IN WITNESS WHEREOF, the undersigned Beneficiary has executed and delivered this certificate as of this ___ day of _______, 20__.

____
Ellis Jacobs, Esq.

or

____
Name:__________________________
As Successor

(The signature on only one of the foregoing individuals shall be required)

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

BARBARA FISHER, Plaintiff, and UNITED STATES OF AMERICA, Plaintiff-Intervenor, v. PERMA-FIX OF DAYTON, INC. Defendant.	)	Civil Action No. 3:04 CV 00418 Magistrate Judge Michael R. Merz

CONSENT DECREE

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WHEREAS on December 2, 2004, Plaintiff Barbara Fisher filed a Complaint in this action, alleging that Defendant Perma-Fix of Dayton, Inc. facility emitted odors, fumes, noxious materials, and other pollutants, which caused Plaintiff Fisher and others in her community to suffer adverse health effects, damage to property, and other injuries, and thus violated 1) Ohio Administrative Code 3745-3102 and 40 C.F.R. Part 52, 2) Ohio Administrative Code 3745-77, 42 U.S.C. §§ 7661a and 7661b, 3) 40 C.F.R. Part 63, Subpart DD, and 4) Ohio Administrative Code 3745-15-07 and 40 C.F.R. Part 52.

WHEREAS Plaintiff-Intervenor the United States of America, on behalf of the United States Environmental Protection Agency ("EPA"), filed an amended complaint in intervention in this action on August 24, 2006. The Amended Complaint in Intervention alleges that Defendant Perma-Fix of Dayton, Inc. ("PFD"), an off-site waste recovery operation, is a major source of hazardous air pollutants that failed to comply with specified requirements under the Act. Specifically, the Amended Complaint in Intervention alleges that 1) PFD failed to comply with the National Emission Standards for Hazardous Air Pollutants ("NESHAP") regulations for Off-Site Waste Recovery Operations ("OSWRO"), in violation of 40 C.F.R. Part 63, Subpart DD; 2) PFD failed to comply with the general NESHAP requirements at 40 C.F.R. Part 63, Subpart A incorporated by the OSWRO regulations; 3) PFD failed to apply for and operate under a Title V permit in violation of 42 U.S.C. § 7661a(a), 40 CFR §§ 70.5(a) and 70.7(b), and Ohio Administrative Code 3745-77; 4) PFD failed to apply for and obtain Permits to Install prior to installing various new emission sources, in violation of the Ohio State Implementation Plan, Ohio Admin. Code 3745-31-02; and 5) PFD failed to respond to a July 26, 2002, information request issued by EPA, as modified on August 14, 2003, in violation of Section 114(a) of the Act, 42 U.S.C. § 7414(a).

WHEREAS PFD has filed an Answer to the Amended Complaint in which it has denied the material allegations of the United States and asserted affirmative defenses to the claims asserted therein.

WHEREAS PFD denies any liability to the United States arising out of the transactions or occurrences alleged in the Amended Complaint in Intervention and has agreed to the terms of this Consent Decree in order to avoid the cost of further litigation with the United States and the distraction of its personnel from the operation of PFD's business.

WHEREAS Plaintiff Fisher and PFD represent that they have entered into an additional settlement agreement that is not incorporated in this Consent Decree. Plaintiff Fisher and PFD represent that they have agreed, as part of that settlement, that Fisher and her counsel will organize a Neighborhood Environmental Committee that will, as one means of addressing the Committee's concerns, meet, from time to time, with representatives of the Facility to discuss and seek to resolve issues of concern to the neighborhood and/or Perma-Fix (including all successors, transferees, and/or other entities or persons bound by this Consent Decree) arising out of operations at the Facility.

WHEREAS Plaintiff-Intervenor the United States and Defendant Perma-Fix of Dayton, Inc. recognize, and the Court by entering this Consent Decree finds, that this Consent Decree has been negotiated by the United States and PFD in good faith and will avoid further litigation between the United States and PFD and that this Consent Decree is fair, reasonable, and in the public interest.

NOW, THEREFORE, with the consent of the United States and PFD, IT IS HEREBY ADJUDGED, ORDERED, AND DECREED as follows:

I. JURISDICTION AND VENUE

1. This Court has jurisdiction over the subject matter of this action, pursuant to

28 U.S.C. §§ 1331, 1345, and 1355 and Section 113(b) of the Act, 42 U.S.C. § 7413(b), and over the United States and PFD. Venue lies in this District pursuant to Section 113(b) of the Act, 42 U.S.C. § 7413(b), and 28 U.S.C. §§ 1391(b) and (c) and 1395(a), because the violations alleged in the Amended Complaint in Intervention are alleged to have occurred in, and PFD conducts business in, this judicial district. For purposes of this Decree, or any action to enforce this Decree, the United States and PFD consent to the Court's jurisdiction over this Decree and any such action and over the United States and PFD, and consent to venue in this judicial district.

2. Solely for purposes of this Consent Decree, PFD agrees that the Amended Complaint in Intervention states claims upon which relief may be granted pursuant to Section 113 of the Clean Air Act ("Act"), 42 U.S.C. § 7413.

3. Notice of the commencement of this action has been given to the State of Ohio, as required by Section 113(b) of the Act, 42 U.S.C. § 7413(b).

II. APPLICABILITY

4. The obligations of this Consent Decree apply to and are binding upon the United States and upon PFD and any successors, assigns, or other entities or persons otherwise bound by law.

5. No transfer of ownership or operation of the Facility, whether in compliance with the procedures of this Paragraph or otherwise, shall relieve PFD of its obligation to ensure that the terms of the Decree are implemented, unless (1) the transferee agrees to undertake the obligations required by Sections V, VI, VII, VIII, and XI of this Decree and to be substituted for the PFD as a Party under the Decree and be thus bound by the terms thereof, and (2) the United States consents to relieve PFD of its obligations. The United States' decision to refuse to approve the

substitution of the transferee for PFD shall not be subject to judicial review. At least 30 days prior to such transfer, PFD shall provide a copy of this Consent Decree to the proposed transferee and shall simultaneously provide written notice of the prospective transfer, together with a copy of the proposed written agreement, to EPA Region 5 and the United States Department of Justice, in accordance with Section XIV of this Decree (Notices). Any attempt to transfer ownership or operation of the Facility without complying with the notice requirements of this Paragraph constitutes a violation of this Decree.

6. Financial Assurance. In order to ensure the full and final completion of the obligations of this Decree, PFD agrees that the Corporation will not dissolve without prior approval from the United States or, in the alternative, will not dissolve until it establishes and maintains a Performance Guarantee for the benefit of EPA in the amount of the value of any capital expenditures then remaining to be performed, which must be satisfactory in form and substance to EPA.

7. PFD shall provide a copy of this Consent Decree to all officers, employees, and agents whose duties might reasonably include compliance with any provision of this Decree, as well as to any contractor retained to perform work required under this Consent Decree. For any contractor retained to perform work required under this Consent Decree, PFD shall condition any such contract upon performance of the work in conformity with the terms of this Consent Decree.

8. In any action to enforce this Consent Decree, PFD shall not raise as a defense the failure by any of its officers, directors, employees, agents, or contractors to take any actions necessary to comply with the provisions of this Consent Decree.

III. DEFINITIONS

9. Terms used in this Consent decree that are defined in the Act or in regulations

promulgated pursuant to or otherwise authorized by the Act shall have the meanings assigned to them in the Act or such regulations, unless otherwise provided in this Decree. Whenever the terms set forth below are used in this Consent Decree, the following definitions shall apply:

a. "Bioplant" shall mean Bio-VDR (Tank T-703) and Bio-SBR (Tank T-705) and associated equipment used in the biological oxidation of organic wastewaters at the Facility.

b. "Complaint" shall mean the Amended Complaint in Intervention filed by Plaintiff-Intervenor the United States in this action;

c. "Consent Decree" or "Decree" shall mean this Decree and all appendices attached hereto (listed in Section XXIII);

d. "Day" shall mean a calendar day unless expressly stated to be a working day. In computing any period of time under this Consent Decree, where the last day would fall on a Saturday, Sunday, or federal holiday, the period shall run until the close of business of the next working day;

e. "Defendant" shall mean Perma-Fix of Dayton, Inc. or PFD;

f. "Effective Date" shall have the meaning set forth in Paragraph 101;

g. "EPA" shall mean the United States Environmental Protection Agency and any of its successor departments or agencies;

h. "Facility" shall mean the facility currently owned by PFD located at 300 Cherokee Drive, Dayton, Ohio, 45427 and generally depicted on the map attached hereto as Appendix B;

i. "Paragraph" shall mean a portion of this Decree identified by an arabic numeral;

j. "Parties" shall mean the United States and Defendant PFD;

k. "Section" shall mean a portion of this Decree identified by a roman numeral;

l. "United States" shall mean the United States of America, acting on behalf of EPA.

IV. CIVIL PENALTY

10. Within 30 days after the Effective Date of this Consent Decree, PFD shall pay the sum of $360,000 to the United States as a civil penalty. PFD shall pay the civil penalty due by FedWire Electronic Funds Transfer ("EFT") to the U.S. Department of Justice in accordance with written instructions to be provided to PFD, following lodging of the Consent Decree, by the Financial Litigation Unit of the U.S. Attorney's Office for the Southern District of Ohio, 303 Marconi Blvd., Columbus Ohio 43215, (614) 469-5715. At the time of payment, PFD shall send a copy of the EFT authorization form and the EFT transaction record, together with a transmittal letter, which shall state that the payment is for the civil penalty owed pursuant to the Consent Decree in Fisher, et al., v. Perma-Fix of Dayton, 3:04CV418 (S.D. Ohio), and shall reference the civil action number and DOJ case number 90-5-2-1-08318, to the United States in accordance with Section XIV of this Decree (Notices); by email to acctsreceivable.CINWD@epa.gov; and to:

EPA Cincinnati Finance Office
26 Martin Luther King Drive
Cincinnati, Ohio 45268.

V. COMPLIANCE REQUIREMENTS

General Requirements

11. PFD shall achieve and maintain compliance with the OSWRO regulations, 40 C.F.R. Part 63, Subpart DD, the applicable provisions of the General NESHAP regulations, 40 C.F.R. Part 63, Subpart A, as identified in Table 2 of Subpart DD, and Title V of the Clean Air Act, 42 U.S.C. § 7661 *et seq.*, consistent with the schedules set forth in this Decree and the applicable regulations.

12. Within 30 days of the Effective Date of this Decree, PFD shall install a permanent monitor that displays the pressure in the closed-vent system according to the requirements in 40 CFR § 63.693(c)(1)(ii). This monitor shall be placed such that if it indicates a vacuum is present in the closed vent system at that point, there is a vacuum in the entire closed vent system. PFD shall observe the monitor at least once per day on days of operation and shall record each observation. PFD shall also record each day that there was no vacuum present in the closed vent system on days of operation. In the event there is no negative pressure in the closed vent system, PFD shall take all necessary action to remedy the problem as soon as possible including, but not limited to, taking applicable actions prescribed in its Startup, Shutdown, and Malfunction plan. Records associated with these requirements shall be kept on site and available for inspection for at least 3 years.

13. Within 60 days of the Effective Date of this Decree, PFD shall install a Continuous Monitoring System to monitor the Regenerative Thermal Oxidizer ("RTO") combustion chamber temperature, recovery bed temperature, and RTO stack exhaust temperature. Monitoring performed by this system must conform to 40 C.F.R. § 63.695(e). Data will be subject to record-

keeping and reporting requirements of 40 C.F.R. Subparts DD and A at 40 C.F.R. §§ 63.696, 63.697.

14. Within 180 days after the Effective Date of this Decree, PFD shall comply with the OSWRO and General NESHAP provisions with respect to all units listed in Appendix A of this Decree and shall implement the respective controls identified for each unit in Appendix A. All tanks identified in Appendix A as requiring Level 2 controls shall comply with 40 C.F.R. § 63.685(d).

15. Within 90 days after the Effective Date of this Decree, PFD shall perform an engineering evaluation of airflow through the closed-vent system to the RTO to ensure the closed-vent system meets good engineering practices. PFD shall submit this evaluation to EPA and the Regional Air Pollution Control Agency ("RAPCA") within 120 days of the Effective Date of this Decree; the evaluation shall include a schedule for implementing its recommendations. In the event of any disagreement on the methods PFD uses or the conclusions the report reaches, the United States and PFD shall resolve the dispute pursuant to Paragraphs 76-84 for dispute resolution. PFD shall implement the recommendations of the engineering evaluation in accordance with the schedule and shall amend any PTI application already submitted to request additional control measures, if necessary. Irrespective of the engineering evaluation, the RTO shall meet the design and operation standards for closed-vent systems and their control devices as specified in 40 C.F.R. §§ 63.693 and 63.695.

16. For purposes of this Decree, a closed vent system is either (i) a system that is designed to operate with no detectable organic emissions using the procedure specified in 40 C.F.R. § 93.694(k), or (ii) a system that is designed to operate at a pressure below atmospheric pressure, where the system is equipped with at least one pressure gauge or other pressure

measurement device that can be read from a readily accessible location to verify that negative pressure is being maintained in the closed -vent system when the control device is operating.

17. Within 180 days of the Effective Date of this Decree, PFD shall vent displaced vapors from fuel oil loading and hazardous waste drum bulking to a control device, using a closed vent system as described in Paragraph 16 above and a control device that achieves 95% destruction of either total organic compounds or total HAP listed in Table 1 of 40 C.F.R 63, Subpart DD. All truck loading not vented to a control device pursuant to this Paragraph shall utilize submerged fill.

18. Within 180 days after the Effective Date of this Decree, PFD shall control the fume hood vents to atmosphere from the Building G laboratory with an organic vapor control device, which may be a carbon adsorption system. The system shall be designed and sized in order to remove compounds that are expected to be emitted by the laboratory, and shall be operated according to the manufacturer's specifications. If the organic vapor control device is a carbon adsorption system, PFD shall either replace or regenerate the carbon to remove captured volatile organic carbon when the unit fails to meet the manufacturer's performance specifications. PFD will monitor the concentration level of the organic compounds in the exhaust vent from the carbon adsorption system on a regular schedule, and when carbon breakthrough is indicated, immediately replace either the existing carbon canister with a new carbon canister or replace the existing carbon in the control device with fresh carbon. Measurement of the concentration level of the organic compounds in the exhaust vent stream must be made with a detection instrument that is appropriate for the composition of organic constituents in the vent stream and is routinely calibrated to measure the organic concentration level expected to occur at breakthrough. Records associated with these

requirements shall be kept on site and available for inspection for at least 3 years.

19. Within 120 days after the Effective Date of this Decree, PFD shall conduct a review of all operating equipment to ensure use of good engineering practices to reduce emissions, including identifying and addressing any equipment openings to the atmosphere, identifying and addressing any odorous operations, such as tank cleaning or routine spills, and identifying and addressing any process activities that may cause nuisance conditions. A report summarizing the review and proposed actions shall be submitted to EPA within 60 days after the review is completed, and PFD shall implement the plan within 180 days of submittal.

20. Within 180 days after the Effective Date of this Decree, PFD shall develop and submit to EPA and implement an environmental management plan to include the general categories set out in ISO 14000.

21. Within 120 days after the Effective Date of this Decree, PFD shall install and operate a data acquisition system for the pressure monitor located immediately upstream of the RTO fan. The data collection performed by this system shall conform with 40 C.F.R. § 63.695(e). Recordkeeping and reporting shall conform with 40 C.F.R.§§ 63.696, 63.697.

22. Within 120 days after the Effective Date of this Decree, PFD shall implement a community response plan including (1) public communication, (2) investigation procedures for responding to air pollution complaints, (3) quarterly newsletters, and (4) record keeping. PFD will share community response plan records with RAPCA at RAPCA's request. A report summarizing the community response plan shall be submitted to EPA within 60 days after the Effective Date of the Decree.

23. Within 180 days after the Effective Date of this Decree, PFD shall perform

an initial inspection and/or test of conservation vent setpoints on tanks subjected to Tank Level 1 Controls pursuant to Appendix A to this Decree, to confirm that the opening setpoint matches the tanks' design limits, in accordance with 40 C.F.R.§§ 63.902(c)(2), 63.905, and 63.906. Within 210 days after the Effective Date of this Decree, PFD shall submit to EPA the results of the initial inspection and/or test of conservation vent setpoints and shall state each tank's design rating, the setpoint at which the vent opens, and all supporting documentation.

24. PFD shall perform an annual visual inspection of all fixed roofs and conservation vents subject to Tank Level 1 Controls pursuant to Appendix A to this Decree. Inspections shall include visually checking equipment for defects that could result in air emissions, including, but not limited to, connections of the conservation vents to the tank roofs, and mechanical integrity of the pressure relief devices. PFD shall repair all detected defects as follows: PFD shall make first efforts at repair of the defect no later than 5 days after detection, and repair shall be completed as soon as possible but no later than 45 days after detection except that repair of a defect may be delayed beyond 45 days if PFD determines that repair of the defect requires emptying or temporary removal from service of the tank and no alternative tank capacity is available at the site to accept the regulated material normally managed in the tank. PFD shall prepare and maintain documentation describing the defect, explaining why alternative storage capacity is not available, and specify a schedule of action that will ensure the equipment will be repaired or the tank emptied as soon as possible. Repairs of defects, dates of inspections, and corrective actions taken to repair defects shall be recorded by PFD. Inspection and corrective action records shall be maintained at the facility, including the date of inspection, the location of the defect, a description of the defect, the date of detection, and corrective action taken to repair the defect, for a period of 5 years. In the

event that repair of the defect is delayed in accordance with this provision, PFD shall also record the reason for the delay and the date that completion of repair of the defect is expected.

25. PFD shall perform quarterly visual inspections of the closed vent system using the procedure outlined in 40 CFR § 63.695(c).

26. PFD shall perform a visual inspection of the wastewater transfer lines for defects that could result in liquid leaks on the wastewater transfer lines at least once a day on days of operation. PFD shall repair all detected liquid leaks as follows: PFD shall make first efforts at repair of the liquid leak no later than 5 days after detection, and repair shall be completed as soon as possible but no later than 45 days after detection except that repair of a defect may be delayed beyond 45 days if PFD determines that repair of the defect requires emptying or temporary removal from service of the transfer system and no alternative transfer system capacity is available at the site to accept the regulated material normally managed in the transfer system. PFD shall repair the defect the next time the process or unit that is generating the material handled by the transfer system stops operation. Repairs of liquid leaks, dates of inspections, and corrective actions taken to repair liquid leaks shall be recorded by PFD. Inspection and corrective action records shall be maintained at the facility, including the date of inspection, the location of the liquid leak, a description of the liquid leak, the date of detection, and corrective action taken to repair the liquid leak. In the event that repair of the defect is delayed in accordance with this provision, PFD shall also record the reason for the delay and the date that completion of repair of the defect is expected. Records of these inspections shall be kept on site, available for review, for a period of 5 years.

27. PFD shall not heat tanks S-6, S-7, S-13, S-14, S-21, S-22, S-23, S-24, S-28, and W-4 without installing, prior to heating, a closed-vent system as described in Paragraph 16

above which captures the emissions from the tank and vents those emissions to a control device that achieves 95% destruction of either total organic compounds or total HAP listed in Table 1 of 40 C.F.R Part 63, Subpart DD. To maintain an adequate volume of heated tank capacity during compliance activities, for a period not to exceed 180 days after the effective date of this Decree, Perma-Fix may take the following actions. Perma-Fix may temporarily heat any of the above tanks without connection to the closed vent system if that tank is being used as a direct replacement for a tank elsewhere in the facility that is out of service while it is being connected to the closed vent system. Perma-Fix may not heat more tanks than are necessary to provide replacement capacity for tanks taken out of service while being connected to the closed vent system. Any of the above tanks so heated must have the heating discontinued once the original tank is connected to the closed vent system and returned to service.

Standard Operating Procedures and Plans

28. Within 30 days of the Effective Date of this Decree, PFD shall implement and comply with the Containment Areas Standard Operating Procedure ("SOP") attached hereto as Appendix C.

29. Within 30 days of the Effective Date of this Decree, PFD shall implement and comply with the Bioplant SOP attached hereto as Appendix D.

30. Within 30 days of the Effective Date of this Decree, PFD shall implement and comply with the Solidification Process SOP attached hereto as Appendix E.

31. Within 90 days of the Effective Date of this Decree, PFD shall submit to EPA, with a copy to RAPCA, startup, shutdown, and malfunction plans as provided for in 40 C.F.R. § 63.6(e)(3) for all emission units listed in Appendix A.

32. Within 90 days of the Effective Date of this decree, PFD shall develop and submit to EPA, with a copy to RAPCA, an SOP that explains how PFD will load material into tanker trucks to comply with Paragraphs 11 and 17 of this Decree.

33. Within 120 days after the Effective Date of this Decree, PFD shall develop and submit to EPA, with a copy to RAPCA, an SOP that explains how PFD will limit materials accepted and handled in order to assure it will not violate its permits, Subpart DD, or cause excessive odors off-site.

Permits

34. Within 90 days after the Effective Date of this Decree, PFD shall apply to the Ohio Environmental Protection Agency through RAPCA for Permits to Install ("PTIs") for all units listed in Appendix A, and within 180 days after the Effective Date of this Decree, PFD shall submit a Clean Air Act Title V permit application pursuant to 40 C.F.R. Part 70 and the Ohio CAA Title V permit program at O.A.C. § 3745-77 to RAPCA, with copies of all applications sent to EPA. The PTI applications and the Title V Permit application shall provide all necessary information and meet all legal requirements in order for them to be complete, accurate, and approvable. PFD shall request as part of its PTI applications, which will be incorporated into its Title V permit application, the following enforceable provisions:

a. PFD shall request that the level of control identified for each unit in Appendix A be incorporated as federally enforceable requirements pursuant to O.A.C. § 3745-31, subject to RAPCA review and approval. Where Tank Level 2 controls are specified by Appendix A, PFD shall propose that the appropriate emission control is a closed vent system as described in Paragraph 16 above and a control device that achieves 95% destruction of either total organic compounds or total HAP listed in Table 1 of 40 C.F.R 63, Subpart DD.

b. PFD shall request that the following additional controls apply to the Bioplant:

i. For each day the bioplant is fed, the SBR and VDR must maintain DO levels above 1.0 ppm during the last two hours of the aeration stage of each batch. The SBR and VDR may fail to meet this limit, but not more than one batch every two calendar weeks, as long as the subsequent batch is extended so that the reactor is allowed to aerate until the DO level is above 1.0 ppm for at least two hours.

ii. The wastewater feed to the SBR and VDR shall have a maximum food to microorganism (F/M) ratio of 0.30, measured as lb TOC influent / lb MLVSS. The wastewater feed TOC shall be sampled and measured from the bioplant feed tank (currently T-706B). The MLVSS shall be sampled and measured from the SBR and VDR. Compliance with the F/M ratio shall be determined on a weekly average basis. The F/M shall be calculated on a daily basis.

iii. The bioplant blowers shall not supply more than a total of 4,500 acfm of air to the SBR and VDR, combined.

c. PFD shall request in their PTI applications that the requirements of Paragraphs 12, 17, 21, 24, 25, 26, and 27 be incorporated into the PTIs.

35. PFD shall submit copies of the Standard Operating Procedures for the Containment Areas, Bioplant, and Solidification Process described in Paragraphs 28, 29, and 30 as part of its PTI applications.

36. In the event there is a discrepancy between a PTI in existence as of the Effective Date of this Decree and any requirements of this Decree, PFD shall apply for a modification of the relevant PTI(s) to incorporate the level of control or operating practices specified in this Decree.

37. Approval of Deliverables. After review of any plan, report, or other item that is required to be submitted to the United States for approval pursuant to this Consent Decree, EPA shall in writing: (a) approve the submission; (b) approve the submission upon specified conditions; (c) approve part of the submission and disapprove the remainder; or (d) disapprove the submission.

38. If the submission is approved pursuant to Paragraph 37(a), PFD shall take all actions required by the plan, report, or other document, in accordance with the schedules and requirements of the plan, report, or other document, as approved. If the submission is conditionally approved or approved only in part, pursuant to Paragraph 37(b) or (c), PFD shall, upon written direction of EPA, take all actions required by the approved plan, report, or other item that EPA determines are technically severable from any disapproved portions, subject to PFD's right to dispute only the specified conditions or the disapproved portions, under Section X of this Decree (Dispute Resolution).

39. If the submission is disapproved in whole or in part pursuant to Paragraph 37(c) or (d), PFD shall, within 30 days or such other time as the United States and PFD agree to in writing, correct all deficiencies and resubmit the plan, report, or other item, or disapproved portion

thereof, for approval, in accordance with the preceding Paragraphs or invoke Dispute Resolution pursuant to Section X of this Decree. If the resubmission is approved in whole or in part, PFD shall proceed in accordance with the preceding Paragraph.

40. Any stipulated penalties applicable to the original submission, as provided in Section VIII of this Decree, shall accrue during the 30-day period or other specified period, but shall not be payable unless the resubmission is untimely or is disapproved in whole or in part; provided that, if the original submission was so deficient as to constitute a material breach of PFD's obligations under this Decree, the stipulated penalties applicable to the original submission shall be due and payable notwithstanding any subsequent resubmission.

41. If a resubmitted plan, report, or other item, or portion thereof, is disapproved in whole or in part, EPA may again require PFD to correct any deficiencies, in accordance with the preceding Paragraphs, or may itself correct any deficiencies, subject to PFD's right to invoke Dispute Resolution and the right of EPA to seek stipulated penalties as provided in the preceding Paragraphs.

42. Permits. Where any compliance obligation under this Section requires PFD to obtain a federal, state, or local permit or approval, PFD shall submit timely and complete applications and take all other actions reasonably necessary to obtain all such permits or approvals. PFD may seek relief under the provisions of Section IX of this Consent Decree (Force Majeure) for any delay in the performance of any such obligation resulting from a failure to obtain, or a delay in obtaining, any permit or approval required to fulfill such obligation beyond PFD's reasonable control, so long as PFD has submitted timely and complete applications and has taken all other actions reasonably necessary to obtain all such permits or approvals.

VI. SUPPLEMENTAL ENVIRONMENTAL PROJECTS

43. PFD shall implement the following Supplemental Environmental Projects ("SEPs") as described in Appendix F to this Consent Decree: (1) painting of unheated tanks; (2) addition of demister to the RTO; and (3) addition of puff chamber to RTO. The SEPs shall be completed within 180 days after the effective date of this Decree. In implementing the SEP, PFD shall spend not less than $562,000 in eligible SEP costs. Eligible SEP costs include the costs of planning and implementing the SEPs.

44. PFD is responsible for the satisfactory completion of the SEPs in accordance with the requirements of this Decree. "Satisfactory completion" means that PFD shall complete the work in accordance with all work plans and specifications for the project and shall spend not less than the amount set forth in Paragraph 43. PFD may use contractors or consultants in planning and implementing the SEPs.

45. With regard to the SEPs, PFD certifies the truth and accuracy of each of the following:

a. that all cost information provided to EPA in connection with EPA's approval of the SEPs is complete and accurate and represents a fair estimate of the costs necessary to implement the SEPs;

b. that, as of the date of executing this Decree, PFD is not required to perform or develop the SEPs by any federal, state, or local law or regulation and is not required to perform or develop the SEPs by agreement, grant, or as injunctive relief awarded in any other action in any forum;

c. that the SEPs are not projects that PFD was planning or intending to construct, perform, or implement other than in settlement of the claims resolved in this Decree;

d. that PFD has not received and will not receive credit for the SEPs in any other enforcement action; and

e. that PFD will not receive any reimbursement for any portion of the SEPs from any other person.

46. SEP Completion Report

a. Within 30 days after the date set for completion of the SEPs, PFD shall submit a SEP Completion Report to the United States, in accordance with Section XIV of this Consent Decree (Notices). The SEP Completion Report shall contain the following information:

i. a detailed description of the SEPs as implemented;

ii. a description of any problems encountered in completing the SEPs and the solutions thereto;

iii. an itemized list of all eligible SEP costs;

iv. certification that the SEPs have been fully implemented pursuant to the provisions of this Decree; and

v. a description of the environmental and public health benefits resulting from implementation of the SEPs (with a quantification of the benefits and pollutant reductions, if feasible).

47. EPA may, in its sole discretion, require information in addition to that described in the preceding Paragraph, in order to determine the adequacy of SEP completion or eligibility of SEP costs, and PFD shall provide such information.

48. After receiving the SEP Completion Report, the United States shall notify

PFD whether or not PFD has satisfactorily completed the SEPs. If the SEPs have not been satisfactorily completed in accordance with all applicable work plans and schedules, or if the amount expended on performance of the SEPs is less than the amount set forth in Paragraph 43, stipulated penalties may be assessed under Section VIII of this Consent Decree.

49. Disputes concerning the satisfactory performance of the SEPs and the amount of eligible SEP costs may be resolved under Section X of this Decree (Dispute Resolution). No other disputes arising under this Section shall be subject to Dispute Resolution.

50. Each submission required under this Section shall be signed by an official with knowledge of the SEP and shall bear the certification language set forth in Paragraph 56.

51. Any public statement, oral or written, in print, film, or other media, made by PFD making reference to the SEPs under this Decree shall include the following language: "This project was undertaken in connection with the settlement of an enforcement action, <u>Fisher and the United States v. Perma-Fix of Dayton</u>, taken on behalf of the U.S. Environmental Protection Agency under the Clean Air Act."

52. For Federal Income Tax purposes, PFD agrees that it will neither capitalize into inventory or basis nor deduct any costs or expenditures incurred in performing the SEPs.

VII. <u>REPORTING REQUIREMENTS</u>

53. PFD shall submit the following reports:

a. Within 30 days after the end of each calendar-year quarter (*i.e.*, by April 30, July 30, October 30, and January 30) following the Effective Date of this Consent Decree, until termination of this Decree pursuant to Section XVIII, PFD shall submit a quarterly report for the preceding quarter that shall include (i) status of compliance measures; (ii) completion of milestones; (iii) problems encountered or anticipated, together with implemented or proposed solutions; (iv) status of permit applications; (v) a discussion of PFD's progress in satisfying its obligations in connection with the three SEPs under Section VI of this Decree including, at a minimum, a narrative description of activities undertaken; status of any construction or compliance measures, and a summary of costs incurred since the previous report; and (vi) other matters as identified by the United States and PFD.

b. The quarterly report shall also include a description of any non-compliance with the requirements of this Consent Decree and an explanation of the violation's likely cause and of the remedial steps taken, or to be taken, to prevent or minimize the effect and recurrence of such violation. If the cause of a violation cannot be fully explained at the time the report is due, PFD shall so state in the report. PFD shall investigate the cause of the violation and shall then submit an amendment to the report, including a full explanation of the cause of the violation, within 30 days of the day PFD becomes aware of the cause of the violation. Nothing in this Paragraph or the following Paragraph relieves PFD of its obligation to provide the notice required by Section IX of this Consent Decree (Force Majeure).

54. Whenever any violation of this Consent Decree or any other event affecting PFD's performance under this Decree, or the performance of its Facility, may pose an immediate threat to the public health or welfare or the environment, PFD shall notify EPA orally or by electronic or facsimile transmission as soon as possible, but no later than 24 hours after PFD first knew of the violation or event. This procedure is in addition to the requirements set forth in the preceding Paragraph.

55. All reports shall be submitted to the persons designated in Section XIV of this Consent Decree (Notices).

56. Each report submitted by PFD under this Section shall be signed by an official of the submitting party and include the following certification:

> I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

This certification requirement does not apply to emergency or similar notifications where compliance would be impractical.

57. The reporting requirements of this Consent Decree do not relieve PFD of any reporting obligations required by the Clean Air Act or implementing regulations, or by any other federal, state, or local law, regulation, permit, or other requirement.

58. Any information provided pursuant to this Consent Decree may be used by the United States in any proceeding to enforce the provisions of this Consent Decree and as otherwise permitted by law.

VIII. STIPULATED PENALTIES

59. PFD shall be liable for stipulated penalties to the United States for violations of this Consent Decree as specified below, unless excused under Section IX (Force Majeure). A violation includes failing to perform any obligation required by the terms of this Decree, including any work plan or schedule approved under this Decree, according to all applicable requirements of

this Decree and within the specified time schedules established by or approved under this Decree.

60. Late Payment of Civil Penalty If PFD fails to pay the civil penalty required to be paid under Section IV of this Decree (Civil Penalty) when due, PFD shall pay a stipulated penalty of $5,000 per day for each day that the payment is late.

61. Compliance Milestones

a. The following stipulated penalties shall accrue per violation per day for each violation of the requirements identified in Subparagraph b:

Penalty Per Violation Per Day	Period of Noncompliance
$2,500	1st through 14th day
$5,000	15th through 30th day
$7,500	31st day and beyond

b. Paragraphs 12, 13, 14, 15, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, and 36.

62. Reporting Requirements. The following stipulated penalties shall accrue per violation per day for each violation of the reporting requirements of Section VII of this Consent Decree:

Penalty Per Violation Per Day	Period of Noncompliance
$1,000	1st through 14th day
$2,000	15th through 30th day
$5,000	31st day and beyond

63. SEP Compliance

a. If PFD fails to satisfactorily complete the SEPs by the deadline set forth in Paragraph 43, PFD shall pay stipulated penalties for each day for which it fails to satisfactorily complete each SEP, as follows:

Penalty Per Violation Per Day	Period of Noncompliance
$2,500	1st through 14th day
$5,000	15th through 30th day
$7,500	31st day and beyond

b. If PFD fails to implement any of the three SEPs, or halts or abandons work on any of the three SEPs, PFD shall pay stipulated penalties as set forth below:

i. For failing to implement, halting or abandoning work on the painting of unheated tanks SEP, PFD shall pay a stipulated penalty of $65,000;

ii. For failing to implement, halting or abandoning work on the addition of demister to the RTO SEP, PFD shall pay a stipulated penalty of $185,000;

iii. For failing to implement, halting or abandoning work on the addition of puff chamber to the RTO SEP, PFD shall pay a stipulated penalty of $200,000.

The penalties under this subparagraph shall accrue as of the date specified for completing the SEP or the date performance ceases, whichever is earlier.

64. Except as provided in subparagraph 63.b. above, stipulated penalties under this Section shall begin to accrue on the first business day after performance is due or on the day a violation occurs, whichever is applicable, and shall continue to accrue until performance is satisfactorily completed or until the violation ceases. Stipulated penalties shall accrue simultaneously for separate violations of this Consent Decree.

65. PFD shall pay any stipulated penalty within 30 days of receiving the United States' written demand.

66. The United States may in the unreviewable exercise of its discretion, reduce or waive stipulated penalties otherwise due it under this Consent Decree.

67. Stipulated penalties shall continue to accrue as provided in Paragraph 64, during any Dispute Resolution, but need not be paid until the following:

a. If the dispute is resolved by agreement or by a decision of EPA that is not appealed to the Court, PFD shall pay accrued penalties determined to be owing, together with interest, to the United States within 30 days of the effective date of the agreement or the receipt of EPA's decision or order.

b. If the dispute is appealed to the Court and the United States prevails in whole or in part, PFD shall pay all accrued penalties determined by the Court to be owing, together with interest, within 60 days of receiving the Court's decision or order, except as provided in Subparagraph c, below. Nothing in this Subparagraph shall be construed to require payment of any penalties that the United States waived pursuant to Paragraph 66.

c. If any Party appeals the District Court's decision and the United States prevails in whole or in part, PFD shall pay all accrued penalties determined by the Court of Appeals to be owing, together with interest, within 15 days of receiving the final appellate court decision.

68. PFD shall pay stipulated penalties owing to the United States in the manner set forth and with the confirmation notices required by Paragraph 10, except that the transmittal letter shall state that the payment is for stipulated penalties and shall state for which violation(s) the penalties are being paid.

69. PFD shall not deduct stipulated penalties paid under this Section in calculating its federal income tax.

70. If PFD fails to pay stipulated penalties according to the terms of this Consent Decree, PFD shall be liable for interest on such penalties, as provided for in 28 U.S.C. § 1961, accruing as of the date payment became due. Nothing in this Paragraph shall be construed to limit the United States from seeking any remedy otherwise provided by law for PFD's failure to pay any stipulated penalties.

71. Subject to the provisions of Section XII of this Consent Decree (Effect of Settlement/Reservation of Rights), the stipulated penalties provided for in this Consent Decree shall be in addition to any other rights, remedies, or sanctions available to the United States for PFD's violation of this Consent Decree or applicable law. Where a violation of this Consent Decree is also a violation of the Act ("Act"), 42 U.S.C. § 7401 *et seq.*, and its implementing regulations, PFD shall be allowed a credit, for any stipulated penalties paid, against any statutory penalties imposed for such violation.

IX. FORCE MAJEURE

72. "Force majeure," for purposes of this Consent Decree, is defined as any event arising from causes beyond the control of PFD, of any entity controlled by PFD, or of PFD's contractors, that delays or prevents the performance of any obligation under this Consent Decree despite PFD's best efforts to fulfill the obligation. "Best efforts" includes anticipating any reasonably foreseeable potential force majeure event and addressing the effects of any such event (a) as it is occurring and (b) after it has occurred, to prevent or minimize any resulting delay to the greatest extent reasonably possible. "Force Majeure" does not include PFD's financial inability to

perform any obligation under this Consent Decree.

73. PFD shall provide notice orally or by electronic or facsimile transmission as soon as possible, but not later than 72 hours after the time PFD first knew of, or by the exercise of due diligence, should have known of, a claimed force majeure event. PFD shall also provide written notice, as provided in Section XIV of this Consent Decree (Notices), within seven days of the time PFD first knew of, or by the exercise of due diligence, should have known of, the event. The notice shall state the anticipated duration of any delay; its cause(s); PFD's past and proposed actions to prevent or minimize any delay; a schedule for carrying out those actions; and PFD's rationale for attributing any delay to a force majeure event. Failure to provide oral and written notice in a timely manner as required by this Paragraph shall preclude PFD from asserting any claim of force majeure, unless the delay was not reasonably avoidable based on all relevant circumstances.

74. If the United States agrees that a force majeure event has occurred, the United States may agree to extend the time for PFD to perform the affected requirements for the time necessary to complete those obligations. An extension of time to perform the obligations affected by a force majeure event shall not, by itself, extend the time to perform any other obligation not affected by a force majeure event.

75. If the United States does not agree that a force majeure event has occurred, or does not agree to the extension of time sought by PFD, the United States shall notify PFD of its position and the reason(s) therefor in writing. The United States' position shall be binding, unless PFD invokes Dispute Resolution under Section X of this Consent Decree. In any such dispute, PFD bears the burden of proving, by a preponderance of the evidence, that each claimed force majeure event is in fact a force majeure event within the meaning of this Section IX, that PFD gave the notice

required by Paragraph 73, that the force majeure event caused the delay PFD claims was attributable to that event, and that PFD exercised best efforts to prevent or minimize that delay.

X. DISPUTE RESOLUTION

76. Unless otherwise expressly provided for in this Consent Decree, the dispute resolution procedures of this Section shall be the exclusive mechanism to resolve disputes arising under or with respect to this Consent Decree. PFD's failure to seek resolution of a dispute under this Section shall preclude PFD from raising any such issue as a defense to an action by the United States to enforce any obligation of PFD arising under this Decree. The procedures set forth in this Section do not apply to actions by the United States to enforce obligations of PFD that have not been disputed in accordance with this Section.

77. Except as otherwise expressly provided in this Consent Decree, the dispute resolution procedures set forth in this Section X shall be available to resolve any and all disputes arising under this Consent Decree, provided that the Party invoking the procedures has made a good faith attempt to informally resolve the matter with the other Party involved.

78. The dispute resolution procedure required herein shall be invoked upon the giving of written notice by one of the Parties to this Consent Decree to the other advising the other Party of a dispute pursuant to Section X. The notice shall describe the nature of the dispute and shall state the noticing Party's position with regard to such dispute. The Party receiving such notice will acknowledge receipt of the notice and the Parties shall expeditiously schedule a meeting to discuss the dispute informally not later than fourteen (14) days from the receipt of such notice.

79. Disputes submitted to dispute resolution shall, in the first instance, be the subject of informal negotiations between the Parties. Such period of informal negotiations shall not

extend beyond thirty (30) days from the date of the first meeting between representatives of the Parties, unless the Parties agree that this period should be shortened or extended.

80. In the event that the Parties are unable to reach agreement during such informal negotiations period, the United States shall provide PFD with a written summary of its position regarding the dispute. The position advanced by the United States will be considered binding unless, within forty-five (45) days of PFD's receipt of the written summary, PFD invokes formal dispute resolution by filing with the Court a petition which describes the nature of the dispute and PFD's position on the dispute. The United States shall respond to the petition within forty-five (45) days of filing.

81. In a formal dispute resolution proceeding under this Section, PFD shall bear the burden of demonstrating that its position complies with this Consent Decree and the Act. The Court shall decide the dispute based upon applicable principles of law. The United States reserves the right to argue that its position is reviewable only on the administrative record and must be upheld unless arbitrary and capricious or otherwise not in accordance with law. PFD reserves the right to argue that the burden of proof for demonstrating that its position complies with this Consent Decree and the Act is by a preponderance of the evidence.

82. Where the nature of the dispute is such that a more timely resolution of the issue is required, the time periods set forth in this Section X may be shortened upon motion of one of the Parties to the dispute or by agreement of the Parties to the dispute.

83. The United States and PFD do not intend that the invocation of this Section X will cause the Court to draw any inferences nor establish any presumptions adverse to either United States or PFD as a result of invocation of this Section.

84. In appropriate circumstances, as part of the resolution of any matter submitted to this Court under this Section X, the United States and PFD may agree to, or the Court may order, an extension or modification of the schedule for completion of work under the Consent Decree to account for the delay in the work that occurred as a result of dispute resolution. PFD shall be liable for stipulated penalties for its failure thereafter to complete the work in accordance with the extended or modified schedule. Invocation of dispute resolution with respect to any of PFD's obligations under this Consent Decree shall not, of itself, excuse or extend the time for performance of any other obligation of PFD under this Consent Decree.

XI. INFORMATION COLLECTION AND RETENTION

85. The United States and its representatives, including attorneys, contractors, and consultants, shall have the right of entry into any facility covered by this Consent Decree, at all reasonable times, upon presentation of credentials, to:

a. monitor the progress of activities required under this Consent Decree;

b. verify any data or information submitted to the United States in accordance with the terms of this Consent Decree;

c. obtain samples and, upon request, splits of any samples taken by PFD or its representatives, contractors, or consultants;

d. obtain documentary evidence, including photographs and similar data; and

e. assess PFD's compliance with this Consent Decree.

86. Upon request, PFD shall provide EPA or its authorized representatives splits of any samples taken by PFD. Upon request, EPA shall provide PFD splits of any samples taken

by EPA.

87. PFD shall preserve and maintain, during the pendency of this Consent Decree, at least one legible copy of all reports required to be generated by PFD under this Consent Decree, together with documentation, in either electronic or hard copy form, of the research and data used to generate such reports or which otherwise demonstrate the performance of PFD's obligations under this Consent Decree. In addition, all memoranda, written or electronic communications, meeting minutes, and drafts prepared in connection with each report required to be generated by PFD under this Consent Decree, and relevant to the issue of the adequacy of PFD's performance of its obligations under this Consent Decree, shall be maintained until one (1) year following EPA's written approval of each final report, regardless of any corporate document retention policy to the contrary. Where a report does not require EPA's written approval such documents must be maintained until one (1) year after submission to EPA.

88. Notwithstanding the provisions of the above Paragraph, PFD may request in writing permission from EPA to not preserve, to not maintain, or to destroy certain specified categories of documents. PFD's obligations under the above Paragraph will remain unchanged, however, unless and until EPA in its discretion issues written approval of the request.

89. At the conclusion of the information-retention period provided in the preceding Paragraph, PFD shall notify the United States at least 90 days prior to the destruction of any documents, records, or other information subject to the requirements of the preceding Paragraph and, upon request by the United States, PFD shall deliver any such documents, records, or other information to EPA. PFD may assert that certain documents, records, or other information are privileged under the attorney-client privilege or any other privilege recognized by federal law. If

PFD asserts such a privilege, it shall provide the United States the following: (1) the title of the document, record, or information; (2) the date of the document, record, or information; (3) the name and title of each author of the document, record, or information; (4) the name and title of each addressee and recipient; (5) a description of the subject of the document, record, or information; and (6) the privilege asserted by PFD.

90. PFD may also assert that information required to be provided under this Section is protected as Confidential Business Information ("CBI") under 40 C.F.R. Part 2. As to any information that PFD seeks to protect as CBI, PFD shall follow the procedures set forth in 40 C.F.R. Part 2.

91. This Consent Decree in no way limits or affects any right of entry and inspection, or any right to obtain information, held by the United States pursuant to applicable federal laws, regulations, or permits, nor does it limit or affect any duty or obligation of PFD to maintain documents, records, or other information imposed by applicable federal or state laws, regulations, or permits.

XII. EFFECT OF SETTLEMENT/RESERVATION OF RIGHTS

92. This Consent Decree resolves only the civil claims of the United States for the violations alleged in the Amended Complaint in Intervention filed in this action, the claims for violations in EPA's Notice of Violation EPA-5-06-OH-5, the claims for violations in EPA's Finding of Violation EPA-5-04-OH-05, and the claims for violations in EPA's Administrative Order EPA-5-04-113(a)-OH-03, through the date of lodging of this Consent Decree. This Consent Decree does not limit or affect Plaintiff Fisher's right or ability to pursue her Fourth Claim for Relief, her Ohio Air Nuisance Claim pursuant to Ohio Administrative Code 3745-15-07.

93. The United States reserves all legal and equitable remedies available to enforce the provisions of this Consent Decree, except as expressly stated in Paragraph 92. This Consent Decree shall not be construed to limit the rights of the United States to obtain penalties or injunctive relief under the Act or implementing regulations, or under other federal laws, regulations, or permit conditions, except as expressly specified in Paragraph 92.

94. This Consent Decree is not a permit, or a modification of any permit, under any federal, State, or local laws or regulations. PFD is responsible for achieving and maintaining complete compliance with all applicable federal, State, and local laws, regulations, and permits; and PFD's compliance with this Consent Decree shall be no defense to any action commenced pursuant to any such laws, regulations, or permits. The United States does not, by its consent to the entry of this Consent Decree, warrant or aver in any manner that PFD's compliance with any aspect of this Consent Decree will result in compliance with provisions of the Act, 42 U.S.C. §§ 7401 *et seq.*, or with any other provisions of federal, State, or local laws, regulations, or permits.

95. This Consent Decree does not limit or affect the rights of PFD or of the United States against any third parties, not party to this Consent Decree, nor does it limit the rights of third parties, not party to this Consent Decree, against PFD, except as otherwise provided by law.

96. This Consent Decree shall not be construed to create rights in, or grant any cause of action to, any third party not party to this Consent Decree.

XIII. COSTS

97. The United States and PFD shall bear their own costs of this action, including attorneys' fees, except that the United States shall be entitled to collect the costs (including attorneys' fees) incurred in any action necessary to collect any portion of the civil penalty or any

stipulated penalties due but not paid by PFD.

XIV. NOTICES

98. Unless otherwise specified herein, whenever notifications, submissions, or communications are required by this Consent Decree, they shall be made in writing sent by U.S. Mail, with a copy sent by facsimile, and addressed as follows:

To the United States:

Chief, Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice
Box 7611 Ben Franklin Station
Washington, D.C. 20044-7611
Re: DOJ No. 90-5-2-1-08318

and

Compliance Tracker
U.S. Environmental Protection Agency
Region 5
77 West Jackson Blvd.
Mail Code: AE-17J
Chicago, IL 60604

To Perma-Fix

Mr. John Staton, or current Plant Manager	Scott Ellis
Perma-Fix of Dayton, Inc.	Business, Government & Legal Affairs Manager
300 Cherokee Drive	Perma-Fix Environmental Services, Inc.
Dayton, OH 45427	701 Scarboro Road, Suite 300
	Oak Ridge, TN 37830

99. Either the United States or PFD may, by written notice to the other Party, change its designated notice recipient or notice address provided above.

100. Notices submitted pursuant to this Section shall be deemed submitted upon mailing, unless otherwise provided in this Consent Decree or by mutual agreement of the United

States and PFD in writing.

XV. EFFECTIVE DATE

101. The Effective Date of this Consent Decree shall be the date upon which this Consent Decree is entered by the Court.

XVI. RETENTION OF JURISDICTION

102. The Court shall retain jurisdiction over this case until termination of this Consent Decree, for the purpose of resolving disputes arising under this Decree or entering orders modifying this Decree, pursuant to Sections X and XVII, or effectuating or enforcing compliance with the terms of this Decree.

XVII. MODIFICATION

103. The terms of this Consent Decree, including any attached appendices and Sections 1 and 7 from the Standard Operating Procedures , may be modified only by a subsequent written agreement signed by the United States and PFD. Where the modification constitutes a material change to this Decree, it shall be effective only upon approval by the Court. All sections of the Standard Operating Procedures other than Sections 1 and 7 may be modified without prior written agreement or approval of the United States.

104. Any disputes concerning modification of this Decree shall be resolved pursuant to Section X of this Decree (Dispute Resolution), provided, however, that, the Party seeking the modification bears the burden of demonstrating that it is entitled to the requested modification in accordance with Federal Rule of Civil Procedure 60(b).

XVIII. TERMINATION

105. After PFD has completed the requirements of Section V (Compliance Requirements) and Section VI (Supplemental Environmental Projects) of this Decree and has thereafter maintained continuous satisfactory compliance with this Consent Decree for a period of three years and has paid the civil penalty and any accrued stipulated penalties as required by this Consent Decree, PFD may serve upon the United States a Request for Termination, stating that PFD has satisfied those requirements, together with all necessary supporting documentation.

106. Following receipt by the United States of PFD's Request for Termination, the United States and PFD shall confer informally concerning the Request and any disagreement that the United States and PFD may have as to whether PFD has satisfactorily complied with the requirements for termination of this Consent Decree. If the United States agrees that the Decree may be terminated, the United States and PFD shall submit, for the Court's approval, a joint stipulation terminating the Decree.

107. If the United States does not agree that PFD has satisfied the requirements set forth in Paragraph 105 above, PFD may invoke Dispute Resolution under Section X of this Decree. However, PFD shall not seek Dispute Resolution of any dispute regarding termination until 60 days after service of its Request for Termination.

XIX. PUBLIC PARTICIPATION

108. This Consent Decree shall be lodged with the Court for a period of not less than 30 days for public notice and comment in accordance with 28 C.F.R. § 50.7. The United States reserves the right to withdraw or withhold its consent if the comments regarding the Consent Decree disclose facts or considerations indicating that the Consent Decree is inappropriate, improper, or

inadequate. PFD consents to entry of this Consent Decree without further notice and agrees not to withdraw from or oppose entry of this Consent Decree by the Court or to challenge any provision of the Decree, unless the United States has notified PFD in writing that it no longer supports entry of the Decree.

XX. SIGNATORIES/SERVICE

109. Each undersigned representative of PFD and the undersigned delegate of the Attorney General of the United States certifies that he or she is fully authorized to enter into the terms and conditions of this Consent Decree and to execute and legally bind the Party he or she represents to this document.

110. This Consent Decree may be signed in counterparts, and its validity shall not be challenged on that basis. The Parties agree to accept service of process by mail, with a copy by facsimile, with respect to all matters arising under or relating to this Consent Decree and to waive the formal service requirements set forth in Rules 4 and 5 of the Federal Rules of Civil Procedure and any applicable Local Rules of this Court including, but not limited to, service of a summons; service is deemed complete upon mailing.

XXI. INTEGRATION

111. This Consent Decree constitutes the final, complete, and exclusive agreement and understanding among the United States and PFD with respect to the settlement embodied in the Decree and supersedes all prior agreements and understandings, whether oral or written, concerning the settlement embodied herein. Other than deliverables that are subsequently submitted and approved pursuant to this Decree, no other document, nor any representation, inducement, agreement, understanding, or promise, constitutes any part of this Decree or the settlement it

represents, nor shall it be used in construing the terms of this Decree.

XXII. FINAL JUDGMENT

112. Upon approval and entry of this Consent Decree by the Court, this Consent Decree shall constitute a final judgment of the Court as to the United States and PFD. The Court finds that there is no just reason for delay and therefore enters this judgment as a final judgment under Fed. R. Civ. P. 54 and 58.

XXIII. APPENDICES

113. The following appendices are attached to and part of this Consent Decree:

"Appendix A" is the list of emission sources and controls at the Facility.

"Appendix B" is the Facility map.

"Appendix C" is the Containment Areas SOP.

"Appendix D" is the Bioplant SOP.

"Appendix E" is the Solidification Process SOP.

"Appendix F" is the list of Supplemental Environmental Projects

Dated and entered this ____ day of __________, 2008.

____
The Honorable Michael R. Merz
UNITED STATES MAGISTRATE JUDGE, SOUTHERN DISTRICT OF OHIO

THE UNDERSIGNED PARTIES enter into this Consent Decree in the matter of Fisher, et al., v. Perma-Fix of Dayton, Inc., No. 3:04 CV 418 (S.D. Ohio)

FOR DEFENDANT PERMA-FIX OF DAYTON, INC.

11/21/2007
Date

Perma-Fix of Dayton, Inc.
Name of Defendant

300 Cherokee Drive, Dayton, OH 45427
Address

937-268-6501
Telephone Number

By: Mr. Larry McNamara
Name of Officer (please type or print)

Larry McNamara
Signature of Officer

Vice President
Title

If different from above, the following is the name and address of PFD's agent for service and, if PFD has counsel, the name and address of PFD's counsel. Counsel may act as agent for service.

Agent for Service	Attorney
Name	Name
Address	Address
	Telephone

PFD shall notify the United States Department of Justice of any change in the identity or address of PFD, its agent for service, or its counsel.

THE UNDERSIGNED PARTIES enter into this Consent Decree in the matter of Fisher, et al., v. Perma-Fix of Dayton, Inc., No. 3:04 CV 418 (S.D. Ohio)

FOR THE UNITED STATES OF AMERICA

Date: 8 Dec. 2007

Ronald J. Tenpas
Acting Assistant Attorney General
Environment and Natural Resources Division

Date: 12/12/07

Laura Thoms
Leslie E. Lehnert
Laura A. Thoms
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U.S. Department of Justice
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(202) 514-1761

Gregory G. Lockhart
United States Attorney
Southern District of Ohio

Patrick Quinn
Assistant United States Attorney
Room 602 Federal Building
200 W. 2d Street
Dayton, Ohio 45402
(937)225-2910

THE UNDERSIGNED PARTIES enter into this Consent Decree in the matter of Fisher, et al., v. Perma-Fix of Dayton, Inc., No. 3:04 CV 418 (S.D. Ohio)

FOR THE U.S. ENVIRONMENTAL PROTECTION AGENCY

Date: 11/25/07

Mary A. Gade
Regional Administrator
United States Environmental Protection Agency, Region 5
77 W. Jackson Blvd.
Chicago, IL 60604

Date: 11-27-07

Luis A. Oviedo
Assistant Regional Counsel
United States Environmental Protection Agency, Region 5
77 W. Jackson Blvd.
Chicago, IL 60604

APPENDIX A

Appendix A

Affected Sources	Plant Unit #	Unit Description	Control Type
BUILDING B			
OR-1	T-301	Wastewater 72,000-Gal. Storage Tank	Tanks, Level 2, 63.685(d)(3), (g)
T-002	T-002	OR-1 Oil Phase Receiving Tank	Tanks, Level 2, 63.685(d)(3), (g)
T-001	T-001	Oil/Water Separator Oil Phase Receiving Tank	Tanks, Level 2, 63.685(d)(3), (g)
OR-2	T-201	Wastewater 72,000-Gal. Storage Tank	Tanks, Level 2, 63.685(d)(3), (g)
Oil/Water Separator	T-402	Oil/Water Separator	Oil-water separator, 63.686(b)(2)
Surge Tank	T-206	UF Permeate Surge Tank 1,500-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
T-1	T-601	Wastewater Chemical Conditioning Tank 4,000-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
T-2	T-506	Wastewater Sludge Settling Tank 3,500-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
TW-1	T-605	Treated Process Waters Storage Tank 16,000-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
TW-1a		TW-1 Surge Tank 800-Gal	Tanks, Level 2, 63.685(d)(3), (g)
T-602	T-602	Chemical Conditioning Tank 2	Tanks, Level 2, 63.685(d)(3), (g)
T-603	T-603	Chemical Conditioning Tank 3	Tanks, Level 2, 63.685(d)(3), (g)
Lamella	T-604	Lamella	Tanks, Level 2, 63.685(d)(3), (g)
Building B Wastewater Transfer System		Transfer System (Water transfer among Bldg. B units)	Transfer System, 63.689(b)
Building B Wastewater Drain System		Individual Drain System (Water transfer from Bldg. B units)	Transfer System, 63.689(b)
BUILDING B (CENTRIFUGE ROOM)			
Tricanter		Tricanter	Oil-water separator, 63.686(b)(2)
Tricanter Oil Receiving Tank	T-006	Tricanter Oil Receiving Tank	Tanks, Level 2, 63.685(d)(3), (g)
Tricanter Solids Receiving Drum	Drum-006	Tricanter Solids Discharge to 55-Gal Drum	Containers, Level 2, 63.688(b)(3)
Centrifuge 1		Centrifuge 1	Oil-water separator, 63.686(b)(2)
Centrifuge 3		Centrifuge 3	Oil-water separator, 63.686(b)(2)
Centrifuge Oil Phase Receiving Tank	T-003	Centrifuge Oil Phase Receiving Tank	Tanks, Level 2, 63.685(d)(3), (g)
Centrifuge Water Phase Receiving Tank	T-004	Centrifuge Water Phase Receiving Tank	Tanks, Level 2, 63.685(d)(3), (g)
Sweco-02		Sweco Vibratory Screen	Oil-water separator, 63.686(b)(2)
Sweco-02 Oil Receiving Tank	T-005	Sweco Oil Receiving Tank	Tanks, Level 2, 63.685(d)(3), (g)
Sweco-02 Solids Receiving Drum	Drum-005	Sweco Oily Solids Discharge to 55-Gal Drum	Containers, Level 2, 63.688(b)(3)
Building B Oil Transfer System		Transfer System (Process oil & solids knockout transfer from centrifuge system)	Transfer System, 63.689(c)(2)
CONDENSER ROOM			
Evaporator Bottoms Tote	Tote-203	Evaporator Sludge Collection (Oil/Water) in 250-gal Tote	Containers, Level 2, 63.688(b)(3)
Condenser Transfer System	T-204	Heat Exchanger	Transfer System, 63.689
Condensate Light Ends Receiver Tote	Tote-205	Light Hydrocarbon 250-Gal. Portable Tote	Containers, Level 2, 63.688(b)(3)
BUILDING E			
Drum Bulking	Drum Bulking	Haz. Waste Containers, 0.1 to 0.46 m^3	Containers, Level 1, 63.688(b)(1)
Drum Bulking	Drum Bulking	Haz. Waste Containers, >0.46 m^3	Containers, Level 2, 63.688(b)(3)
Drum Bulking	Drum Bulking	Haz. Waste Tanker Trucks	Containers, Level 2, 63.688(b)(3)
Hazardous Waste Fuel Transfer System		Transfer System (Haz waste fuel from containers to tanker trucks)	Transfer System, 63.689
S-71	S-71	Oily Wastewater Storage Tank 5,000-Gal.	Tanks, Level 1, 63.685(c)

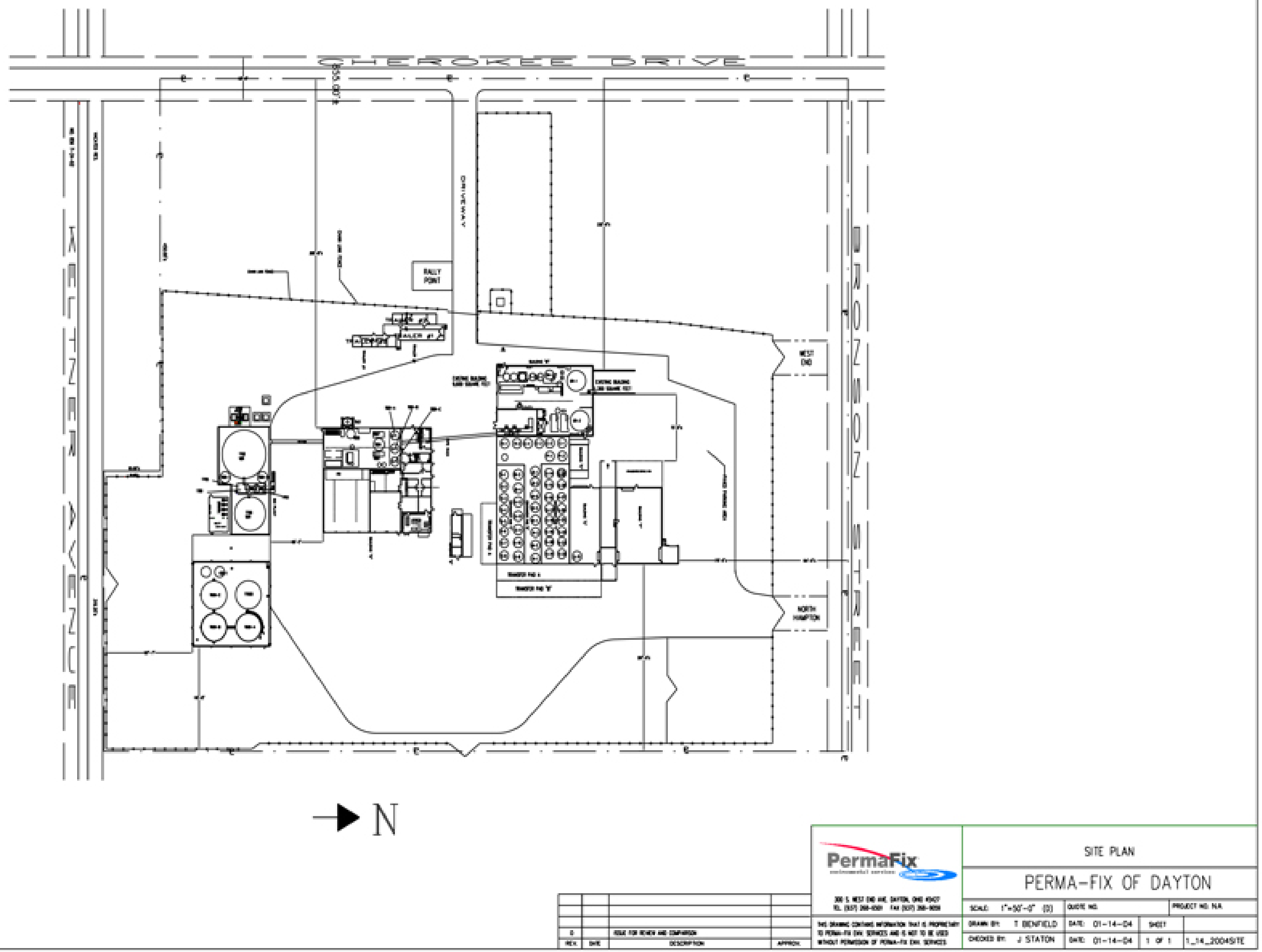
Appendix A

Affected Sources	Plant Unit #	Unit Description	Control Type
S-71 Transfer System		Hose/Hard Piping Individual Drain System	Transfer System, 63.689(b)
BUILDING G			
Rotary Vacuum Drum Filter		Rotary Vacuum Drum Filter	Organic-Water Separator, 63.686
Rotary Vacuum Sludge Vat		Rotary Vacuum Sludge Vat	Organic-Water Separator, 63.686
Bldg. G Wastewater Individual Drain System		Individual Drain System (Water transfer from G-1, G-2)	Transfer System, 63.689(b)
Bldg. G Wastewater Transfer System		Transfer System (Water transfer among Bldg. G units)	Transfer System, 63.689(b)
Bldg. G Solids/Sludge Transfer System		Transfer System (Solids/sludge transfer from G-3 to Solidification)	Transfer System, 63.689(b)
G-1	T-801A	G-Cone High Solids Process Vessel 14,080-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
G-2	T-801B	G-Cone High Solids Process Vessel 14,080-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
G-3	T-801C	G-Cone High Solids Process Vessel 14,080-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
T-808	T-808	Filter Press Feed Tank	Tanks, Level 2, 63.685(d)(3), (g)
Filter Press Permeate Tote	Tote-807	Filter Press Hazardous Permeate Receiving Tote, 250-Gal.	Containers, Level 2, 63.688(b)(3)
BIOPLANT			
Bio-SBR	T-705	High COD Wastewaters 125,000-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
Bio-VDR	T-703	High COD Wastewaters 425,000-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
T-706B	T-706B	Bioplant Equalization Feed Tank 187,000-Gal.	Tanks, Level 1, 63.685(c)
Bioplant Wastewater Transfer System		Individual Drain System (Water transfer among Bioplant units)	Transfer System, 63.689(b)
Bioplant Wastewater Individual Drain System		Individual Drain System (Water transfer from Bioplant to POTW)	Transfer System, 63.689(b)
TANK FARM			
Sweco-01		Sweco Vibratory Screen	Oil-water separator, 63.686(b)(2)
Sweco-01 Oil Receiving Tank	T-007	Sweco Oil Receiving Tank	Tanks, Level 2, 63.685(d)(3), (g)
Sweco-01 Solids Receiving Drum	Drum-007	Sweco Oily Solids Discharge to 55-Gal Drum	Containers, Level 2, 63.688(b)(3)
B-1	B-1	Process Oils Storage Tank 30,000-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
B-2	B-2	Process Oils Storage Tank 17,500-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
B-3	B-3	Process Oils Storage Tank 30,000-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
B-4	B-4	Process Oils Storage Tank 30,000-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
C-2	C-2	Wastewater 15,000-Gal. Storage Tank	Tanks, Level 2, 63.685(d)(3), (g)
C-3	C-3	Raw Oil Solids 15,000-Gal. Storage Tank	Tanks, Level 2, 63.685(d)(3), (g)
C-4	C-4	Raw Oil 15,000-Gal. Storage Tank	Tanks, Level 2, 63.685(d)(3), (g)
P-1	P-1	Process Oils Storage Tank 18,500-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
P-2	P-2	Process Oils Storage Tank 18,500-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
R-1	R-1	Raw Oils Storage Tank 20,000-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
R-2	R-2	Raw Oils Storage Tank 20,000-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
S-1	S-1	Process Oils Storage Tank 16,700-Gal.	Tanks, Level 1, 63.685(c)
S-2	S-2	Process Oils Storage Tank 15,000-Gal.	Tanks, Level 1, 63.685(c)
S-3	S-3	Process Oils Storage Tank 15,000-Gal.	Tanks, Level 1, 63.685(c)
S-4	S-4	Cut Oils (Off-Road Diesel) Storage Tank 15,000-Gal.	Tanks, Level 1, 63.685(c)
S-6	S-6	Raw Oils Storage Tank 15,000-Gal.	Tanks, Level 1, 63.685(c)

Appendix A

Affected Sources	Plant Unit #	Unit Description	Control Type
S-7	S-7	Raw Oils Storage Tank 15,000-Gal.	Tanks, Level 1, 63.685(c)
S-9	S-9	*Storage Tank 30,000-Gal.*	Tanks, Level 2, 63.685(d)(3), (g)
S-10	S-10	Raw Oils Storage Tank 30,000-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
S-11	S-11	Raw Oils Storage Tank 30,000-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
S-12	S-12	Raw Oils Storage Tank 30,000-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
S-13	S-13	Process Oils Storage Tank 30,000-Gal.	Tanks, Level 1, 63.685(c)
S-14	S-14	*Storage Tank 20,300-Gal.*	Tanks, Level 1, 63.685(c)
S-21	S-21	*Storage Tank 16,700-Gal.*	Tanks, Level 1, 63.685(c)
S-22	S-22	Crank Case Oils Storage Tank 17,500-Gal.	Tanks, Level 1, 63.685(c)
S-23	S-23	Crank Case Oils Storage Tank 18,350-Gal.	Tanks, Level 1, 63.685(c)
S-24	S-24	Crank Case Oils Storage Tank 15,000-Gal.	Tanks, Level 1, 63.685(c)
S-25	S-25	Crank Case Oils Storage Tank 15,000-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
S-26	S-26	Crank Case Oils Storage Tank 16,700-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
S-27	S-27	Crank Case Oils Storage Tank 23,400-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
S-28	S-28	Crank Case Oils Storage Tank 14,400-Gal.	Tanks, Level 1, 63.685(c)
W-1	W-1	Raw Oils Storage Tank 30,000-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
W-2	W-2	Raw Oils Storage Tank 18,000-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
W-4	W-4	Raw Oil Solids Storage Tank 19,000-Gal.	Tanks, Level 1, 63.685(c)
W-5	W-5	Wastewaters Storage Tank 23,000-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
W-6	W-6	Wastewaters Storage Tank 23,000-Gal.	Tanks, Level 2, 63.685(d)(3), (g)
T-609A	T-609A	Processed Oil Storage Tank 187,000-Gal.	Tanks, Level 1, 63.685(c)
T-609B	T-609B	Processed Oil Storage Tank 187,000-Gal.	Tanks, Level 1, 63.685(c)
T-609C	T-609C	Processed Oil Storage Tank 187,000-Gal.	Tanks, Level 1, 63.685(c)
Transfer Pad A Transfer System, Wastewater		Transfer System (Wastewater and oils transfer from loading rack to tanks; tanks to treatment processes)	Transfer System, 63.689(b)
Transfer Pad A Transfer System, Raw and Process Oil		Transfer System (Wastewater and oils transfer from loading rack to tanks; tanks to treatment processes)	Transfer System, 63.689(b)
Transfer Pad B Transfer System, Wastewater, Raw and Process Oil		Transfer System (Wastewater and oils transfer from loading rack to tanks; tanks to treatment processes)	Transfer System, 63.689(b)
Transfer Pad B Transfer System, Hazardous Waste Fuel Bulking		Transfer System (Wastewater and oils transfer from loading rack to tanks; tanks to treatment processes)	Transfer System, 63.689(b)
Transfer Pad B Transfer System, Non-hazardous Waste Bulking		Transfer System (Wastewater and oils transfer from loading rack to tanks; tanks to treatment processes)	Transfer System, 63.689(b)
Transfer Pad C Transfer System, Wastewater, Raw and Process Oil		Transfer System (Wastewater and oils transfer from loading rack to tanks; tanks to treatment processes)	Transfer System, 63.689(b)
Transfer Pad D Transfer System, Wastewater		Transfer System (Wastewater and oils transfer from loading rack to tanks; tanks to treatment processes)	Transfer System, 63.689(b)
Transfer Pad E Transfer System, Wastewater and Process Oil		Transfer System (Wastewater and oils transfer from loading rack to tanks; tanks to treatment processes)	Transfer System, 63.689(b)
RTO			
Regenerative Thermal Oxidizer		10,000-cfm Regenerative Thermal Oxidizer	63.693(a,b,c and f)

APPENDIX B


CHEROKEE DRIVE
KELTNER AVENUE
BRONSON STREET
DRIVEWAY
RALLY POINT
WEST END
NORTH HAMPTON
N
SITE PLAN
PERMA-FIX OF DAYTON
SCALE: 1"=50'-0"
QUOTE NO.
PROJECT NO. N/A
DRAWN BY: T BENFIELD
DATE: 01-14-04
SHEET
CHECKED BY: J STATON
DATE: 01-14-04
1 OF 1
1_14_2004SITE
REV.
DATE
DESCRIPTION
APPROV.

APPENDIX C

STANDARD OPERATING PROCEDURE

TITLE: CONTAINMENT AREAS

1.0 Purpose

To address potential liquid leaks of off-site materials from tanks or transfer systems located within containment areas.

2.0 Scope

This procedures applies to the following PFD employees:

- Operators
- Operations Manager
- General Manager

3.0 Policy

Each Perma-Fix of Dayton employee shall follow the operating procedure in order to institutionalize appropriate facility management systems. Personnel safety shall be a primary concern when personnel are performing duties covered by this procedure.

4.0 Safety Warnings and Precautions

- Only properly trained personnel should inspect and/or maintain equipment in the containment areas.

5.0 Personal Protective Equipment

The following personal protective equipment (PPE) must be worn at appropriate times when performing tasks described in this operating procedure.

Activity	What must be worn?	By whom?	When?
Sampling	Hard Hat	Everyone	In plant
Sampling	Appropriate Gloves	Everyone	In plant
Sampling	Safety Glasses	Everyone	In plant

6.0 Responsibilities

The following are responsibilities assigned to facility personnel:

If you are the...	Then you are responsible for...
Operator,	Adherence to all sections of this Standard Operating

Operations Manager, or General Manager	Procedure

7.0 Procedure

All responsible individuals identified in Section 6.0 shall adhere to the following requirements:

Step	Action
1	PFD will visually inspect the containment areas for liquid leaks of off-site materials from tanks and transfer systems every operating day.
2	Any liquid leaks of off-site materials must be repaired as soon as practicable after their detection. (See 40 CFR §63.6(e)(1)(ii))
3	PFD shall repair all liquid leaks of off-site materials from tanks and transfer systems as follows (see 40 CFR §63.906(b) and 40 CFR §63.964(b)): i. PFD shall make first efforts at repair of the leak no later than 5 calendar days after detection and repair shall be completed as soon as possible but no later than 15 calendar days after detection. ii. PFD shall maintain a record of the leak repair in the facility operating record.
4	PFD will maintain records of the daily inspections and leak repairs in the facility operating record. These records shall be retained at the facility for a minimum of three years.

8.0 Associated Procedures

The following procedures should be referred to and may be used in conjunction with this procedure.

Procedure No.	Description

9.0 Revision List

The following revisions to this procedure are reflected in this version:

Rev. No.	Date of Revision	Revised By:	Reason

10.0 Attachments

1. Annual Self-Audit Checklist

11.0 Inquiries/Contact Information

For questions or comments please contact:

Perma-Fix of Dayton General Manager (937) 268-6501
300 S. West End Ave.
Dayton, OH 45427

12.0 Review and Approval

Prepared by: ___________________________ Date: ______________

Approved by: __________________________ Date: ______________

ATTACHMENT NO. 1

Annual Self-Audit Checklist

Date of Self-Audit: ______________________________
Auditor (name): ________________________________

This checklist should be used by the General Manager or appointee to assure that this procedure is being implemented at the department level.

	Question	Yes	No
1.	Do [Work Practice] documents exist at the department level to implement this procedure effectively?	☐	☐
2.	Is personnel protective equipment (PPE) available to, and worn by, each person performing work activities under this procedure?	☐	☐
3.	Has there been a clear assignment of responsibility for routine execution of this procedure's activities?	☐	☐
4.	For recorded deficiencies, have all corrective actions been implemented to correct the deficiencies?	☐	☐
5.	Have all identified personnel been trained on this procedure?	☐	☐

Does this self-audit indicate that training and implementation are currently adequate? Discuss here and take those actions as necessary to correct the deficiencies: ______________________
____
____
____

Does this self-audit indicate a need to revise or update the department's work practice documents? Discuss here and take those actions as necessary to revise the document and to train personnel on the revision: ____
____
____
____

Actions Taken: ____

APPENDIX D

STANDARD OPERATING PROCEDURE

TITLE: BIOPLANT - DISSOLVED OXYGEN AND MIXED LIQUOR VOLATILE SUSPENDED SOLIDS (MLVSS)

1.0 Purpose

To identify operational and procedural requirements for maintaining dissolved oxygen (DO) levels and correct food to microorganism (F/M) levels in the Bioplant Sequencing Batch Reactor (SBR) and Variable Depth Reactor (VDR).

- For each day the Bioplant is fed, the SBR and VDR must maintain DO levels above 1.0 ppm during the last two hours of the aeration stage of each batch. The SBR and VDR may fail to meet this limit, but not more than one batch every two calendar weeks, as long as the subsequent batch is extended so that the reactor is allowed to aerate until the DO level is above 1.0 ppm for at least two hours.
- The wastewater feed to the SBR and VDR shall have a maximum food to microorganism (F/M) ratio of 0.30, measured as lb TOC influent/lb MLVSS. The wastewater feed TOC shall be sampled and measured from the bioplant feed tank (currently T-706B). The MLVSS shall be sampled and measured from the SBR and VDR. Compliance with the F/M ratio shall be determined on a weekly average basis. The F/M shall be calculated on a daily basis.
- The bioplant blowers shall not supply more than 4,500 acfm of air to the SBR and VDR.

2.0 Scope

This procedures applies to the following PFD employees:

- Bioplant Operator
- Operations Manager
- General Manager
- Laboratory Personnel

3.0 Policy

Each Perma-Fix of Dayton employee shall follow the operating procedure in order to institutionalize appropriate facility management systems. Personnel safety shall be a primary concern when personnel are performing duties covered by this procedure.

4.0 Safety Warnings and Precautions

- Only properly trained personnel should operate the loading system.

.

5.0 Personal Protective Equipment

The following personal protective equipment (PPE) must be worn at appropriate times when performing tasks described in this operating procedure.

Activity	What must be worn?	By whom?	When?
Sampling	Hard Hat	Everyone	In plant
Sampling	Latex Gloves	Everyone	In plant
Sampling	Safety Glasses	Everyone	In plant

6.0 Responsibilities

The following are responsibilities assigned to facility personnel:

If you are the...	Then you are responsible for...
Bioplant Operator, Operations Manager, or General Manager	Adherence to all sections of this Standard Operating Procedure
Lab personnel	Adherence to laboratory procedure sections of this Standard Operating Procedure

7.0 Procedure

The Bioplant operator shall perform the following actions each day the Bioplant is fed:

Step	Action
1	Calibrate a DO probe. Record calibration results in the laboratory record.
2	Initiate feeding cycle on the SBR and VDR. Record the start time of the feeding cycle. Record results in the laboratory record.
3	Record the time of feed cycle completion. Record results in the laboratory record. Perform the following Steps 5, 6, and 7 within four hours of feed cycle completion.
4	Using a DO probe, measure the DO levels of the SBR and the VDR 2 hours before feeding. Record results and the time of measurement in the laboratory record.
5	Collect a 1-liter sample from the SBR. Collect a 1-liter sample from the VDR.
6	Collect a 1-liter sample from the bioplant feed tank (currently T-706B).
7	Measure MLVSS twice per calendar on samples from Step 5 week using Standard Reference Method 2540, Subpart E in "Standard Methods for Examination of Water and Wastewater" of the American Water Works Association. Record results and the time of measurement in the laboratory record.

8 Using the T-706B sample from Step 6 Measure the oxygen consumption rate (OCR) on each operating day the MLVSS is not measured. Record results and the time of measurement in the laboratory record.

9 Measure Total Organic Carbon (TOC) on the T-706B sample from Step 6. Record results and the time of measurement in the laboratory record each day the Bioplant is fed.

10 Calculate F/M ratio for the wastewater feed. Record results and the time of measurement in the laboratory record.

11 PFD will record laboratory analyses mentioned in this SOP in the facility operating record. These records shall be retained at the facility for a minimum of three years.

8.0 Associated Procedures

The following procedures should be referred to and may be used in conjunction with this procedure.

Procedure No.	Description

9.0 Revision List

The following revisions to this procedure are reflected in this version:

Rev. No.	Date of Revision	Revised By:	Reason

10.0 Attachments

1. Annual Self-Audit Checklist

11.0 Inquiries/Contact Information

For questions or comments please contact:

Perma-Fix of Dayton General Manager (937) 268-6501
300 Cherokee Dr.
Dayton, OH 45427

12.0 Review and Approval

Prepared by: __________________________ Date: _____________

Approved by: _________________________ Date: _____________

ATTACHMENT NO. 1

Annual Self-Audit Checklist

Date of Self-Audit: ______________________________
Auditor (name): ________________________________

This checklist should be used by the General Manager or appointee to assure that this procedure is being implemented at the department level.

	Question	Yes	No
1.	Do [Work Practice] documents exist at the department level to implement this procedure effectively?	☐	☐
2.	Is personnel protective equipment (PPE) available to and worn by each person performing work activities under this procedure?	☐	☐
3.	Has there been a clear assignment of responsibility for routine execution of this procedure's activities?	☐	☐
4.	For recorded deficiencies, have all corrective actions been implemented to correct the deficiencies?	☐	☐
5.	Have all identified personnel been trained on this procedure?	☐	☐

Does this self-audit indicate that training and implementation are currently adequate? Discuss here and take those actions as necessary to correct the deficiencies: ______________________
____
____
____

Does this self-audit indicate a need to revise or update the department's work practice documents? Discuss here and take those actions as necessary to revise the document and to train personnel on the revision: ____
____
____
____

Actions Taken: ____

APPENDIX E

STANDARD OPERATING PROCEDURE

TITLE: SOLIDIFICATION PROCESS

1.0 Purpose

To set operating limitations on the solidification process conducted in Building G, pursuant to unit exemption under 40 CFR Part 63, Subpart DD.

2.0 Scope

This procedures applies to the following PFD employees:

- Solidification Operator
- Operations Manager
- General Manager
- Laboratory Personnel

3.0 Policy

Each Perma-Fix of Dayton employee shall follow the operating procedure in order to institutionalize appropriate facility management systems. Personnel safety shall be a primary concern when personnel are performing duties covered by this procedure.

4.0 Safety Warnings and Precautions

- Only properly trained personnel should operate the loading system.

5.0 Personal Protective Equipment

The following personal protective equipment (PPE) must be worn at appropriate times when performing tasks described in this operating procedure.

Activity	What must be worn?	By whom?	When?
Sampling	Hard Hat	Everyone	In plant
Sampling	Appropriate Gloves	Everyone	In plant
Sampling	Safety Glasses	Everyone	In plant

6.0 Responsibilities

The following are responsibilities assigned to facility personnel:

If you are the...	Then you are responsible for...

Solidification Operator, Operations Manager, or General Manager	Adherence to all sections of this Standard Operating Procedure
Lab personnel	Adherence to laboratory procedure sections of this Standard Operating Procedure

7.0 Procedure

All responsible individuals identified in Section 6.0 shall adhere to the following requirements:

Step	Action
1	Wastes received into G-PIT-001 (the Fixation/Solidification Pit) will be limited to off-site materials.
2	PFD will comply with Subpart DD at the G-PIT-001 by sampling the off-site material, and documenting by laboratory analysis that it contains organic concentrations less than 500 parts per million VOHAP, as allowed by Subpart DD. Laboratory test methods will include SW-846 Methods 8260 and 8270. Four samples will be obtained and analyzed as specified by 40 C.F.R. § 63.683(b)(1) and 40 C.F.R. § 63.694(b). Confirmatory annual samples will be obtained and analyzed as specified by 40 C.F.R. § 63.683(b).
3	PFD's generator waste profile will be changed to include mandatory and specific screening information about the VOHAP concentration and a characterization of odor, from the generator's process knowledge or analytical data. For all incoming off-site materials to be received into G-PIT-001, PFD will pre-screen each waste load for a VOHAP content of less than 500 parts per million by reviewing the generator's waste profile.
4	When off-site material arrives at the facility, PFD will evaluate information supplied by the generator regarding VOHAP content and odors prior to accepting the waste for solidification in G-PIT-001. PFD will not introduce off-site materials into G-PIT-001 whose waste profiles indicate VOHAP content greater than 500 parts per million or a strong odor. If the generator has indicated on the waste profile that VOHAPs are present above 100 parts per million, PFD will conduct a laboratory analysis of the off-site material for BTEX compounds. If the analysis indicates the off-site material contains total BTEX compounds greater than 300 parts per million, PFD will choose one of these three options: 1) the off-site material will be placed in one of PFD's Subpart DD waste treatment units, 2) the off-site material will be returned to the generator or sent off-site to another waste treatment facility, or 3) PFD will conduct a full VOHAP analysis of the off-site material using SW-846 Methods 8260 and 8270 to verify that the total VOHAP content is less than 500 parts per million.
5	PFD will record laboratory analyses in the facility operating record. These records shall be retained at the facility for a minimum of three years. PFD shall also retain the generator's waste profile for three years after the last date on which any of the waste associated with that profile has been accepted into the facility.

8.0 Associated Procedures

The following procedures should be referred to and may be used in conjunction with this procedure.

Procedure No.	Description

9.0 Revision List

The following revisions to this procedure are reflected in this version:

Rev. No.	Date of Revision	Revised By:	Reason

10.0 Attachments

1. Annual Self-Audit Checklist

11.0 Inquiries/Contact Information

For questions or comments please contact:

Perma-Fix of Dayton General Manager (937) 268-6501
300 Cherokee Dr.
Dayton, OH 45427

12.0 Review and Approval

Prepared by: ___________________________ Date: ______________

Approved by: __________________________ Date: ______________

ATTACHMENT NO. 1

Annual Self-Audit Checklist

Date of Self-Audit: ________________________________
Auditor (name): __________________________________

This checklist should be used by the General Manager or appointee to assure that this procedure is being implemented at the department level.

	Question	Yes	No
1.	Do [Work Practice] documents exist at the department level to implement this procedure effectively?	☐	☐
2.	Is personnel protective equipment (PPE) available to, and worn by, each person performing work activities under this procedure?	☐	☐
3.	Has there been a clear assignment of responsibility for routine execution of this procedure's activities?	☐	☐
4.	For recorded deficiencies, have all corrective actions been implemented to correct the deficiencies?	☐	☐
5.	Have all identified personnel been trained on this procedure?	☐	☐

Does this self-audit indicate that training and implementation are currently adequate? Discuss here and take those actions as necessary to correct the deficiencies: ________________________
____
____
____

Does this self-audit indicate a need to revise or update the department's work practice documents? Discuss here and take those actions as necessary to revise the document and to train personnel on the revision: ____
____
____
____

Actions Taken: ____

APPENDIX F

Supplemental Environmental Projects

1. Tank Painting. PFD shall paint unheated tanks at the Facility with white paint, in order to reduce VOC and HAP emissions. This project shall include power washing, priming, and painting with full finish coats of Sherwin-Williams' direct-to-metal acrylic for the following tanks: S1, S2, S3, S4, S5, S6, S7, S8, S13, S14, S21, S22, S23, S24, S28, P1, P2, W4, T609A, T609B, and T609C. The bottom 4' or 5' of these tanks will remain black. In addition, with respect to tanks T609A, T609B, and T609C, PFD shall power wash and apply epoxy prime, epoxy intermediate, and urethane top coat.

2. Demister. PFD shall install and operate a demister to dry out the bottom plenums of the RTO and remove liquid water and condensed organics from the gas stream prior to entering the ID fan and the bottom plenums. This project shall include the installation of:

- One mist eliminator from Munters Co., per quote number G709-34889-A
- One fan and fan motor from Zimpher-kyser Co., per quote number 090907SZ, with added options of coatings and SS wheel
- Dampers and operators from Brock Air Products Co., per quote number KF205
- Ductwork as needed to tie in the mist eliminator and exhaust fan, up to the existing overhead duct. All ductwork shall be fabricated from type 304 SS, except the ductwork to connections rings, which shall be mild steel and painted. Rings shall be installed on the duct using a van stone bend which allows the duct to rotate during installation. PFD shall insulate all duct down stream of the demister with 2" fiberglass insulation, covered with an aluminum lagging.
- Process piping, including supply water, drains, traps, trap seal legs, gauges, valves and three demister solenoid valves. PFD shall insulate all items as needed.
- Conduit, wire, and heat trace as needed for the project
- Programmable Logic Controller ("PLC") changes required by the addition of the demister, associated with damper operation
- Addition of Allen Bradley processor with Ethernet for the RTO data collection system.

The demister will be operated at all normal operating times of the RTO, and all fume will go through the demister before entering the RTO.

3. Puff Chamber. PFD shall install and operate a puff chamber (also known as an entrapment chamber) to hold fume that would otherwise be emitted to the atmosphere during valve changeover between the 2 energy recovery beds of the Facility's RTO, and then route the captured fume to the inlet of the RTO for treatment. This project shall include installation of:

- One VOC entrapment chamber
- One VOC damper/stack base
- One 40' stack, with EPA test ports, to be mounted to the VOC damper
- One stack test port platform assembly
- Return piping to fan inlet
- Electrical engineering and Programmable Logic Controller ("PLC")

components to modify PLC program to control VOC damper and three demister solenoid valves, fresh air damper actuator and limit switches, isolation damper actuator and limit switches

- Air compressor, air piping, and electrical connections as required by addition of the puff chamber.

The puff chamber will be operated at all normal operating times of the RTO, and all fume during valve cycling of the RTO will go through the puff chamber.

EXHIBIT 21.1

LIST OF SUBSIDIARIES OF PERMA-FIX ENVIRONMENTAL SERVICES, INC.
(THE “COMPANY”)

Industrial Waste Management Services

Perma-Fix of Fort Lauderdale, Inc. (“PFFL”), a Florida corporation, is a 100% owned subsidiary of the Company.

Perma-Fix Treatment Services, Inc. (“PFTS”), an Oklahoma corporation, is a 100% owned subsidiary of the Company.

Perma-Fix of Memphis, Inc. (“PFM”), a Tennessee corporation, is a 100% owned subsidiary of the Company.

Perma-Fix of Orlando, Inc. (“PFO”), a Florida Corporation, is a 100% owned subsidiary of the Company.

Perma-Fix of South Georgia, Inc. (“PFSG”), a Georgia Corporation, is a 100% owned subsidiary of the Company.

Perma-Fix of Michigan, Inc., (“PFMI”) a Michigan Corporation, is a 100% owned subsidiary of the Company.

Perma-Fix of Pittsburgh, Inc., (“PFP”) a Pennsylvania Corporation, is a 100% owned subsidiary of the Company.

Nuclear Waste Management Services

Perma-Fix of Florida, Inc. (“PFF”), a Florida Corporation, is a 100% owned subsidiary of the Company.

Diversified Scientific Services, Inc., (“DSSI”) a Tennessee Corporation, is a 100% owned subsidiary of the Company.

East Tennessee Materials and Energy Corporation, (“M&EC”) a Tennessee Corporation, is a 100% owned subsidiary of the Company.

Perma-Fix of Northwest Richland, Inc. (“PFNWR”), a Washington Corporation, is a 100% subsidiary of the Company.

Consulting Services

Schreiber, Yonley & Associates (“SYA”), a Missouri corporation, is a 100% owned subsidiary of the Company.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Perma-Fix Environmental Services, Inc.
Atlanta, Georgia

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-3 and S-8, File Numbers 333-115061 (S-3), 333-85118 (S-3), 333-14513 (S-3), 333-43149 (S-3), 333-70676 (S-3), 333-124668 (S-8), 333-110995 (S-8), 333-80580 (S-8), 333-3664 (S-8), 333-17899 (S-8), 333- 25835 (S-8), and 333-76024 (S-8) of Perma-Fix Environmental Services, Inc. (the “Company”) and subsidiaries of our reports dated March 31, 2008, relating to the consolidated financial statements and financial statement schedule, and the effectiveness of the Company's internal control over financial reporting, which appear in this Form 10-K. Our report relating to the consolidated financial statements and financial statements schedule contains an explanatory paragraph regarding the Company’s ability to continue as a going concern. Our report on the effectivenss of internal control over financial reporting expresses an adverse opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2007.

/s/ BDO Seidman, LLP
Atlanta, Georgia

March 31, 2008

EXHIBIT 31.1

CERTIFICATIONS

I, Louis F. Centofanti, certify that:

1. I have reviewed this annual report on Form 10-K of Perma-Fix Environmental Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2008

/s/ Louis F. Centofanti

Louis F. Centofanti
Chairman of the Board
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Steven T. Baughman, certify that:

1. I have reviewed this annual report on Form 10-K of Perma-Fix Environmental Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2008

/s/ Steven T. Baughman

Steven T. Baughman
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Perma-Fix Environmental Services, Inc. (“PESI”) on Form 10-K for the year ended December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-K”), I, Dr. Louis F. Centofanti, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §78m or §78o(d)); and

(2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2008

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

This certification is furnished to the Securities and Exchange Commission solely for purpose of 18 U.S.C. §1350 subject to the knowledge standard contained therein, and not for any other purpose.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Perma-Fix Environmental Services, Inc. (“PESI”) on Form 10-K for the year ended December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-K”), I, Steven T. Baughman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §78m or §78o(d)); and

(2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2008

/s/ Steven T. Baughman

Steven T. Baughman
Chief Financial Officer

This certification is furnished to the Securities and Exchange Commission solely for purpose of 18 U.S.C. §1350 subject to the knowledge standard contained therein, and not for any other purpose.