

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2008

Or

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

For the transition period from _____ to _____

Commission File No. 111596

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

Delaware
(State or other jurisdiction
of incorporation or organization)

58-1954497
(IRS Employer Identification Number)

8302 Dunwoody Place, Suite 250, Atlanta, GA
(Address of principal executive offices)

30350
(Zip Code)

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

N/A

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated Filer Non-accelerated Filer Smaller reporting company

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

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

Class	Outstanding at August 4, 2008
Common Stock, \$.001 Par Value	53,762,850
	shares of registrant's Common Stock



PERMA-FIX ENVIRONMENTAL SERVICES, INC.

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PART I - FINANCIAL INFORMATION
ITEM 1. - FINANCIAL STATEMENTS

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED BALANCE SHEETS

(Amount in Thousands, Except for Share Amounts)	June 30, 2008 (Unaudited)	December 31, 2007
ASSETS		
Current assets:		
Cash	\$ 41	\$ 102
Restricted cash	35	35
Accounts receivable, net of allowance for doubtful accounts of \$126 and \$138, respectively	9,086	13,536
Unbilled receivables - current	9,358	10,321
Inventories	201	233
Prepaid and other assets	1,756	3,170
Current assets related to discontinued operations	<u>1,998</u>	<u>5,197</u>
Total current assets	22,475	32,594
Property and equipment:		
Buildings and land	21,276	20,748
Equipment	31,245	31,140
Vehicles	141	141
Leasehold improvements	11,462	11,457
Office furniture and equipment	2,297	2,268
Construction-in-progress	996	1,639
	<u>67,417</u>	<u>67,393</u>
Less accumulated depreciation and amortization	<u>(21,923)</u>	<u>(20,084)</u>
Net property and equipment	45,494	47,309
Property and equipment related to discontinued operations	3,521	6,775
Intangibles and other long term assets:		
Permits	15,712	15,636
Goodwill	10,822	9,046
Unbilled receivables – non-current	3,426	3,772
Finite Risk Sinking Fund	8,791	6,034
Other assets	2,249	2,496
Intangible and other assets related to discontinued operations	<u>1,190</u>	<u>2,369</u>
Total assets	<u>\$ 113,680</u>	<u>\$ 126,031</u>

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

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

(Amount in Thousands, Except for Share Amounts)	June 30, 2008 (Unaudited)	December 31, 2007
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,432	\$ 5,010
Current environmental accrual	141	225
Accrued expenses	7,872	9,207
Disposal/transportation accrual	7,597	6,677
Unearned revenue	2,455	4,978
Current liabilities related to discontinued operations	3,553	8,359
Current portion of long-term debt	<u>3,289</u>	<u>15,292</u>
Total current liabilities	32,339	49,748
Environmental accruals	215	251
Accrued closure costs	8,807	8,739
Other long-term liabilities	432	966
Long-term liabilities related to discontinued operations	2,745	3,590
Long-term debt, less current portion	<u>7,270</u>	<u>2,724</u>
Total long-term liabilities	<u>19,469</u>	<u>16,270</u>
Total liabilities	51,808	66,018
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, 53,762,850 and 53,704,516 shares issued and outstanding, respectively	54	54
Additional paid-in capital	96,716	96,409
Stock subscription receivable	—	(25)
Accumulated deficit	<u>(36,183)</u>	<u>(37,710)</u>
Total stockholders' equity	<u>60,587</u>	<u>58,728</u>
Total liabilities and stockholders' equity	<u>\$ 113,680</u>	<u>\$ 126,031</u>

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

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

(Amounts in Thousands, Except for Per Share Amounts)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Net revenues	\$ 15,798	\$ 13,537	\$ 30,682	\$ 26,458
Cost of goods sold	<u>10,913</u>	<u>8,733</u>	<u>21,986</u>	<u>17,054</u>
Gross profit	4,885	4,804	8,696	9,404
Selling, general and administrative expenses	3,996	3,759	7,803	7,474
Loss on disposal of property and equipment	<u>142</u>	<u>2</u>	<u>142</u>	<u>2</u>
Income from operations	747	1,043	751	1,928
Other income (expense):				
Interest income	49	78	117	166
Interest expense	(325)	(272)	(678)	(473)
Interest expense-financing fees	(57)	(48)	(110)	(96)
Other	<u>(12)</u>	<u>9</u>	<u>(6)</u>	<u>(7)</u>
Income from continuing operations before taxes	402	810	74	1,518
Income tax expense	<u>3</u>	<u>58</u>	<u>3</u>	<u>183</u>
Income from continuing operations	399	752	71	1,335
(Loss) income from discontinued operations, net of taxes	(49)	470	(760)	(1,197)
Gain on disposal of discontinued operations, net of taxes	<u>108</u>	<u>—</u>	<u>2,216</u>	<u>—</u>
Net income applicable to Common Stockholders	<u>\$ 458</u>	<u>\$ 1,222</u>	<u>\$ 1,527</u>	<u>\$ 138</u>
Net income (loss) per common share – basic				
Continuing operations	\$.01	\$.01	\$ —	\$.02
Discontinued operations	—	.01	(.01)	(.02)
Disposal of discontinued operations	<u>—</u>	<u>—</u>	<u>.04</u>	<u>—</u>
Net income per common share	<u>\$.01</u>	<u>\$.02</u>	<u>\$.03</u>	<u>\$ —</u>
Net income (loss) per common share - diluted				
Continuing operations	\$.01	\$.01	\$ —	\$.02
Discontinued operations	—	.01	(.01)	(.02)
Disposal of discontinued operations	<u>—</u>	<u>—</u>	<u>.04</u>	<u>—</u>
Net income per common share	<u>\$.01</u>	<u>\$.02</u>	<u>\$.03</u>	<u>\$ —</u>
Number of common shares used in computing net income (loss) per share:				
Basic	53,729	52,131	53,717	52,097
Diluted	54,173	53,601	54,035	53,333

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



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

(Amounts in Thousands)	Six Months Ended	
	June 30,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 1,527	\$ 138
Less: Income (loss) on discontinued operations (Note 8)	1,456	(1,197)
	71	1,335
Income from continuing operations		
Adjustments to reconcile net income (loss) to cash provided by operations:		
Depreciation and amortization	2,238	1,628
Provision (benefit) for bad debt and other reserves	11	(41)
Loss on disposal of property and equipment	142	2
Issuance of common stock for services	28	25
Share based compensation	184	162
Changes in operating assets and liabilities of continuing operations, net of effect from business acquisitions:		
Accounts receivable	4,438	1,276
Unbilled receivables	1,309	(121)
Prepaid expenses, inventories, and other assets	1,875	2,926
Accounts payable, accrued expenses, and unearned revenue	(3,535)	(596)
	6,761	6,596
Cash provided by continuing operations		
Gain on disposal of discontinued operations (Note 8)	(2,216)	—
Cash used in discontinued operations	(819)	(1,815)
Cash provided by operating activities	3,726	4,781
Cash flows from investing activities:		
Purchases of property and equipment	(562)	(1,627)
Proceeds from sale of plant, property and equipment	—	4
Change in finite risk sinking fund	(2,757)	(1,115)
Cash used for acquisition consideration, net of cash acquired	(14)	(2,341)
	(3,333)	(5,079)
Cash used in investing activities of continuing operations		
Proceeds from sale of discontinued operations (Note 8)	7,131	—
Cash provided by (used in) discontinued operations	20	(322)
Net cash provided by (used in) investing activities	3,818	(5,401)
Cash flows from financing activities:		
Net (repayments) borrowing of revolving credit	(1,435)	4,452
Principal repayments of long term debt	(6,021)	(6,482)
Proceeds from issuance of stock	95	359
Repayment of stock subscription receivable	25	27
	(7,336)	(1,644)
Cash used in financing activities of continuing operations		
Principal repayment of long-term debt for discontinued operations	(269)	(204)
Cash used in financing activities	(7,605)	(1,848)
Decrease in cash	(61)	(2,468)
Cash at beginning of period	102	2,528

Cash at end of period	\$	41	\$	60
Supplemental disclosure:				
Interest paid	\$	713	\$	420
Income taxes paid		3		—
Non-cash investing and financing activities:				
Long-term debt incurred for purchase of property and equipment		—		603

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

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited, for the six months ended June 30, 2008)

(Amounts in thousands, except for share amounts)	Common Stock		Additional	Stock Subscription	Accumulated	Total Stockholders'
	Shares	Amount	Paid-In Capital	Receivable	Deficit	Equity
Balance at December 31, 2007	53,704,516	\$ 54	\$ 96,409	\$ (25)	\$ (37,710)	\$ 58,728
Net income	—	—	—	—	1,527	1,527
Issuance of Common Stock for services	—	—	28	—	—	28
Issuance of Common Stock upon exercise of Options	58,334	—	95	—	—	95
Share based compensation	—	—	184	—	—	184
Repayment of stock subscription receivable	—	—	—	25	—	25
Balance at June 30, 2008	<u>53,762,850</u>	<u>\$ 54</u>	<u>\$ 96,716</u>	<u>\$ —</u>	<u>\$ (36,183)</u>	<u>\$ 60,587</u>

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

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2008
(Unaudited)

Reference is made herein to the notes to consolidated financial statements included in our Annual Report on Form 10-K and Form 10-K/A for the year ended December 31, 2007.

1. Basis of Presentation

The consolidated financial statements included herein have been prepared by the Company (which may be referred to as we, us or our), without an audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes the disclosures which are made are adequate to make the information presented not misleading. Further, the consolidated financial statements reflect, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position and results of operations as of and for the periods indicated. The results of operations for the six months ended June 30, 2008, are not necessarily indicative of results to be expected for the fiscal year ending December 31, 2008.

It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K and Form 10-K/A for the year ended December 31, 2007.

As previously disclosed, 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 was based on our belief that our Nuclear Segment represents a sustainable long-term growth driver of our business. We have completed the sale of the following facilities/operations within our Industrial Segment as follows: on January 8, 2008, we completed 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. As of the date of this report, no working capital adjustment has been made on the sale of PFMD. We anticipate that if there will be a working capital adjustment made on the sale of PFMD, it will be completed by the third quarter of 2008; on March 14, 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. In June 2008, we paid the buyer approximately \$209,000 due to certain working capital adjustment. We do not anticipate making any further working capital adjustments on the sale of PFD; and on May 30, 2008, we completed the sale of substantially all of the assets of Perma-Fix Treatment Services, Inc. (“PFTS”) for approximately \$1,503,000, subject to working capital adjustment during 2008, and assumption by the buyer of certain liabilities of PFTS. In July 2008, we paid the buyer approximately \$135,000 in final working capital adjustments. (See “– Discontinued Operations and Divestiture” in this section for accounting treatment of the divestitures and subsequent working capital adjustments). As previously disclosed, we have been negotiating the sale of Perma-Fix of South Georgia (“PFSG”) with a potential buyer and had anticipated completing the sale in the third quarter 2008; however, we were not able to come to terms on the sale of PFSG with this potential buyer and negotiation has since been broken off. We continue to market and have discussions with potential buyers who are interested in the remaining facilities/operations within our Industrial Segment but as of the date of this report, we have not entered into any agreements regarding these other remaining 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. In accordance with SFAS No. 144, the long-lived assets have been written down to fair value less anticipated selling costs. As of June 30, 2008, we have recorded \$6,367,000 in impairment charges, all of which were included in “loss from discontinued operations, net of taxes” on our Consolidated Statement of Operations for the year ended December 31, 2007. 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 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. Originally, we had planned to sell the majority of companies that comprised the Industrial Segment together; however, that plan did not materialize as expected. We have since sold certain facilities individually and are marketing and attempting to sell the remaining facilities/operations within our Industrial Segment.

2. Summary of Significant Accounting Policies

Our accounting policies are as set forth in the notes to consolidated financial statements referred to above.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 157 (“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. In February 2008, the FASB issued FASB Staff Position No. 157-2, “Effective Date of FASB Statement No. 157” (“FSP FAS 157-2”), which delays the effective date of SFAS 157 for certain non-financial assets and non-financial liabilities. SFAS 157 is effective for financial assets and liabilities in fiscal years beginning after November 15, 2007 and for non-financial assets and liabilities in fiscal years beginning after March 15, 2008. We have evaluated the impact of the provisions applicable to our financial assets and liabilities and have determined that there is no current impact on our financial condition, results of operations, and cash flow. The aspects that have been deferred by FSP FAS 157-2 pertaining to non-financial assets and non-financial liabilities will be effective for us beginning January 1, 2009. We are currently evaluating the impact of SFAS 157 for non-financial assets and liabilities on the Company’s financial position and results of operations.

In September 2006, the FASB issued Statement No. 158, “Employer’s Accounting for Defined Benefit Pension and Other Postretirement Plan – an amendment of FASB Statement No. 87, 88, 106, and 132”. SFAS requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and recognize changes in the funded status in the year in which the changes occur. SFAS 158 is effective for fiscal years ending December 15, 2006. SFAS 158 did not have a material effect on our financial condition, result of operations, and cash flows.

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. If the fair value option is elected, the effect of the first re-measurement to fair value is reported as a cumulative effect adjustment to the opening balance of retained earnings. In the event the Company elects the fair value option pursuant to this standard, the valuations of certain assets and liabilities may be impacted. This statement is applied prospectively upon adoption. We have evaluated the impact of the provisions of SFAS 159 and have determined that there will not be a material impact on our consolidated financial statements.

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.

In December 2007, the SEC issued SAB No. 110, which expressed the views of the staff regarding the use of a “simplified” method, as discussed in SAB No. 107, in developing an estimate of expected term of “plain vanilla” share options in accordance with SFAS No. 123R, *Share-Based Payment*. In particular, the staff indicated in SAB No. 107 that it will accept a company’s election to use the simplified method, regardless of whether the Company has sufficient information to make more refined estimates of expected term. At the time SAB No. 107 was issued, the staff believed that more detailed external information about employee exercise behavior would, over time, become readily available to companies. Therefore, the SEC staff stated in SAB No. 107 that it would not expect a company to use the simplified method for share option grants after December 31, 2007. The staff understands that such detailed information about employee exercise behavior may not be widely available by December 31, 2007. Accordingly, SAB No. 110 states that the staff will continue to accept, under certain circumstances, the use of the simplified method beyond December 31, 2007. The Company does not expect the adoption of SAB No. 110 to have material effect on its operations or financial position.

In March 2008, the Financial Accounting Standards Board (the “FASB”) issued Statement of Financial Accounting Standards No. 161 (“SFAS 161”), “Disclosures about Derivative Instruments and Hedging Activities”. SFAS 161 amends and expands the disclosure requirements of Statement of Financial Accounting Standards No. 133, (“SFAS 133”), “Accounting for Derivative Instruments and Hedging Activities”, and requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company does not expect this standard to have a material impact on the Company’s future consolidated statements.

In April 2008, the FASB issued FSP No. 142-3, *Determination of the Useful Life of Intangible Assets* (“FSP FAS 142-3”), which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets* (“SFAS 142”). The intent of FSP FAS 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(R) and other U.S. generally accepted accounting principles. FSP FAS 142-3 requires an entity to disclose information for a recognized intangible asset that enables users of the financial statements to assess the extent to which the expected future cash flows associated with the asset are affected by the entity’s intent and/or ability to renew or extend the arrangement. FSP FAS 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company does not expect the adoption of FSP FAS 142-3 to have a material impact on the Company’s financial position or results of operations.

In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles” (SFAS No. 162). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS No. 162 is effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, “The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles”. The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

In June 2008, the FASB ratified EITF Issue No. 08-3, “Accounting for Lessees for Maintenance Deposits Under Lease Arrangement” (EITF 08-3). EITF 08-3 provides guidance on the accounting of nonrefundable maintenance deposits. It also provides revenue recognition accounting guidance for the lessor. EITF 08-3 is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the impact of EITF 08-3 on its consolidated financial position and results of operations.

In June 2008, the FASB ratified EITF Issue No. 07-5, “Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity’s Own Stock” (EITF 07-5). EITF 07-5 provides that an entity should use a two step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including the instrument’s contingent exercise and settlement provisions. It also clarifies on the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. EITF 07-5 is effective for fiscal year beginning and after December 15, 2008. The Company does not expect EITF 07-5 to have a material impact on the Company’s future consolidated financial statements.

Reclassifications

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

3. Stock Based Compensation

We follow the provisions of 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.

Effective January 1, 2006, 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 June 30, 2008, we had 1,893,858 employee stock options outstanding, which included 1,178,859 that were outstanding and fully vested at December 31, 2005, 681,666 of the 878,000 employee stock options approved and granted on March 2, 2006, of which 450,999 are vested as of June 30, 2008, and 33,333 of the 100,000 employee stock options approved and granted on May 15, 2006, of which 33,334 became vested on May 15, 2008 and were exercised on May 20, 2008 and 33,333 were exercised on May 15, 2007. The weighted average exercise price of the 1,629,858 outstanding and fully vested employee stock options is \$1.85 with a weighted contractual life of 3.54 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, with 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. Additionally, we also have 561,000 outstanding and fully vested director stock options, of which 102,000 became fully vested in February 2008, with exercise price ranging from \$1.22 to \$2.98 per share and expiration dates from June 1, 2009 to August 2, 2017. The 102,000 director stock options which became vested in February 2008 were granted on August 2, 2007, resulting from the reelection of our Board of Directors. The weighted average exercise price of the 561,000 outstanding and fully vested director stock option is \$2.16 with a weighted contractual life of 6.18 years. We have not granted any employee or director stock options for the six months ended June 30, 2008.

We recognized share based compensation expense of approximately \$59,000 and \$141,000 for the three and six months ended June 30, 2008, respectively, for the employee stock options grants of March 2, 2006 and May 15, 2006, as compared to approximately \$51,000 and \$138,000 for the corresponding period ended June 30, 2007. For the stock option grants on March 2, 2006 and May 15, 2006, 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 three year vesting period. We also recognized the remaining share based compensation expense of approximately \$43,000 in the first quarter of 2008 for the 102,000 director option grant made on August 2, 2007, which became vested in February 2008 as compared to approximately \$24,000 for the first quarter of 2007 for the 90,000 director option grant made on July 27, 2006, which became vested in January 2007. Total share based compensation expense for our director and employee options impacted our results of operations for the three and six months ended June 30, 2008 by approximately \$59,000 and \$184,000 as compared to approximately \$51,000 and \$162,000, respectively for the corresponding period ended June 30, 2007. As SFAS 123R requires that stock based compensation be based on options that are ultimately expected to vest, we have estimated forfeiture rate of 7.7% for our final third year of vesting on the March 2, 2006 employee grant. We have estimated 0% forfeiture rate for our May 15, 2006 employee option grant, director stock option grants of July 27, 2006, and director stock option grants of August 2, 2007. Our estimated forfeiture rate is based on trends of actual option forfeitures. We have approximately \$198,000 of total unrecognized compensation cost related to unvested options as of June 30, 2008, of which \$112,000 is expected to be recognized in remaining 2008 and the remaining \$86,000 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 each 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.

4. Earnings (Loss) Per Share

Basic earning 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 three and six months ended June 30, 2008 and 2007:

(Amounts in Thousands, Except for Per Share Amounts)	Three Months Ended June 30, (Unaudited)		Six Months Ended June 30, (Unaudited)	
	2008	2007	2008	2007
<u>Earnings per share from continuing operations</u>				
Income from continuing operations applicable to Common Stockholders				
	\$ 399	\$ 752	71	\$ 1,335
Basic income per share	\$.01	\$.01	—	\$.02
Diluted income per share	\$.01	\$.01	—	\$.02
<u>(Loss) income per share from discontinued operations</u>				
(Loss) income from discontinued operations	\$ (49)	\$ 470	(760)	\$ (1,197)
Basic income (loss) per share	\$ —	\$.01	(.01)	\$ (.02)
Diluted income (loss) per share	\$ —	\$.01	(.01)	\$ (.02)
<u>Income per share from disposal of discontinued operations</u>				
Gain on disposal of discontinued operations	\$ 108	\$ —	2,216	\$ —
Basic income per share	\$ —	\$ —	.04	\$ —
Diluted income per share	\$ —	\$ —	.04	\$ —
Weighted average common shares outstanding – basic	53,729	52,131	53,717	52,097
Potential shares exercisable under stock option plans	444	882	318	711
Potential shares upon exercise of Warrants	—	588	—	525
Weighted average shares outstanding – diluted	54,173	53,601	54,035	53,333
Potential shares excluded from above weighted average share calculations due to their anti-dilutive effect include:				
Upon exercise of options	172	115	740	155

5. Long Term Debt

Long-term debt consists of the following at June 30, 2008 and December 31, 2007:

(Amounts in Thousands)	(Unaudited) June 30, 2008	December 31, 2007
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% (5.50% at June 30, 2008), balance due in July 2012.	\$ 5,415	\$ 6,851
Term Loan dated December 22, 2000, payable in equal monthly installments of principal of \$83, balance due in July 2012, variable interest paid monthly at prime rate plus 1% (6.00% at June 30, 2008).	—	4,500
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 (8.0% on June 30, 2008) and is payable in one lump sum at the end of installment period.	235	635
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% (6.125% at June 30, 2008)	2,079	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	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 (8.0% on June 30, 2008) and is payable in one lump sum at the end of installment period.	53	153
Various capital lease and promissory note obligations, payable 2008 to 2012, interest at rates ranging from 5.0% to 12.6%.	463	1,158
	10,745	18,836
Less current portion of long-term debt	3,289	15,292
Less long-term debt related to assets held for sale	186	820
	<u>\$ 7,270</u>	<u>\$ 2,724</u>

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, as amended. The Agreement provides for a term loan ("Term Loan") in the amount of \$7,000,000, which requires monthly installments of \$83,000 with the remaining unpaid principal balance due on September 30, 2009. The Agreement also provides 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. As of June 30, 2008, the excess availability under our Revolving Credit was \$4,481,000 based on our eligible receivables.

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%. The Agreement was subject to a prepayment fee of 1% until March 25, 2006, and ½% until March 25, 2007 had we elected to terminate the Agreement with 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. This amendment also waived the Company's violation of the fixed charge coverage ratio as of December 31, 2007 and revised and modified the method of calculating the fixed charge coverage ratio covenant contained in the loan agreement in each quarter of 2008. Pursuant to the amendment, we may terminate the agreement upon 60 days' prior written notice upon payment in full of the obligation. As a condition to this amendment, we paid PNC a fee of \$25,000.

On July 25, 2008, we entered into Amendment No. 11 with PNC which extended the additional \$2,000,000 of availability via a sub-facility resulting from the acquisition of Nuvotec (n/k/a Perma-fix Northwest, Inc.) and PEcoS (n/k/a Perma-Fix Northwest Richland, Inc.) within our secured revolver loan, pursuant to Amendment No. 6, dated June 12, 2007 to the earlier of August 30, 2008 or the date that our Revolving Credit, Term Loan and Security Agreement is restructured with PNC.

On August 4, 2008, we entered into Amendment No. 12 with PNC. Pursuant to Amendment No. 12, PNC renewed and extended our credit facility by increasing our term loan back up to \$7.0 million from the current principal outstanding balance of \$0, with the revolving line of credit remaining at \$18,000,000. Under Amendment No. 12, the due date of the \$25 million credit facility is extended through July 31, 2012. 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 by July 31, 2012. Pursuant to the Amendment No. 12, we may terminate the agreement upon 90 days' prior written notice upon payment in full of the obligation. We agreed to pay PNC 1% of the total financing fees in the event we pay off our obligations on or prior to August 4, 2009 and 1/2% of the total financing fees if we pay off our obligations on or after August 5, 2009 but prior to August 4, 2010. No early termination fee shall apply if we pay off our obligation after August 5, 2010. As part of Amendment No. 12, we agreed to grant mortgages to PNC as to certain of our facilities not previously granted to PNC under the Agreement. Amendment No. 12 also terminated the \$2,000,000 of availability pursuant to Amendment No. 11 noted above in its entirety. All other terms and conditions to the credit facility remain principally unchanged. The \$7.0 million in loan proceeds will be used to reduce our revolver balance and our current liabilities. As a condition of Amendment No. 12, we agreed to pay PNC a fee of \$120,000.

Promissory Note

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 the final principal repayment of \$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 (8.0% on June 30, 2008) and payable in one lump sum at the end of the loan period. On June 30, 2008, the outstanding balance was \$2,442,000 including accrued interest of approximately \$2,207,000. 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. - "PFNW") and PEcoS (n/k/a Perma-Fix of Northwest Richland, Inc. - "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 June 30, 2008, the outstanding principal balance was \$2,079,000. 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 final principal repayments of approximately \$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 June 30, 2008, the rate was 8.0%. On June 30, 2008, the outstanding balance was \$586,000 including accrued interest of approximately \$533,000.

Additionally, in conjunction with our acquisition of PFNW and 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. Interest paid as of June 30, 2008 totaled \$216,000. \$833,333 of the principal balance was reclassified to current from long term on our consolidated balance sheet as of June 30, 2008.

6. 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.

Legal

In the normal course of conducting our business, we are involved in various litigations.

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.

In June 2008, the Circuit Court of Seminole County, Florida dismissed all of the claims made by the plaintiffs against PFO. On July 2, 2008 each of the plaintiffs filed amended complaints against all defendants, except PFO. Since the plaintiffs have elected not to amend the complaints against PFO, each of these cases against PFO has now been favorably concluded.

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. The PRP Group has established a cooperative relationship with LDEQ and EPA, and is working closely with these agencies to assure that the funds held by LDEQ are used cost-effective. 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 assess 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.

Perma-Fix Northwest Richland, Inc. (f/k/a Pacific EcoSolutions, Inc – “PECoS”)

The Environmental Protection Agency (“EPA”) has alleged that prior to the date that we acquired the PECoS facility in June 2007, the PECoS facility was in violation of certain regulatory provisions relating to the facility’s handling of certain hazardous waste and Polychlorinated Biphenyl (“PCB”) waste. In connection with these alleged violations, during May 2008, the EPA advised the facility that in the view of EPA, a total penalty of \$317,500 is appropriate to settle the alleged violations. If a settlement is not reached between the EPA and us within the allocated time, EPA could file a formal complaint. We are currently attempting to negotiate with EPA a reduction in the proposed fine. Under the agreements relating to our acquisition of Nuvotec and PECoS (see “- Business Acquisition – Acquisition of Nuvotec” in “Notes to Consolidated Financial Statements”), we are required, if certain revenue targets are met, to pay to the former shareholders of Nuvotec an earn-out amount not to exceed \$4.4 million over a four year period ending June 30, 2011, with the first \$1 million of the earn-out amount to be placed into an escrow account to satisfy certain indemnification obligations to us of Nuvotec, PECoS, and the former shareholders of Nuvotec (including Mr. Robert Ferguson, a current member of our Board of Directors). We may claim reimbursement of the penalty, plus out of pocket expenses, paid or to be paid by us in connection with this matter from the escrow account. (See “- Related Party Transaction” in “Note to Consolidated Financial Statements”). As of the date of this report, we have not made or accrued any earn-out payments to the former Nuvotec shareholders and have not paid any amount into the escrow account because such revenue targets have not been met. The \$317,500 in potential penalty has been recorded as a liability in the purchase acquisition of Nuvotec and its wholly owned subsidiary, PECoS.

Insurance

We believe we maintain insurance coverage adequate for our needs and which is similar to, or greater than, the coverage maintained by other companies of our size in the industry. There can be no assurances, however, those liabilities, which may be incurred by us, 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 \$1,000,000 per occurrence and \$2,000,000 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 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 \$30,879,000 at June 30, 2008, 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 2008, we paid our fifth 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 June 30, 2008, we have recorded \$6,852,000 in our sinking fund on the balance sheet, which includes interest earned of \$664,000 on the sinking fund as of June 30, 2008. Interest income for the three and six months ended June 30, 2008, was \$35,000 and 89,000, respectively. 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 PFNWR facility, which we acquired in June 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 part of the acquisition of PFNWR facility in June 2007, we have a large disposal accrual related to the legacy waste at the facility of approximately \$4,690,000 as of June 30, 2008. We anticipate disposal of this legacy waste by December 31, 2008. In connection with this waste, we are required to provide financial assurance coverage of approximately \$2.8 million, consisting of five equal payment of approximately \$550,604, which will be deposited into a sinking fund. We have made three of the five payments as of June 30, 2008, with the remaining two payable by August 31, 2008. Once this legacy waste has been disposed of and release of the financial assurance is received from the state, we will have the opportunity to reduce this financial assurance by releasing the funds back to us. As of June 30, 2008, we have recorded \$1,939,000 in our sinking fund on the balance sheet, which includes interest earned of \$29,000 on the sinking fund as of June 30, 2008. Interest income for the three and six months ended June 30, 2008, was \$20,000 and 29,000, respectively.

7. 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 outstanding 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 ours. 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 PFWN. 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 PFWN 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 by 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 June 30, 2008, 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 \$9.5 million, was allocated to goodwill which is not amortized but subject to an annual impairment test. The Company has finalized the allocation of the purchase price to the net assets acquired in this acquisition. The following table summarizes the final purchase price to the net assets acquired in this acquisition.

(Amounts in thousands)	
Cash	\$ 2,300
Assumed debt	9,412
Installment payments	2,500
Common Stock of the Company	2,165
Transaction costs	922
Total consideration	<u>\$ 17,299</u>

The following table presents the allocation of the final 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)	\$ 2,897
Property, plant and equipment	14,978
Permits	4,500
Goodwill	9,493
Total assets acquired	<u>31,868</u>
Current liabilities	(10,801)
Non-current liabilities	<u>(3,768)</u>
Total liabilities assumed	<u>(14,569)</u>
Net assets acquired	<u>\$ 17,299</u>

The results of operations of PFNW and PFNWR 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 us, PFNW, and PFNWR as though the acquisition had occurred as of the beginning of the period presented. The pro forma financial information does not necessarily represent the results of operations that would have occurred had we, PFNW, and PFNWR been a single company during the periods presented, nor do we 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 PFNW and PFNWR is deductible for tax purposes.

(Amounts in Thousands, Except per Share Data)	Three Months Ended	Six Months Ended
	June 30, 2007	June 30, 2007
	(Unaudited)	(Unaudited)
Net revenues	\$ 16,144	30,896
Net income	\$ 116	757
Net income per share from continuing operations- basic	\$ —	.01
Net income per share from continuing operations- diluted	\$ —	.01
Weighted average common shares outstanding - basic	52,131	52,097
Weighted average common shares outstanding - diluted	53,601	53,333

8. Discontinued Operations and Divestitures

Our discontinued operations encompass all of our facilities within our Industrial Segment. As previously discussed in “Note 1 - 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. In accordance with SFAS No. 144, the long-lived assets have been written down to fair value less anticipated selling costs. We have recorded \$6,367,000 in impairment charges, all of which were included in “loss from discontinued operations, net of taxes” on our Consolidated Statement of Operations for the year ended December 31, 2007. 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.

On January 8, 2008, we sold substantially all of the assets of PFMD within our Industrial Segment, pursuant to the terms of an Asset Purchase Agreement, dated January 8, 2008. In consideration for such assets, the buyer paid us \$3,811,000 (purchase price of \$3,825,000 less closing costs) in cash at the closing and assumed certain liabilities of PFMD. The cash consideration is subject to certain working capital adjustments during 2008. Pursuant to the terms of our credit facility, \$1,400,000 of the proceeds received was used to pay down our term loan, with the remaining funds used to pay down our revolver. As of the June 30, 2008, we have sold approximately \$3,100,000 of PFMD’s assets, which excludes approximately \$10,000 of restricted cash. The buyer assumed liabilities in the amount of approximately \$1,108,000. As of June 30, 2008, expenses relating to the sale of PFMD totaled approximately \$128,000, of which \$50,000 was paid in the second quarter of 2008. We anticipate paying the remaining expenses by the end of the third quarter. As of the date of this report, no working capital adjustment has been made on the sale of PFMD. We anticipate that if there will be a working capital adjustment made on the sale of PFMD, it will be completed by the third quarter of 2008. As of June 30, 2008, the gain on the sale of PFMD totaled approximately \$1,647,000 net of taxes of \$43,000. The purchase price is subject to further working capital adjustments. The gain is recorded separately on the Consolidated Statement of Operations as “Gain on disposal of discontinued operations, net of taxes”.

On March 14, 2008, we completed the sale of substantially all of the assets of PFD within our Industrial Segment, 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. We received cash of approximately \$2,139,000 at closing, which was net of certain closing costs. The proceeds received were used to pay down our term loan. As of June 30, 2008, we have sold approximately \$3,103,000 of PFD’s assets. The buyer assumed liabilities in the amount of approximately \$1,635,000. As of June 30, 2008, expenses relating to the sale of PFD totaled approximately \$197,000, of which \$28,000 was paid in the second quarter of 2008. We anticipate paying the remaining expenses by the end of the third quarter. In June 2008, we paid the buyer approximately \$209,000 due to certain working capital adjustments. As a result, for the three months ended June 30, 2008, we reduced our gain on the sale of PFD by approximately \$195,000, net of taxes of \$0. As of June 30, 2008, our gain on the sale of PFD totaled approximately \$266,000, net of taxes of \$0. We do not anticipate making any further working capital adjustments on the sale of PFD. The gain is recorded separately on the Consolidated Statement of Operations as “Gain on disposal of discontinued operations, net of taxes”.

On May 30, 2008, we completed the sale of substantially all of the assets of PFTS within our Industrial Segment, pursuant to the terms of an Asset Purchase Agreement, dated May 14, 2008 as amended by a First Amendment dated May 30, 2008. In consideration for such assets, the buyer paid us \$1,468,000 (purchase price of \$1,503,000 less certain closing/settlement costs) in cash at closing and assumed certain liabilities of PFTS. The cash consideration is subject to certain working capital adjustments after closing. Pursuant to the terms of our credit facility, the proceeds received were used to pay down our term loan with the remaining funds used to pay down our revolver. As of June 30, 2008, we had sold approximately \$1,861,000 of PFTS’s assets. The buyer assumed liabilities in the amount of approximately \$996,000. As of June 30, 2008, we recorded a gain of approximately \$303,000, net of taxes of \$0, which includes \$135,000 in final working capital adjustment paid to the buyer on July 14, 2008, on the sale of PFTS. The gain is recorded separately on the Consolidated Statement of Operations as “Gain on disposal of discontinued operations, net of taxes”.

The following table summarizes the results of discontinued operations for the three and six months ended June 30, 2008 and 2007. The gains on disposals of discontinued operations, net of taxes, as mentioned above, are reported separately on our Consolidated Statements of Operations as “Gain on disposal of discontinued operations, net of taxes”. The operating results of discontinued operations are included in our Consolidated Statements of Operations as part of our “Loss from discontinued operations, net of taxes”.

(Amounts in Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net revenues	\$ 3,512	\$ 8,152	\$ 8,485	\$ 15,387
Interest expense	\$ (37)	\$ (54)	\$ (77)	\$ (107)
Operating (loss) income from discontinued operations (1)	\$ (49)	\$ 470	\$ (760)	\$ (1,197)
Gain on disposal of discontinued operations (2)	108	—	2,216	—
Income (loss) from discontinued operations	\$ 59	\$ 470	\$ 1,456	\$ (1,197)

(1) Net of taxes of \$17,000 and \$17,000 for the three and six months ended June 30, 2008, respectively and \$0 and \$0 for the corresponding period of 2007.

(2) Net of taxes of \$0 and \$43,000 for three and six months ended June 30, 2008, respectively.

Assets and liabilities related to discontinued operations total \$6,709,000 and \$6,298,000 as of June 30, 2008, respectively and \$14,341,000 and \$11,949,000 as of December 31, 2007, 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 June 30, 2008 and December 31, 2007. The held for sale asset and liabilities balances as of December 31, 2007 may differ from the respective balances at closing:

(Amounts in Thousands)	June 30, 2008	December 31, 2007
Account receivable, net (1)	\$ 1,674	\$ 4,253
Inventories	111	411
Other assets	1,326	2,902
Property, plant and equipment, net (2)	3,521	6,775
Total assets held for sale	<u>\$ 6,632</u>	<u>\$ 14,341</u>
Account payable	\$ 724	\$ 2,403
Accrued expenses and other liabilities	1,126	4,713
Note payable	186	820
Environmental liabilities	589	1,132
Total liabilities held for sale	<u>\$ 2,625</u>	<u>\$ 9,068</u>

(1) net of allowance for doubtful account of \$29,000 and \$269,000 as of June 30, 2008 and December 31, 2007, respectively.

(2) net of accumulated depreciation of \$3,521,000 and \$12,408,000 as of June 30, 2008 and December 31, 2007, 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 June 30, 2008 and December 31, 2007:

(Amounts in Thousands)	June 30, 2008	December 31, 2007
Other assets	\$ 77	\$ —
Total assets of discontinued operations	<u>\$ 77</u>	<u>\$ —</u>
Account payable	\$ 401	\$ 329
Accrued expenses and other liabilities	2,030	1,287
Deferred revenue	10	—
Environmental liabilities	1,232	1,265
Total liabilities of discontinued operations	<u>\$ 3,673</u>	<u>\$ 2,881</u>

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 \$7,000 has been spent during the six months of 2008 and \$81,000 was spent during 2007. 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 \$556,000 accrued for the closure, as of June 30, 2008, and we anticipate spending \$170,000 in the remaining six months of 2008 with the remainder over the next six years. Based on the current status of the Corrective Action, we believe that the remaining reserve is adequate to cover the liability.

As of June 30, 2008, PFMI has a pension payable of \$1,172,000. 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 \$171,000 that we expect to pay over the next year.

9. 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.

Our operating segments are defined as follows:

The Nuclear Waste Management Services Segment (“Nuclear 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 Perma-Fix of Northwest Richland, Inc., which was acquired in June 2007.

The Consulting Engineering Services Segment (“Engineering 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 (“Industrial Segment”) which provides on-and-off site treatment, storage, processing and disposal of hazardous and non-hazardous industrial waste, and wastewater through our three facilities; Perma-Fix of Ft. Lauderdale, Inc., Perma-Fix of Orlando, Inc., and Perma-Fix of South Georgia, Inc. Our discontinued operations also include Perma-Fix of Michigan, Inc., and Perma-Fix of Pittsburgh, Inc., two non-operational facilities. On January 8, 2008, March 14, 2008, and May 30, 2008, we completed the sale of substantially all of the assets of Perma-Fix of Maryland, Inc., Perma-Fix of Dayton, Inc., and Perma-Fix Treatment Services, Inc., respectively, three former Industrial Segment facilities. See “Note 8 - Discontinued Operations and Divestiture” for accounting treatment of all three divestitures.

The table below presents certain financial information of our operating segment as of and for the three and six months ended June 30, 2008 and 2007 (in thousands).

Segment Reporting for the Quarter Ended June 30, 2008

	Nuclear	Engineering	Segments Total	Corporate ⁽²⁾	Consolidated Total
Revenue from external customers	\$ 15,009 ⁽³⁾	\$ 789	\$ 15,798	\$ —	\$ 15,798
Intercompany revenues	673	168	841	—	841
Gross profit	4,557	328	4,885	—	4,885
Interest income	—	—	—	49	49
Interest expense	192	—	192	133	325
Interest expense-financing fees	—	—	—	57	57
Depreciation and amortization	1,099	8	1,107	10	1,117
Segment profit (loss)	1,763	134	1,897	(1,498)	399
Segment assets ⁽¹⁾	92,241	2,008	94,249	19,431 ⁽⁴⁾	113,680
Expenditures for segment assets	33	8	41	2	43
Total long-term debt	5,143	1	5,144	5,415	10,559

Segment Reporting for the Quarter Ended June 30, 2007

	Nuclear	Engineering	Segments Total	Corporate ⁽²⁾	Consolidated Total
Revenue from external customers	\$ 13,005 ⁽³⁾	\$ 532	\$ 13,537	\$ —	\$ 13,537
Intercompany revenues	737	308	1,045	—	1,045
Gross profit	4,639	165	4,804	—	4,804
Interest income	—	—	—	78	78
Interest expense	131	—	131	141	272
Interest expense-financing fees	—	—	—	48	48
Depreciation and amortization	832	9	841	16	857
Segment profit (loss)	2,295	43	2,338	(1,586)	752
Segment assets ⁽¹⁾	95,572	2,008	97,580	33,780 ⁽⁴⁾	131,360
Expenditures for segment assets	496	2	498	10	508
Total long-term debt	8,166	11	8,177	9,452	17,629

Segment Reporting for the Six Months Ended June 30, 2008

	Nuclear	Engineering	Segments Total	Corporate ⁽²⁾	Consolidated Total
Revenue from external customers	\$ 28,991 ⁽³⁾	\$ 1,691	\$ 30,682	\$ —	\$ 30,682
Intercompany revenues	1,284	266	1,550	—	1,550
Gross profit	8,112	584	8,696	—	8,696
Interest income	2	—	2	115	117
Interest expense	388	—	388	290	678
Interest expense-financing fees	1	—	1	109	110
Depreciation and amortization	2,203	15	2,218	20	2,238
Segment profit (loss)	2,739	262	3,001	(2,930)	71
Segment assets ⁽¹⁾	92,241	2,008	94,249	19,431 ⁽⁴⁾	113,680
Expenditures for segment assets	545	8	553	9	562
Total long-term debt	5,143	1	5,144	5,415	10,559

Segment Reporting for the Six Months Ended June 30, 2007

Segments

Consolidated

	Nuclear	Engineering	Segments Total	Corporate ⁽²⁾	Consolidated Total
Revenue from external customers	\$ 25,349 ⁽³⁾	\$ 1,109	\$ 26,458	\$ —	\$ 26,458
Intercompany revenues	1,292	543	1,835	—	1,835
Gross profit	9,071	333	9,404	—	9,404
Interest income	—	—	—	166	166
Interest expense	222	1	223	250	473
Interest expense-financing fees	—	—	—	96	96
Depreciation and amortization	1,575	18	1,593	35	1,628
Segment profit (loss)	4,305	92	4,397	(3,062)	1,335
Segment assets ⁽¹⁾	95,572	2,008	97,580	33,780 ⁽⁴⁾	131,360
Expenditures for segment assets	1,849	13	1,862	13	1,875
Total long-term debt	8,166	11	8,177	9,452	17,629

(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 Segment include the LATA/Parallax revenues for the three and six months ended June 30, 2008 of \$1,291,000 (or 8.2%) and \$2,844,000 (or 9.3%), respectively, and \$2,056,000 (or 15.2%) and \$4,010,000 (or 15.2%) for the corresponding period ended June 30, 2007, respectively. In addition, the consolidated revenues within the Nuclear Segment include the Fluor Hanford revenues of \$2,110,000 (or 13.4%) and \$3,875,000 (or 12.6%) for the three and six months period ended June 30, 2008, respectively, and \$1,913,000 (or 14.1%) and \$3,423,000 (or 12.9%) for the corresponding period ended June 30, 2007, respectively.
- (4) Amount includes assets from discontinued operations of \$6,709,000 and \$24,525,000 as of June 30, 2008 and 2007, respectively.

10. 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.

SFAS No. 109 requires that deferred income tax assets be reduced by a valuation allowance if it is more likely that not that some portion or all of the deferred income tax assets will not be realized. We evaluate the realizability of our deferred income tax assets, primarily resulting from impairment loss and net operating loss carryforwards, and adjust our valuation allowance, if necessary. Once we utilize our net operating loss carryforwards, we would expect our provision for income tax expense in future periods to reflect an effective tax rate that will be significantly higher than past periods.

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. As a result of the implementation of FIN 48, we have concluded that we have not taken any material uncertain tax positions on any of our open tax returns filed through December 31, 2006.

We have not yet filed our income tax returns for the period ended December 31, 2007 tax year; however, we expect that the actual return will mirror tax positions taken within our income tax provision for 2007. As we believe that all such positions are fully supportable by existing Federal law and related interpretations, there are no uncertain tax positions to consider in accordance with FIN 48. The impact of our reassessment of our tax positions in accordance with FIN 48 for the first and second quarter of 2008 did not have any impact on our result of operations, financial condition or liquidity.

11. Capital Stock And Employee Stock Plan

During the six months ended June 30, 2008, we issued 58,334 shares of our Common Stock upon exercise of 55,334 employee stock options, at exercise prices from \$1.25 to \$1.85 and 5,000 director stock options, at exercise price of \$1.75. Total proceeds received during the six months ended June 30, 2008 related to option exercises totaled approximately \$95,000. In addition, we received the remaining \$25,000 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.

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. 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.

The summary of the Company's total Plans as of June 30, 2008 as compared to June 30, 2007 and changes during the period then ended are presented as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding January 1, 2008	2,590,026	\$ 1.91		
Granted	—	—		
Exercised	(58,334)	\$ 1.64		\$ 46,167
Forfeited	(76,834)	\$ 1.78		
Options outstanding End of Period ⁽¹⁾	<u>2,454,858</u>	1.92	4.1	\$ 2,384,309
Options Exercisable at June 30, 2008 ⁽¹⁾	<u>2,190,858</u>	\$ 1.93	4.2	\$ 2,112,056
Options Vested and expected to be vested at June 30, 2008	<u>2,437,097</u>	\$ 1.92	4.1	\$ 2,366,015

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding January 1, 2007	2,816,750	\$ 1.86		
Granted	—	—		
Exercised	(200,917)	1.82		\$ 238,763
Forfeited	(7,000)	1.72		
Options outstanding End of Period ⁽¹⁾	<u>2,608,833</u>	1.86	4.9	\$ 3,145,530
Options Exercisable at June 30, 2007 ⁽¹⁾	<u>1,990,166</u>	\$ 1.87	4.9	\$ 2,396,276
Options Vested and expected to be vested at June 30, 2007	<u>2,561,913</u>	\$ 1.86	4.9	\$ 3,088,757

⁽¹⁾ Option with exercise price ranging from \$1.22 to \$2.98

12. Related Party Transaction

Mr. Robert Ferguson

Mr. Robert Ferguson, was nominated to serve as a Director in connection with the closing of the acquisition by the Company of Nuvotec (n/k/a Perma-Fix Northwest, Inc.) and its wholly owned subsidiary, Pacific EcoSolutions, Inc. ("PEcoS") (n/k/a Perma-Fix Northwest Richland, Inc.) in June 2007 and subsequently elected a Director at our Annual Meeting of Shareholders held in August 2007. At the time of the acquisition, Mr. 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. Under the agreements relating to our acquisition of Nuvotec and PEcoS (see "- Business Acquisition - Acquisition of Nuvotec" in "Notes to Consolidated Financial Statements"), we are required, if certain revenue targets are met, to pay to the former shareholders of Nuvotec an earn-out amount not to exceed \$4.4 million over a four year period ending June 30, 2011, with the first \$1 million of the earn-out amount to be placed into an escrow account to satisfy certain indemnification obligations to us of Nuvotec, PEcoS, and the former shareholders of Nuvotec, including Mr. Robert Ferguson.

The Environmental Protection Agency ("EPA") has alleged that prior to the date that we acquired the PEcoS facility in June 2007, the PEcoS facility was in violation of certain regulatory provisions relating to the facility's handling of certain hazardous waste and Polychlorinated Biphenyl ("PCB") waste. In connection with these alleged violations, during May 2008, the EPA advised the facility that in the view of EPA, a total penalty of \$317,500 is appropriate to settle the alleged violations. If a settlement is not reached between the EPA and us within the allocated time, EPA could file a formal complaint. We are currently attempting to negotiate with EPA a reduction in the proposed fine.

We may claim reimbursement of the penalty, plus out of pocket expenses, paid or to be paid by us in connection with this matter from the escrow account. As of the date of this report, we have not made or accrued any earn-out payments to the former Nuvotec shareholders and have not paid any amount into the escrow account because such revenue targets have not been met. The \$317,500 in potential penalty has been recorded as a liability in the purchase acquisition of Nuvotec and its wholly owned subsidiary, PEcoS.

2003 Outside Directors Stock Plan

In 2003, our Board of Directors adopted the 2003 Outside Directors Stock Plan (the "2003 Plan"), and the 2003 Plan was approved by our stockholders at the annual meeting held on July 29, 2003. The 2003 Plan authorizes the grant of non-qualified stock options and issuance of our Common Stock in lieu of director fees otherwise payable in cash to each member of our Board of Directors who is not our employee. Under the 2003 Plan, an outside Director may elect to receive either 65% of the director fees for service on our Board in our Common Stock with the balance payable in cash or 100% of the director fees in our Common Stock. The number of shares of our Common Stock issuable to an outside Director in lieu of cash is determined by valuing the Common Stock at 75% of its fair market value on the business day immediately preceding the date that the director fees is due. Currently, we have seven outside directors. The Board of Directors believes that the 2003 Plan serves to:

- (a) attract and retain qualified members of the Board of Directors who are not our employees, and
- (b) enhance such outside directors' interests in our continued success by increasing their proprietary interest in us and more closely aligning the financial interests of such outside directors with the financial interests of our stockholders.

Currently, the maximum number of shares of our Common Stock that may be issued under the 2003 Plan is 1,000,000, of which 412,465 shares have previously been issued under the 2003 Plan, and 426,000 shares are issuable under outstanding options granted under the 2003 Plan. As a result, an aggregate of 838,465 of the 1,000,000 shares authorized under the 2003 Plan have been previously issued or reserved for issuance, and only 161,535 shares remain available for issuance under the 2003 Plan. In order to continue the benefits that are derived through the 2003 Plan, on June 9, 2008, our Compensation and Stock Option Committee approved and recommended that our Board of Directors approve the First Amendment to the 2003 Plan (the "First Amendment") to increase from 1,000,000 to 2,000,000 the number of shares of our Common Stock reserved for issuance under the 2003 Plan. Our Board of Directors approved the First Amendment to the 2003 Plan on June 13, 2008. Our shareholders approved the First Amendment at our Annual Meeting of Stockholders held on August 5, 2008.

13. Subsequent Events

Amendments to Revolving Credit and Term Loan Agreement

On July 25, 2008, we entered into Amendment No. 11 with PNC which extended the additional \$2,000,000 of availability via a sub-facility resulting from the acquisition of Nuvotec (n/k/a Perma-fix Northwest, Inc.) and PEcoS (n/k/a Perma-Fix Northwest Richland, Inc.) within our secured revolver loan, pursuant to Amendment No. 6, dated June 12, 2007 to the earlier of August 30, 2008 or the date that our Revolving Credit, Term Loan and Security Agreement is restructure with PNC.

On August 4, 2008, we entered into Amendment No. 12 with PNC. Pursuant to Amendment No. 12, PNC renewed and extended our credit facility by increasing our term loan back up to \$7.0 million from the current principal outstanding balance of \$0, with the revolving line of credit remaining at \$18,000,000. Under Amendment No. 12, the due date of the \$25 million credit facility is extended through July 31, 2012. 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 by July 31, 2012. Pursuant to the Amendment No. 12, we may terminate the agreement upon 90 days' prior written notice upon payment in full of the obligation. We agreed to pay PNC 1% of the total financing fees in the event we pay off our obligations on or prior to August 4, 2009 and 1/2% of the total financing fees if we pay off our obligations on or after August 5, 2009 but prior to August 4, 2010. No early termination fee shall apply if we pay off our obligation after August 5, 2010. As part of Amendment No. 12, we agreed to grant mortgages to PNC as to certain of our facilities not previously granted to PNC under the Agreement. Amendment No. 12 also terminated the \$2,000,000 of availability pursuant to Amendment No. 11 noted above in its entirety. All other terms and conditions to the credit facility remain principally unchanged. The \$7.0 million in loan proceeds will be used to reduce our revolver balance and our current liabilities. As a condition of Amendment No. 12, we agreed to pay PNC a fee of \$120,000.

2004 Stock Option Plan

On August 5, 2008, our Board of Directors authorized the grant of 1,068,000 Incentive Stock Options ("ISO") to certain employees of the Company which allow for the purchase our Common Stock from the 2004 Stock Option Plan ("2004 Plan"). The 2004 Plan was adopted on June 14, 2004 by our Board of Directors and approved by our shareholders on July 28, 2004. The maximum number of shares of our Common Stock that may be issued under the 2004 Plan is 2,000,000, of which 158,168 shares have been issued under the 2004 Plan, and 744,999 shares are issuable under outstanding options prior to the issuance of the 1,068,000 options under the 2004 Plan. The ISO granted are for a six year term with vesting period over a three years at 1/3 increments per year with an exercise price of \$2.28 per share.

Notice of Violation - Perma-Fix Treatment Services, Inc. ("PFTS")

During July, 2008, PFTS received a notice of violation ("NOV") from the Oklahoma Department of Environmental Quality ("ODEQ") regarding eight loads of waste materials received by PFTS between January 2007 and July 2007 which the ODEQ alleges were not properly analyzed to assure that the treatment process rendered the waste non-hazardous before these loads were disposed of in PFTS' non-hazardous injection well. The ODEQ alleges that these possible failures are a basis for violations of various sections of the rules and regulations regarding the handling of hazardous waste. The ODEQ did not assert any penalties against PFTS in the NOV and requested PFTS to respond within 30 days from receipt of the letter. PFTS intends to respond to the ODEQ. PFTS sold substantially all of its assets to a non-affiliated third party on May 30, 2008.

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

Forward-looking Statements

Certain statements contained 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 retain or receive certain permits, licenses, or patents;
- ability to comply with the Company's general working capital requirements;
- ability to continue to meet our fixed charge coverage ratio in 2008;
- ability to be able to continue to borrow under the Company's revolving line of credit;
- the \$7.0 million in loan proceeds will be used to reduce our revolver balance and our current liabilities;
- we plan to fund any repurchases under the common stock repurchase plan through our internal cash flow and/or borrowing under our line of credit;
- ability to generate sufficient cash flow from operations to fund all costs of operations;
- ability to remediate certain contaminated sites for projected amounts;
- despite our aggressive compliance and auditing procedures for disposal of wastes, we could, in the future, be notified that we are a Partially Responsible Party ("PRP") at a remedial action site, which could have a material adverse effect;
- ability to fund budgeted capital expenditures of \$3,100,000 during 2008 through our operations or lease financing or a combination of both;
- growth of our Nuclear Segment;
- we believe that our cash flows from operations and our available liquidity from our line of credit are sufficient to service the Company's current obligations;
- we expect backlog levels to 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 material prospective;
- we anticipate disposal of the legacy waste at PFNWR by December 31, 2008;
- our contract with LATA/Parallax is expected to be completed in 2008 or extended through some portion of 2009;
- we believe that once we begin full operation under this subcontract, we will recognize annual revenues under this subcontract for on-site and off-site work of approximately \$40.0 million to \$50.0 million in the early years of the contract based on accelerated schedule goals. We anticipate to initially employ approximately an additional 230 employees to service this subcontract;
- we are working with Fluor Hanford to extend the three existing contracts beyond September 30, 2008;
- the revenue from these Fluor Hanford contracts should increase during fiscal year 2009 unless DOE budget cuts impact their funding due to the contract objectives of the engineering firm's new contract;
- 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 can terminate the contract with us at any time for convenience, which could have a material adverse effect on our operations;
- although we have seen smaller fluctuation in government receipts between quarters in recent years, as government spending is contingent upon its annual budget and allocation of funding, we cannot provide assurance that we will not have larger fluctuations in the quarters in the near future;
- we pay claim reimbursement of the penalty, plus out of pocket expenses, paid or to be paid by us in connection with the PFNWR matter from the escrow account;
- we anticipate spending \$170,000 in the remaining six months of 2008 to remediate the PFMI site, with the remainder over the next six years;
- under our insurance contracts, we usually accept self-insured retentions, which we believe is appropriate for our specific business risks;
- we believe we maintain insurance coverage adequate for our needs and which is similar to, or greater than the coverage maintained by other companies of our size in the industry;
- 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;
- we do not anticipate making any further working capital adjustments on the sale of PFD;
- as of the date of this report, no working capital adjustment has been made on the sale of PFMD. We anticipate that if there will be a working capital adjustment made on the sale of PFMD, it will be completed by the third quarter of 2008;
- we anticipate paying the remaining expenses relating to the sale of PFMD and PFD by the end of the third quarter of 2008;
- with the impending divestitures of our remaining facilities/operations, we anticipate the environmental liabilities of PFSG will be part of the divestitures with the exception of PFM and PFMI, which will remain the financial obligations of the Company;
- we believe the material weakness at certain of our Industrial Segment will inherently be remediated once the remaining facilities/operations within our Industrial Segment are sold;
- 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 does not expect the adoption of SAB No. 110 to have material effect on its operations or financial position;
- the Company does not expect the adoption of FSP FAS 142-3 to have a material impact on the Company's financial position or results of operations; and
- the Company does not expect EITF 07-5 to have a material impact on the Company's future consolidated financial statements;
- the Company does not expect SFAS 161 to have a material impact on the Company's future consolidated financial statements; and
- we do not expect standard in SFAS 160 to have a material impact on the Company's future consolidated financial statements.

While the Company believes the expectations reflected in such forward-looking statements are reasonable, it can give no assurance such expectations will prove to have been correct. There are a variety of factors, which could cause future outcomes to differ materially from those described in this report, including, but not limited to:

- general economic conditions;
- material reduction in revenues;
- ability to meet PNC covenant requirements;
- 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 remaining facilities/operations within our Industrial Segment;
- inability to continue to be profitable on an annualized basis;
- the inability of the Company to maintain the listing of its Common Stock on the NASDAQ;
- terminations of contracts with federal agencies or subcontracts involving federal agencies, or reduction in amount of waste delivered to the Company under the contracts or subcontracts; and
- disposal expense accrual could prove to be inadequate in the event the waste requires re-treatment; and
- DOE obtaining the necessary funding to fund all work under its contracts.

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

Overview

We provide services through two reportable operating segments: Nuclear Waste Management Services Segment (“Nuclear Segment”) and Consulting Engineering Services Segment (“Engineering Segment”). The Nuclear Segment provides treatment, storage, processing and disposal services of mixed waste (waste containing both hazardous and low-level radioactive materials) and low-level radioactive wastes, including research, development and on-site and off-site waste remediation. Our Engineering Segment provides a wide variety of environmental related consulting and engineering services to both industry and government. These services include oversight management of environmental restoration projects, air and soil sampling, compliance reporting, surface and subsurface water treatment design for removal of pollutants, and various compliance and training activities.

The second quarter of 2008 reflected a revenue increase of \$2,261,000 or 16.7% from the same period of 2007. This increase is primarily the result of including revenues from Perma-Fix Northwest Richland, Inc. (“PFNWR”) which we acquired in June 2007, for the full second quarter of 2008. Excluding the revenue of our PFNWR facility, the Nuclear Segment revenue decreased \$1,174,000 or 9.9%. This decrease is primarily the result of overall reduction in the volume of waste receipts. Revenue for the second quarter of 2008 from the Engineering Segment increased \$257,000 or 48.3% to \$789,000 from \$532,000 for the same period of 2007. This increase is attributed mainly to an increase in average billable rate and number of billed hours. Excluding the gross profit and revenue of PFNWR, gross profit for the Nuclear Segment as a percentage of revenue decreased to 29.0% from 36.2%. The decrease in gross profit was due primarily with the Nuclear Segment’s lower revenue and revenue mix. Our Engineering Segment’s gross profit increased approximately \$163,000 or 98.9% due to increased revenue resulting from higher external billable hours at higher average hourly rate. SG&A for the second quarter of 2008, excluding the SG&A of PFNWR, decreased approximately \$283,000 or 7.9%, as compared to the three months ended June 30, 2007. This decrease is attributable mainly to decrease in payroll and travel related costs as we continue our efforts in streamlining our costs. In addition, certain costs related to services performed by our Engineering Segment associated with the divestiture efforts of our Industrial Segment were incurred in 2007 and not in 2008. Our working capital position in the quarter continues to be negatively impacted by the acquisition of PFNWR in June 2007, with the reclass of approximately \$833,000 in principal balance from long term to current on a shareholder note resulting from the acquisition and payment of approximately \$551,000 in financial assurance coverage for the legacy waste at the facility. However, our working capital position was positively impacted by the sale of our PFTS facility within our Industrial Segment in the second quarter.

During the second quarter of 2008, we completed the sale of substantially all of the assets of Perma-Fix Treatment Services, Inc. (“PFTS”), a company within our discontinued Industrial Segment, for \$1,503,000 in cash, less final working capital adjustments of approximately \$135,000 which was paid to the buyer on July 14, 2008, and the assumption by the buyer of certain liabilities of PFTS. As previously reported, during the first quarter of 2008, we completed the sale of two other companies within our discontinued Industrial Segment, Perma-Fix of Maryland, Inc. (“PFMD”) and Perma-Fix of Dayton, Inc. (“PFD”). In January 2008, we sold substantially all of the assets of PFMD for \$3,825,000 in cash, subject to certain working capital adjustments during 2008, and assumption by the buyer of certain liabilities of PFMD. As of the date of this report, no working capital adjustment has been made on the sale of PFMD. We anticipate that if there will be a working capital adjustment made on the sale of PFMD, it will be completed by the third quarter of 2008. In March 2008, we sold substantially all of the assets of PFD for approximately \$2,143,000 in cash, subject to certain working capital adjustments after closing, and assumption by the buyer of certain of PFD’s liabilities and obligations. In June 2008, we paid the buyer approximately \$209,000 due to certain working capital adjustments on the sale of PFD. We do not anticipate making any further working capital adjustments on the sale of PFD. The net proceeds we received from these divestitures were used to pay off our term note and reduce our revolver. See “—Discontinued Operations and Divestitures” in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further discussion of these transactions.

Results of Operations

The reporting of financial results and pertinent discussions are tailored to two reportable segments: Nuclear and Engineering.

Consolidated (amounts in thousands)	Three Months Ending				Six Months Ending			
	June 30,				June 30,			
	2008	%	2007	%	2008	%	2007	%
Net revenues	\$ 15,798	100.0	\$ 13,537	100.0	\$ 30,682	100.0	\$ 26,458	100.0
Cost of goods sold	10,913	69.1	8,733	64.5	21,986	71.7	17,054	64.5
Gross profit	4,885	30.9	4,804	35.5	8,696	28.3	9,404	35.5
Selling, general and administrative	3,996	25.3	3,759	27.8	7,803	25.4	7,474	28.2
Loss on disposal of property and equipment	142	.9	2	—	142	.5	2	—
Income from operations	\$ 747	4.7	\$ 1,043	7.7	\$ 751	2.4	\$ 1,928	7.3
Interest income	49	.3	78	.6	117	.4	166	.6
Interest expense	(325)	(2.1)	(272)	(2.0)	(678)	(2.2)	(473)	(1.8)
Interest expense-financing fees	(57)	(.4)	(48)	(.3)	(110)	(.4)	(96)	(.4)
other	(12)	—	9	—	(6)	—	(7)	—
Income from continuing operations before taxes	402	2.5	810	6.0	74	.2	1,518	5.7
Income tax expense	3	—	58	.4	3	—	183	.7
Income from continuing operations	399	2.5	752	5.6	71	.2	1,335	5.0
Preferred Stock dividends	—	—	—	—	—	—	—	—

Summary – Three and Six Months Ended June 30, 2008 and 2007

Net Revenue

Consolidated revenues increased \$2,261,000 for the three months ended June 30, 2008, compared to the three months ended June 30, 2007, as follows:

(In thousands)	2008	% Revenue	2007	% Revenue	Change	% Change
Nuclear						
Government waste	\$ 5,574	35.3	\$ 3,656	27.0	\$ 1,918	52.5
Hazardous/Non-hazardous	922	5.8	1,682	12.4	(760)	(45.2)
Other nuclear waste	2,117	13.4	2,696	19.9	(579)	(21.5)
LATA/Parallax	1,291	8.2	2,056	15.2	(765)	(37.2)
Fluor Hanford	729 ⁽¹⁾	4.6	1,717 ⁽²⁾	12.7	(988)	(57.5)
Acquisition - 6/07 (PFNWR)	4,376 ⁽¹⁾	27.7	1,198 ⁽²⁾	8.9	3,178	265.3
Total	15,009	95.0	13,005	96.1	2,004	15.4
Engineering	789	5.0	532	3.9	257	48.3
Total	\$ 15,798	100.0	\$ 13,537	100.0	\$ 2,261	16.7

⁽¹⁾ Revenue of \$4,376,000 from PFNWR for the three months ended June 30, 2008 includes approximately \$3,697,000 relating to wastes generated by the federal government, either directly or indirectly as a subcontractor to the federal government. Of the \$3,697,000 in revenue, approximately \$1,381,000 was from Fluor Hanford, a contractor to the federal government. Revenue for the three months ended June 30, 2008 from Fluor Hanford totaled approximately \$2,110,000 or 13.4% of total consolidated revenue.

⁽²⁾ Revenue of \$1,198,000 from PFNWR for the three months ended June 30, 2007 includes approximately \$775,000 relating to wastes generated by the federal government, either directly or indirectly as a subcontractor to the federal government. Of the

\$775,000 in revenue, approximately \$196,000 was from Fluor Hanford, a contractor to the federal government. Revenue for the three months ended June 30, 2007 from Fluor Hanford totaled approximately \$1,913,000 or 14.1% of total consolidated revenue.

The Nuclear Segment experienced \$2,004,000 or 15.4% increase in revenue for the three months ended June 30, 2008 over the same period in 2007. Excluding the revenue of PFNWR facility, revenue from our Nuclear Segment decreased \$1,174,000 or 9.9% over the same period of 2007. Revenue from government generators (which includes LATA/Parallax and Fluor Hanford), increased \$165,000 or 2.2% (excluding PFNWR government revenue of \$3,697,000 and \$775,000 for the three months ended June 30, 2008 and June 30, 2007, respectively). We saw a decrease in revenue of \$765,000 or 37.2% from LATA/Parallax 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 (“DOE”). We also saw a decrease of approximately \$988,000 or 57.5% in revenue from Fluor Hanford due to lower receipt. Revenue from remaining government wastes saw an increase of approximately \$1,918,000 or 52.5% due to higher priced waste with lower volume receipts. Hazardous and Non-hazardous waste was down \$760,000 or 45.2% due to lower volume of waste received at lower average prices per drum. In addition, we had two large event projects in 2007 and none occurred in 2008. Other nuclear waste revenue decreased \$579,000 or 21.5% due also to lower volume of waste received but this decrease was minimized by higher price waste. The backlog of stored waste within the Nuclear Segment at June 30, 2008 was \$6,287,000, excluding backlog of \$6,788,000 of PFNWR, as compared to \$9,964,000, excluding backlog of PFNWR facility of \$4,683,000 as of December 31, 2007. This decrease in backlog of \$3,677,000, excluding the backlog of PFNWR facility, reflects decrease in receipts that occurred in the second quarter. We expect 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 material prospective. Revenue from the Engineering Segment increased approximately \$257,000 or 48.3% as billability rate increased to 76.5% from 72.2%. External billed hours were up as was the average billing rate.

Consolidated revenues increased \$4,224,000 for the six months ended June 30, 2008, compared to the six months ended June 30, 2007, as follows:

(In thousands)	2008	% Revenue	2007	% Revenue	Change	% Change
<u>Nuclear</u>						
Government waste	\$ 8,301	27.0	\$ 7,077	26.7	\$ 1,224	17.3
Hazardous/Non-hazardous	1,777	5.8	3,168	12.0	(1,391)	(43.9)
Other nuclear waste	6,431	21.0	6,669	25.2	(238)	(3.6)
LATA/Parallax	2,844	9.3	4,010	15.2	(1,166)	(29.1)
Fluor Hanford	1,496 ⁽¹⁾	4.9	3,227 ⁽²⁾	12.2	(1,731)	(53.6)
Acquisition - 6/07 (PFNWR)	8,142 ⁽¹⁾	26.5	1,198 ⁽²⁾	4.5	6,944	579.6
Total	28,991	94.5	25,349	95.8	3,642	14.4
<u>Engineering</u>						
	1,691	5.5	1,109	4.2	582	52.5
Total	\$ 30,682	100.0	\$ 26,458	100.0	\$ 4,224	16.0

⁽¹⁾ Revenue of \$8,142,000 from PFNWR for the six months ended June 30, 2008 includes approximately \$6,751,000 relating to wastes generated by the federal government, either directly or indirectly as a subcontractor to the federal government. Of the \$6,751,000 in revenue, approximately \$2,379,000 was from Fluor Hanford, a contractor to the federal government. Revenue for the six months ended June 30, 2008 from Fluor Hanford totaled approximately \$3,875,000 or 12.6% of total consolidated revenue.

⁽²⁾ Revenue of \$1,198,000 from PFNWR for the six months ended June 30, 2007 includes approximately \$775,000 relating to wastes generated by the federal government, either directly or indirectly as a subcontractor to the federal government. Of the \$775,000 in revenue, approximately \$196,000 was from Fluor Hanford, a contractor to the federal government. Revenue for the six months ended June 30, 2008 from Fluor Hanford totaled approximately \$3,423,000 or 12.9% of total consolidated revenue.

The Nuclear Segment experienced approximately \$3,642,000 or 14.4% increase in revenue for the six months ended June 30, 2008 over the same period of 2007. Excluding the revenue of PFNWR facility, revenue from our Nuclear Segment decreased \$3,302,000 or 13.7% over the same period of 2007. Revenue from government generators (which includes LATA/Parallax and Fluor Hanford), decreased \$1,673,000 or 11.7% (excluding PFNWR government revenue of \$6,751,000 and \$775,000 for the six months ended June 30, 2008 and June 30, 2007, respectively). We saw a decrease in revenue of \$1,166,000 or 29.1% from LATA/Parallax 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. We also saw a significant decrease of approximately \$1,731,000 or 53.6% in revenue from Fluor Hanford due to lower overall receipts. Revenue from remaining government wastes saw an increase of approximately \$1,224,000 or 17.3% due to higher priced waste with reduced volume. Hazardous and Non-hazardous waste was down \$1,391,000 or 43.9% due to lower volume of waste received at lower average prices per drum. We also had three large event projects in 2007, while none occurred in 2008. Other nuclear waste revenue saw a decrease of \$238,000 or 3.6% as packaging and field service related revenue from LATA/Parallax Portsmouth contract from 2007 did not occur in 2008. Revenue from the Engineering Segment increased approximately \$582,000 or 52.5% as billability rate increased to 79.3% from 72.5%. External billed hours were up as was the average billing rate.

During the second quarter of 2008, our M&EC subsidiary was awarded a subcontract by a large environmental engineering firm ("the engineering firm") to perform a portion of facility operations and waste management activities for the DOE Hanford, Washington site. The prime contract awarded by the DOE to the engineering firm and our subcontract both provide for a transition period from August 11, 2008 through September 30, 2008, a base period from October 1, 2008 through September 30, 2013 and an option period from October 1, 2013 through September 30, 2018. The subcontract is a cost plus award fee contract. We believe that once we begin full operation under this subcontract, we will recognize annual revenues under this subcontract for on-site and off-site work of approximately \$40.0 million to \$50.0 million in the early years of the contract based on accelerated schedule goals. We anticipate to initially employ approximately an additional 230 employees to service this subcontract. This subcontract, as are most, if not all, contracts involving work relating to federal sites provide that the government may terminate the contract with us at any time for convenience.

Cost of Goods Sold

Cost of goods sold increased \$2,180,000 for the quarter ended June 30, 2008, compared to the quarter ended June 30, 2007, as follows:

(In thousands)	2008	%	2007	%	Change
		Revenue		Revenue	
Nuclear	\$ 7,545	71.0	\$ 7,534	63.8	11
Engineering	461	58.4	367	69.0	94
Acquisition - 6/07 (PFNWR)	2,907	66.4	832	69.4	2,075
Total	<u>\$ 10,913</u>	<u>69.1</u>	<u>\$ 8,733</u>	<u>64.5</u>	<u>2,180</u>

Excluding the cost of goods sold of PFNWR facility, the Nuclear Segment's cost of goods sold for the three months ended June 30, 2008 remained relatively flat, as compared to the corresponding period of 2007. However, costs as a percentage of revenue were up approximately 7.2% due to revenue mix as processing and materials expense was up despite lower volume processed and disposed of. Additionally, higher lab costs and depreciation expenses related to the SouthBay area at our M&EC facility increased as this area opened in May 2007. Engineering Segment costs increased approximately \$94,000 due to higher revenue. Included within cost of goods sold is depreciation and amortization expense of \$1,092,000 and \$828,000 for the three months ended June 30, 2008, and 2007, respectively.

Cost of goods sold increased \$4,932,000 for the six months ended June 30, 2008, compared to the six months ended June 30, 2007, as follows:

(In thousands)	2008	% Revenue	2007	% Revenue	Change
Nuclear	\$ 15,298	73.4	\$ 15,447	64.0	(149)
Engineering	1,107	65.5	775	69.9	332
Acquisition - 6/07 (PFNWR)	5,581	68.5	832	69.4	4,749
Total	<u>\$ 21,986</u>	<u>71.7</u>	<u>\$ 17,054</u>	<u>64.5</u>	<u>4,932</u>

We saw a small decrease in cost of goods sold of approximately \$149,000 or 1.0% in the Nuclear Segment, excluding the costs of goods sold of our PFNWR facility. Despite lower revenue, volume processed and disposed of at our Nuclear Segment facilities (excluding PFNWR), was relatively flat. The Engineering Segment's cost of goods sold saw an increase of approximately \$332,000 due to higher revenue. Included within cost of goods sold is depreciation and amortization expense of \$2,185,000 and \$1,568,000 for the six months ended June 30, 2008, and 2007, respectively.

Gross Profit

Gross profit for the quarter ended June 30, 2008, increased \$81,000 over 2007, as follows:

(In thousands)	2008	% Revenue	2007	% Revenue	Change
Nuclear	\$ 3,088	29.0	\$ 4,273	36.2	\$ (1,185)
Engineering	328	41.6	165	31.0	163
Acquisition - 6/07 (PFNWR)	1,469	33.6	366	30.6	1,103
Total	<u>\$ 4,885</u>	<u>30.9</u>	<u>\$ 4,804</u>	<u>35.5</u>	<u>\$ 81</u>

Excluding the gross profit of PFNWR, we saw a decrease of approximately \$1,185,000 or 27.7% in our Nuclear Segment for the three months ended June 30, 2008 as compared to the corresponding period of 2007. This decrease in gross profit was due mainly to reduced revenue. The decrease in gross margin as a percent of sales was due to the revenue mix received and processed as we had a higher mix of lower margin waste which required higher material costs to process this quarter as compared to the corresponding period of 2007. The Engineering Segment gross profit increased approximately \$163,000 or 98.9% due to increased revenue due to higher external billable hours at higher average hourly rate.

Gross profit for the six months ended June 30, 2008, decreased \$708,000 over 2007, as follows:

(In thousands)	2008	% Revenue	2007	% Revenue	Change
Nuclear	\$ 5,551	26.6	\$ 8,705	36.0	\$ (3,154)
Engineering	584	34.5	333	30.0	251
Acquisition 6/07 (PFNWR)	2,561	31.5	366	30.6	2,195
Total	<u>\$ 8,696</u>	<u>28.3</u>	<u>\$ 9,404</u>	<u>35.5</u>	<u>\$ (708)</u>

Excluding the gross profit of PFNWR, we saw a decrease of approximately \$3,154,000 or 36.2% in our Nuclear Segment for the six months ended June 30, 2008 as compared to the corresponding period of 2007. This decrease in gross profit was due mainly to reduced revenue. The decrease in gross margin as a percent of sales was due to the revenue mix received and processed. While processing and disposal volume remained relatively constant year over year, the mix of waste to lower margin waste streams with higher material expenses impacted gross margin. In addition, lower waste receipts volume reduced the revenue and gross margin recognized from this process of our revenue. The Engineering Segment gross profit increased approximately \$251,000 or 75.4% due to increased revenue due to higher external billable hours at higher average hourly rate.

Selling, General and Administrative

Selling, general, and administrative (“SG&A”) expenses increased \$237,000 for the three months ended June 30, 2008, as compared to the corresponding period for 2007, as follows:

(In thousands)	2008	% Revenue	2007	% Revenue	Change
Administrative	\$ 1,365	—	\$ 1,459	—	\$ (94)
Nuclear	1,721	16.2	1,981	16.8	(260)
Engineering	194	24.6	123	23.1	71
Acquisition 6/07 (PFNWR)	716	16.4	196	16.4	520
Total	\$ 3,996	25.3	\$ 3,759	27.8	\$ 237

Excluding the SG&A of our PFNWR facility, SG&A expenses decreased approximately \$283,000 or approximately 7.9% for the three months ended June 30, 2008, as compared to the corresponding period of 2007. The decrease in administrative SG&A of approximately \$94,000 for the three months ended June 30, 2008 as compared to the corresponding period of 2007 was the result of lower consulting and facility review expenses which were incurred during our divestiture of the Industrial Segment in 2007. In addition, payroll related expenses were down resulting from lower bonus/incentive due to company performance and our 401k match expenses were down due to the forfeiture of the Company’s match portion by the Industrial Segment employees who left the Company following the divestitures. Nuclear Segment SG&A was down approximately \$260,000, excluding the SG&A expenses of PFNWR. This decrease is attributed mainly to lower payroll, commission, and travel related expenses as revenue was down in the quarter and we continue to streamline our costs. The Engineering Segment’s SG&A expense increased approximately \$71,000 primarily due to increase in payroll expenses in 2008. Included in SG&A expenses is depreciation and amortization expense of \$25,000 and \$29,000 for the three months ended June 30, 2008, and 2007, respectively.

SG&A expenses increased \$329,000 for the six months ended June 30, 2008, as compared to the corresponding period for 2007, as follows:

(In thousands)	2008	% Revenue	2007	% Revenue	Change
Administrative	\$ 2,654	—	\$ 2,804	—	\$ (150)
Nuclear	3,450	16.5	4,232	17.5	(782)
Engineering	321	19.0	242	21.8	79
Acquisition - 6/07 (PFNWR)	1,378	16.9	196	16.4	1,182
Total	\$ 7,803	25.4	\$ 7,474	28.2	\$ 329

Excluding the SG&A of our PFNWR facility, SG&A decreased approximately \$853,000 or 11.7% for the six month ended June 30, 2008 as compared to the corresponding period of 2007. The decrease in administrative SG&A of approximately \$150,000 for the six months ended June 30, 2008 as compared to the corresponding period of 2007 was the result of lower consulting and facility review services related to the divestiture of the Industrial Segment incurred predominately in 2007. In addition, payroll related expenses were down resulting from lower bonus/incentive due to company performance and our 401k match was down due to the forfeiture of the Company’s match portion for the Industrial Segment employees who left the Company due to the divestitures. The decrease within the Nuclear Segment (excluding PFNWR) was due primarily to lower payroll, commission, and travel related expenses as revenue is down from prior year and we continue to streamline our costs. The Engineering Segment’s increase of approximately \$79,000 was due primarily to increase in payroll related expenses. Included in SG&A expenses is depreciation and amortization expense of \$53,000 and \$60,000 for the six months ended June 30, 2008, and 2007, respectively.

Loss (Gain) on disposal of Property and Equipment

The increase in loss on fixed assets of approximately \$140,000 for both the three and six months ended June 30, 2008 as compared the corresponding period of 2007 was the result of disposal of idle equipment at our DSSI facility.

Interest Income

Interest income decreased \$29,000 and \$49,000 for the three and six months ended June 30, 2008, as compared to the same period ended June 30, 2007, respectively. The decrease for the three and six months is primarily due to interest earned from excess cash in a sweep account which the Company had in the three and six months ended June 30, 2007 which did not exist in the same periods of 2008. The excess cash the Company had in 2007 was the result of warrants and option exercises from the latter part of 2006.

Interest Expense

Interest expense increased \$53,000 and \$205,000 for the three and six months ended June 30, 2008, respectively, as compared to the corresponding period of 2007.

(In thousands)	Three Months			Six Months		
	2008	2007	Change	2008	2007	Change
PNC interest	\$ 98	\$ 139	\$ (41)	\$ 221	\$ 247	\$ (26)
Other	227	133	94	457	226	231
Total	\$ 325	\$ 272	\$ 53	\$ 678	\$ 473	\$ 205

The increase in interest expense for both the three and six months ended June 30, 2008 as compared to the corresponding period of 2007 is due primarily to interest on external debt incurred resulting from the acquisition of PFNW and PFNWR in June 2007. In addition, we continue to maintain our revolver borrowing position at PNC throughout the first six months of 2008 as a result of the increased borrowing made necessary for the acquisition in 2007. Our revolver was not utilized throughout most of the first six months of 2007 until the acquisition of PFNW and PFNWR in June 2007. The increase in interest expense for both the three and six months was offset by a decrease in interest expense on our term note, resulting from the reduction in term loan balance from proceeds received from the sale of PFMD and PFD facilities in the first quarter of 2008 and the payoff of our term note from proceeds received from the sale of PFTS facility in the second quarter 2008.

Interest Expense - Financing Fees

Interest expense-financing fees increased approximately \$9,000 and \$14,000 for the three and six months period ended June 30, 2008, as compared to the corresponding period of 2007. The increase for the three and six months is due mainly to fees paid to PNC for entering into Amendment No. 10 under our credit facility, which extended the due date of the \$25 million credit facility from November 27, 2008 to September 30, 2009. This amendment also waived the Company's violation of the fixed charge coverage ratio as of December 31, 2007 and revised and modified the method of calculating the fixed charge coverage ratio covenant contained in the loan agreement in each quarter of 2008.

Discontinued Operations and Divestitures

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 was based on our belief that our Nuclear Segment represents a sustainable long-term growth driver of our business. We have completed the sale of the following facilities/operations within our Industrial Segment as follows: as previously disclosed, on January 8, 2008, we completed 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. As of the date of this report, no working capital adjustment has been made on the sale of PFMD. We anticipate that if there will be a working capital adjustment made on the sale of PFMD, it will be completed by the third quarter of 2008; as previously disclosed, on March 14, 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. In June 2008, we paid the buyer approximately \$209,000 due to certain working capital adjustments. We do not anticipate making any further working capital adjustments on the sale of PFD; and on May 30, 2008, we completed the sale of substantially all of the assets of Perma-Fix Treatment Services, Inc. ("PFTS") for approximately \$1,503,000, subject to working capital adjustments during 2008, and assumption by the buyer of certain liabilities of PFTS. In July 2008, we paid the buyer approximately \$135,000 due to final working capital adjustment. As previously disclosed, we have been negotiating the sale of Perma-Fix of South Georgia ("PFSG") with a potential buyer and had anticipated completing the sale in the third quarter 2008; however, we were not able to come to terms on the sale of PFSG with this potential buyer and negotiation has since been broken off. We continue to market and have discussions with potential buyers who are interested in the remaining facilities/operations within our

Industrial Segment but as of the date of this report, we have not entered into any agreements regarding these other remaining 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. In accordance with SFAS No. 144, the long-lived assets have been written down to fair value less anticipated selling costs. We have recorded \$6,367,000 in impairment charges, all of which were included in “loss from discontinued operations, net of taxes” on our Consolidated Statement of Operations for the year ended December 31, 2007. 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 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. Originally, we had planned to sell the majority of companies that comprised the Industrial Segment together; however, that plan did not materialize as expected. We have since sold certain facilities individually and are marketing and attempting to sell the remaining facilities/operations within our Industrial Segment for eventual sale.

Pursuant to the terms of our credit facility, proceeds received from the sale of substantially all of the assets of PFMD were used to pay down our term loan, with the remaining funds used to pay down our revolver. As of the June 30, 2008, we have sold approximately \$3,100,000 of PFMD’s assets, which excludes approximately \$10,000 of restricted cash. The buyer assumed liabilities in the amount of approximately \$1,108,000. As of June 30, 2008, expense relating to the sale of PFMD totaled approximately \$128,000, of which \$50,000 was paid in the second quarter of 2008. We anticipate paying the remaining expenses by the end of the third quarter of 2008. As of the date of this report, no working capital adjustment has been made on the sale of PFMD. We anticipate that if there will be a working capital adjustment made on the sale of PFMD, it will be completed by the third quarter of 2008. As of June 30, 2008, the gain on the sale of PFMD totaled approximately \$1,647,000 net of taxes of \$43,000. The purchase price is subject to further working capital adjustments. The gain is recorded separately on the Consolidated Statement of Operations as “Gain on disposal of discontinued operations, net of taxes”.

Pursuant to the terms of our credit facility, the proceeds received from the sale of substantially all of the assets of PFD were used to pay down our term note. As of June 30, 2008, we have sold approximately \$3,103,000 of PFD's assets. The buyer assumed liabilities in the amount of approximately \$1,635,000. As of June 30, 2008, expenses relating to the sale of PFD totaled approximately \$197,000, of which \$28,000 was paid in the second quarter of 2008. We anticipate paying the remaining expenses by the end of the third quarter of 2008. In June 2008, we paid the buyer approximately \$209,000 due to certain working capital adjustments. We do not anticipate making any further working capital adjustments on the sale of PFD. As a result, for the three months ended June 30, 2008, we reduced our gain on the sale of PFD by approximately \$195,000, net of taxes of \$0. As of June 30, 2008, our gain on the sale of PFD totaled approximately \$266,000, net of taxes of \$0. The gain is recorded separately on the Consolidated Statement of Operations as "Gain on disposal of discontinued operations, net of taxes".

Pursuant to the terms of our credit facility, the proceeds received from the sale of substantially all of the assets of PFTS were used to pay off our term note with the remaining funds used to pay down our revolver. As of June 30, 2008, we had sold approximately \$1,861,000 of PFTS's assets. The buyer assumed liabilities in the amount of approximately \$996,000. As of June 30, 2008, we recorded a gain of approximately \$303,000, net of taxes of \$0, which includes \$135,000 in final working capital adjustment paid to the buyer on July 14, 2008, on the sale of PFTS. The purchase price is subject to further working capital adjustment. The gain is recorded separately on the Consolidated Statement of Operations as "Gain on disposal of discontinued operations, net of taxes".

Our Industrial Segment generated revenues of \$3,512,000 and \$8,485,000 for the three and six months ended June 30, 2008, respectively, as compared to \$8,152,000 and \$15,387,000 the corresponding period of 2007 and had net operating loss of \$174,000 and \$885,000 for the three and six months ended June 30, 2008, respectively, as compared to net operating income of \$470,000 and net operating loss of \$1,197,000 for the corresponding period of 2007.

Assets and liabilities related to discontinued operations total \$6,709,000 and \$6,298,000 as of June 30, 2008, respectively and \$14,341,000 and \$11,949,000 as of December 31, 2007, respectively.

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 \$7,000 has been spent during the six months of 2008 and \$81,000 was spent during 2007. 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 \$556,000 accrued for the closure, as of June 30, 2008, and we anticipate spending \$170,000 in the remaining six months of 2008 with the remainder over the next six years. Based on the current status of the Corrective Action, we believe that the remaining reserve is adequate to cover the liability.

As of June 30, 2008, PFMI has a pension payable of \$1,172,000. 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 \$171,000 that we expect to pay over the next year.

Liquidity and Capital Resources of the Company

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 June 30, 2008, we had cash of \$41,000. The following table reflects the cash flow activities during the first six months of 2008.

(In thousands)	2008
Cash provided by continuing operations	\$ 6,761
Gain on disposal of discontinued operations	(2,216)
Cash used in discontinued operations	(819)
Cash used in investing activities of continuing operations	(3,333)
Proceeds from sale of discontinued operations	7,131
Cash provided by investing activities of discontinued operations	20
Cash used in financing activities of continuing operations	(7,336)
Principal repayment of long-term debt for discontinued operations	(269)
Decrease in cash	<u>\$ (61)</u>

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 June 30, 2008, 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 \$9,086,000, a decrease of \$4,450,000 over the December 31, 2007, balance of \$13,536,000. The Nuclear Segment experienced a decrease of approximately \$4,375,000 as a result of improved collection efforts. The Engineering Segment experienced a decrease of approximately \$75,000 due also mainly to improved collection efforts.

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 June 30, 2008, unbilled receivables totaled \$12,784,000, a decrease of \$1,309,000 from the December 31, 2007, balance of \$14,093,000, which reflects our 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 June 30, 2008 is \$9,358,000, a decrease of \$963,000 from the balance of \$10,321,000 as of December 31, 2007. The long term portion as of June 30, 2008 is \$3,426,000, a decrease of \$346,000 from the balance of \$3,772,000 as of December 31, 2007.

As of June 30, 2008, total consolidated accounts payable was \$7,432,000, an increase of \$2,422,000 from the December 31, 2007, balance of \$5,010,000. The increase 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.

Accrued Expenses as of June 30, 2008, totaled \$7,872,000, a decrease of \$1,335,000 over the December 31, 2007, balance of \$9,207,000. Accrued expenses are made up of accrued compensation, interest payable, insurance payable, certain tax accruals, and other miscellaneous accruals. The decrease is primarily due to monthly payment for the Company's general insurance policies and the closure policy for PFNWR facility.

Disposal/transportation accrual as of June 30, 2008, totaled \$7,597,000, an increase of \$920,000 over the December 31, 2007 balance of \$6,677,000. The increase is mainly attributed to increased disposal accrual related to legacy waste at PFNWR facility.

Our working capital position at June 30, 2008 was a negative \$9,864,000, which includes working capital of our discontinued operations, as compared to a negative working capital of \$17,154,000 as of December 31, 2007. The improvement in our working capital is primarily the result of the reclassification of our indebtedness to certain of our lenders from current (less current maturities) to long term in the first quarter of 2008 due to the Company meeting its fixed charge coverage ratio, pursuant to our loan agreement, as amended, in the first quarter of 2008. We have continued to meet our fixed charge coverage ratio in the second quarter of 2008. The Company failed to meet its fixed charge coverage ratio as of December 31, 2007 and as a result we were required under generally accepted accounting principles to reclassify debt under our credit facility with PNC and debt payable to KeyBank National Association, due to a cross default provision from long term to current as of December 31, 2007. Our working capital in 2008 was also impacted by the annual cash payment to the finite risk sinking fund of \$1,003,000, our payments of approximately \$1,652,000 in financial assurance coverage for the legacy waste at our PFNWR facility, capital spending of approximately \$641,000, the reclass of approximately \$833,000 in principal balance on the shareholder note resulting from the acquisition of PFNWR in June from long term to current, and the payments against the long term portion of our term note of approximately \$4,500,000 in proceeds received from sale of PFMD, PFD, and PFTS.

Investing Activities

Our purchases of capital equipment for the year six months ended June 30, 2008, totaled approximately \$641,000 of which \$562,000 and \$79,000 was for our continuing and discontinued operations, respectively. These expenditures were for expansion and improvements to the operations principally within the Nuclear Segment. 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 \$30,879,000 at June 30, 2008, 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 2008, we paid our fifth 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 June 30, 2008, we have recorded \$6,852,000 in our sinking fund on the balance sheet, which includes interest earned of \$664,000 on the sinking fund as of June 30, 2008. Interest income for the three and six months ended June 30, 2008, was \$35,000 and 89,000, respectively. 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 PFNWR facility, which we acquired in June 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 part of the acquisition of PFNWR facility in June 2007, we have a large disposal accrual related to the legacy waste at the facility of approximately \$4,690,000 as of June 30, 2008. We anticipate disposal of this legacy waste by December 31, 2008. In connection with this waste, we are required to provide financial assurance coverage of approximately \$2.8 million, consisting of five equal payment of approximately \$550,604, which will be deposited into a sinking fund. We have made three of the five payments as of June 30, 2008, with the remaining two payable by August 31, 2008. Once this legacy waste has been disposed of and release of the financial assurance is received from the state, we will have the opportunity to reduce this financial assurance coverage by releasing the funds back to us. As of June 30, 2008, we have recorded \$1,939,000 in our sinking fund on the balance sheet, which includes interest earned of \$29,000 on the sinking fund as of June 30, 2008. Interest income for the three and six months ended June 30, 2008, was \$20,000 and 29,000, respectively.

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

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, as amended. The Agreement provides for a term loan ("Term Loan") in the amount of \$7,000,000, which requires monthly installments of \$83,000 with the remaining unpaid principal balance due on September 30, 2009. The Agreement also provides 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. As of June 30, 2008, the excess availability under our Revolving Credit was \$4,481,000 based on our eligible receivables.

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%. The Agreement was subject to a prepayment fee of 1% until March 25, 2006, and ½% until March 25, 2007 had we elected to terminate the Agreement with 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. This amendment also waived the Company's violation of the fixed charge coverage ratio as of December 31, 2007 and revised and modified the method of calculating the fixed charge coverage ratio covenant contained in the loan agreement in each quarter of 2008. Pursuant to the amendment, we may terminate the agreement upon 60 days' prior written notice upon payment in full of the obligation. As a condition to this amendment, we paid PNC a fee of \$25,000.

On July 25, 2008, we entered into Amendment No. 11 with PNC which extended the additional \$2,000,000 of availability via a sub-facility resulting from the acquisition of Nuvotec (n/k/a Perma-fix Northwest, Inc.) and PEcoS (n/k/a Perma-Fix Northwest Richland, Inc.) within our secured revolver loan, pursuant to Amendment No. 6, dated June 12, 2007 to the earlier of August 30, 2008 or the date that our Revolving Credit, Term Loan and Security Agreement is restructure with PNC.

On August 4, 2008, we entered into Amendment No. 12 with PNC. Pursuant to Amendment No. 12, PNC renewed and extended our credit facility by increasing our term loan back up to \$7.0 million from the current principal outstanding balance of \$0, with the revolving line of credit remaining at \$18,000,000. Under Amendment No. 12, the due date of the \$25 million credit facility is extended through July 31, 2012. 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 by July 31, 2012. Pursuant to the Amendment No. 12, we may terminate the agreement upon 90 days' prior written notice upon payment in full of the obligation. We agreed to pay PNC 1% of the total financing fees in the event we pay off our obligations on or prior to August 4, 2009 and 1/2% of the total financing fees if we pay off our obligations on or after August 5, 2009 but prior to August 4, 2010. No early termination fee shall apply if we pay off our obligation after August 5, 2010. As part of Amendment No. 12, we agreed to grant mortgages to PNC as to certain of our facilities not previously granted to PNC under the Agreement. Amendment No. 12 also terminated the \$2,000,000 of availability pursuant to Amendment No. 11 noted above in its entirety. All other terms and conditions to the credit facility remain principally unchanged. The \$7.0 million in loan proceeds will be used to reduce our revolver balance and our current liabilities. As of August 6, 2008, our excess availability under our Revolving Credit was \$6,604,000 based on our eligible receivables. As a condition of Amendment No. 12, we agreed to pay PNC a fee of \$120,000.

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 the final principal repayment of \$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 (8.0% on June 30, 2008) and payable in one lump sum at the end of the loan period. On June 30, 2008, the outstanding balance was \$2,442,000 including accrued interest of approximately \$2,207,000. 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 final principal repayments of approximately \$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 June 30, 2008, the rate was 8.0%. On June 30, 2008, the outstanding balance was \$586,000 including accrued interest of approximately \$533,000.

In conjunction with our acquisition of Nuvotec (n/k/a Perma-Fix of Northwest, Inc. - “PFNW”) and PEcoS (n/k/a Perma-Fix of Northwest Richland, Inc. - “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 June 30, 2008, the outstanding principal balance was \$2,079,000. This note is collateralized by the assets of PFNWR as agreed to by PNC Bank and the Company.

Additionally, in conjunction with our acquisition of PFNW and 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. Interest paid as of June 30, 2008 totaled \$216,000. \$833,333 of the principal balance was reclassified to current from long term on our consolidated balance sheet as of June 30, 2008.

In summary, the reclassification of debts (less current maturities) due to certain of our lenders resulting from our compliance of our fixed charge coverage ratio in the first quarter of 2008 back to long term from current has improved our working capital position as of June 30, 2008. In addition, cash received from the sale of substantially all of the assets of PFMD and PFD (net of collateralized portion held by our credit facility) in the first quarter of 2008 and the sale of substantially all of the assets of PFTS in the second quarter of 2008, was used to pay off our term note and reduce our revolver balance. 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 the remaining cash used to reduce our revolver. The acquisition of PFNW and PFNWR in June 2007 continues to negatively impact our working capital as we continue to draw funds from our revolver to make payments on debt that we assumed as well as financial assurance payments requirement resulting from legacy wastes assumed from the acquisition. 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. We have restructured our credit facility with our lender to better support the future needs of the Company. We believe that our cash flows from operations and our available liquidity from our line of credit are sufficient to service the Company's current obligations.

Contractual Obligations

The following table summarizes our contractual obligations at June 30, 2008, and the effect such obligations are expected to have on our liquidity and cash flow in future periods, (in thousands):

Contractual Obligations	Total	Payments due by period			
		2008	2009- 2011	2012 - 2013	After 2013
Long-term debt	\$ 10,559	\$ 1,368	\$ 9,181	\$ 10	\$ —
Interest on long-term debt ⁽¹⁾	3,153	2,740	413	—	—
Interest on variable rate debt ⁽²⁾	1,881	301	1,380	200	—
Operating leases	1,905	330	1,389	186	—
Finite risk policy ⁽³⁾	8,158	2,622	4,532	1,004	—
Pension withdrawal liability ⁽⁴⁾	1,172	43	574	483	72
Environmental contingencies ⁽⁵⁾	1,588	294	862	261	171
Purchase obligations ⁽⁶⁾	—	—	—	—	—
Total contractual obligations	<u>\$ 28,416</u>	<u>\$ 7,698</u>	<u>\$ 18,331</u>	<u>\$ 2,144</u>	<u>\$ 243</u>

- (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 1/2% in each of the years 2008 through July 2012. Pursuant to the terms of our credit facility, proceeds from the sale of PFTS facility in May 2008 was used to pay off our Term Loan, with the remaining proceeds used to pay down our Revolver. 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 1/2% 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, as it relates the remediation of the EPS site assumed by the Company as a result of the original acquisition of the PFD facility, 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. 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 for 2007. Additionally, this allowance was approximately 0.3% of revenue for 2006 and 1.7% of accounts receivable for 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. In 2007, as result of the approved divestiture of our Industrial Segment by our Board of Directors in May 2007 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. We continue to review for possible impairments of the assets of our Industrial Segment as events or circumstances warrant; however, as of June 30, 2008, we determined no further impairment of assets is required.

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 2008 and 2007, have been approximately 2.7%, and 2.9%, 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. Except for the Michigan and Pittsburgh facilities, we have no current intention to close any of our facilities.

Accrued Environmental Liabilities. We have four 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. 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 included \$391,000 in accrued long-term environmental liability as of December 31, 2007 for our Maryland facility acquired in March 2004. As previously disclosed, in January 2008, we sold substantially all of the assets of the Maryland facility. In connection with this sale, the buyer has assumed this liability, in addition to 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. In connection with the sale of our PFD facility in March 2008, the Company has retained the environmental liability for the remediation of an independent site known as EPS. This liability was assumed by the Company as a result of the original acquisition of the PFD facility. In connection with the sale of our PFTS facility in May 2008, the remaining environmental reserve of approximately \$35,000 was recorded as a “gain on disposal of discontinued operation, net of taxes” for the three and six months ended June 30, 2007 on our “Consolidated Statement of Operations” as the buyer has assumed any future on-going environmental monitoring. With the impending divestiture of our remaining Industrial Segment facilities/operations, we anticipate the environmental liability of PFSG will be part of the divestiture. The environmental liabilities of PFM and PFMI, along with the environmental liabilities of PFD as mentioned above, will remain the financial obligations of the Company.

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 7.7% for the third and final year of vesting on the March 2, 2006 grant. 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. Although we have seen smaller fluctuation in the quarters in recent years, as government spending is contingent upon its annual budget and allocation of funding, we cannot provide assurance that we will not have larger fluctuations in the quarters in the near future.

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.

Certain Legal Matters:

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.

In June 2008, the Circuit Court of Seminole County, Florida dismissed all of the claims made by the plaintiffs against PFO. On July 2, 2008 each of the plaintiffs filed amended complaints against all defendants, except PFO. Since the plaintiffs have elected not to amend the complaints against PFO, each of these cases against PFO has now been favorably concluded.

Perma-Fix Northwest Richland, Inc. (f/k/a Pacific EcoSolutions, Inc - “PEcoS”)

The Environmental Protection Agency (“EPA”) has alleged that prior to the date that we acquired the PEcoS facility in June 2007, the PEcoS facility was in violation of certain regulatory provisions relating to the facility’s handling of certain hazardous waste and Polychlorinated Biphenyl (“PCB”) waste. In connection with these alleged violations, during May 2008, the EPA advised the facility that in the view of EPA, a total penalty of \$317,500 is appropriate to settle the alleged violations. If a settlement is not reached between the EPA and us within the allocated time, EPA could file a formal complaint. We are currently attempting to negotiate with EPA a reduction in the proposed fine. Under the agreements relating to our acquisition of Nuvotec and PEcoS, we are required, if certain revenue targets are met, to pay to the former shareholders of Nuvotec an earn-out amount not to exceed \$4.4 million over a four year period ending June 30, 2011, with the first \$1 million of the earn-out amount to be placed into an escrow account to satisfy certain indemnification obligations to us of Nuvotec, PEcoS, and the former shareholders of Nuvotec. We may claim reimbursement of the penalty, plus out of pocket expenses, paid or to be paid by us in connection with this matter from the escrow account. As of the date of this report, we have not made or accrued any earn-out payments to the former Nuvotec shareholders and have not paid any amount into the escrow account because such revenue targets have not been met. The \$317,500 in potential penalty has been recorded as a liability in the purchase acquisition of Nuvotec and its wholly owned subsidiary, PEcoS.

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 and Fluor Hanford as discussed below) to the federal government, representing approximately \$11,291,000 (includes approximately \$3,697,000 from PFNWR facility) or 71.5%, and \$19,392,000 (includes approximately \$6,751,000 from our PFNWR facility) or 63.2% of our total revenue from continuing operations during the three and six months ended June 30, 2008, respectively, as compared to \$8,240,000 (includes approximately \$775,000 from our PFNWR facility) or 60.6% and \$15,089,000 (includes approximately \$775,000 from our PFNWR facility) or 57.0% of our total revenue from continuing operations during the corresponding period of 2007.

Included in the amounts discussed above, are revenues from LATA/Parallax Portsmouth L L C ("LATA/Parallax"). LATA/Parallax is a manager for environmental programs for the DOE. Our revenues from LATA/Parallax, as a subcontractor to perform remediation services at the Portsmouth site, contributed \$1,291,000 or 8.2% and \$2,844,000 or 9.3% of our revenues from continuing operations for three and six months ended June 30, 2008, respectively, as compared to \$2,056,000 or 15.2% and \$4,010,000 or 15.2%, for the corresponding period of 2007. Our contract with LATA/Parallax is expected to be completed in 2008 or extended through some portion of 2009. 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 provided treatment of mixed low-level waste, as a subcontractor, for Fluor Hanford since 2004. However, with the acquisition of our PFNWR facility, a significant portion of our revenues is derived from 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 are currently set to expire on September 30, 2008; however, we are working with Fluor Hanford to extend these contracts beyond this date. Fluor Hanford's successor, a large environmental engineering firm ("the engineering firm"), was recently awarded the DOE Hanford site remediation contract and will likely assume responsibility of these contracts. The revenue from these Fluor Hanford contracts should increase during fiscal year 2009 unless DOE budget cuts impact their funding due to the contract objectives of the engineering firm's new contract. Revenues from Fluor Hanford totaled \$2,110,000 or 13.4% (approximately \$1,381,000 from PFNWR) and \$3,875,000 or 12.6% (approximately \$2,379,000 from PFNWR) of consolidated revenue from continuing operations for the year three and six months ended June 30, 2008, respectively, as compared to \$1,913,000 (\$196,000 from PFNWR) or 14.1% or \$3,423,000 or 12.9% (\$196,000 from PFNWR) for the corresponding period of 2007. 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.

In connection with the engineering firm's obligations under its general contract with the DOE, our M&EC facility was awarded a subcontract by the engineering firm to participate in the cleanup of the central portion of the Hanford Site, which once housed certain chemical separation buildings and other facilities that separated and recovered plutonium and other materials for use in nuclear weapons. The subcontract between the engineering firm and M&EC became effective on June 19, 2008, the date that the engineering firm was awarded the general contract by the DOE. The general contract between the DOE and the engineering firm and M&EC's subcontract provide a transition period from August 11, 2008 through September 30, 2008, a base period from October 1, 2008 through September 30, 2013, and an option period from October 1, 2013 through September 30, 2018. M&EC's subcontract is a cost plus award fee contract. We believe that once we begin full operation under this subcontract, we will recognize annual revenues under this subcontract for on-site and off-site work of approximately \$40.0 million to \$50.0 million in the early years of the subcontract based on accelerated contract schedule goals. We anticipate we will initially employ approximately an additional 230 employees to service this subcontract.

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. Compared with certain of our competitors, we 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, in the future, be notified that we are a Partially Responsible Party ("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 contaminants at our facilities. 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, and PFMI's facility in Detroit, Michigan. The environmental liability of PFD (as it relates to the remediation of the EPS site assumed by the Company as a result of the original acquisition of the PFD facility) was retained by the Company upon the sale of PFD in March 2008 and the environmental reserve of PFTS was recorded as a "gain on disposal of discontinued operations, net of taxes" on the "Consolidated Statement of Operations" upon the sale of substantially all of its assets on May 30, 2008 as the buyer has assumed any future on-going environmental monitoring. With the impending divestiture of our remaining Industrial Segment facilities/operations, we anticipate the environmental liability of PFSG will be part of the divestiture with the exception of PFM 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 these sites from funds generated internally.

At June 30, 2008, we had total accrued environmental remediation liabilities of \$2,177,000 of which \$905,000 is recorded as a current liability, which reflects a decrease of \$696,000 from the December 31, 2007, balance of \$2,873,000. The decrease represents payments of approximately \$270,000 on remediation projects, approximately \$391,000 in environmental reserve which was assumed by the buyer upon the sale of substantially all of the assets of PFMD in January 2008, and reduction of approximately \$35,000 in reserve which we recorded as “gain on disposal of continued operations, net of taxes” upon the sale of substantially all of the assets of PFTS in May 2008. In connection with the sale of substantially all of the assets of PFMD in January 2008, the buyer assumed 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 June 30, 2008, current and long-term accrued environmental balance is recorded as follows:

	Current Accrual	Long-term Accrual	Total
PFD	\$ 206,000	\$ 470,000	\$ 676,000
PFM	141,000	215,000	356,000
PFSG	119,000	470,000	589,000
PFMI	439,000	117,000	556,000
Total Liability	<u>\$ 905,000</u>	<u>\$ 1,272,000</u>	<u>\$ 2,177,000</u>

Related Party Transactions

Mr. Robert Ferguson

Mr. Robert Ferguson, was nominated to serve as a Director in connection with the closing of the acquisition by the Company of Nuvotec (n/k/a Perma-Fix Northwest, Inc.) and its wholly owned subsidiary, Pacific EcoSolutions, Inc. (“PEcoS”) (n/k/a Perma-Fix Northwest Richland, Inc.) in June 2007 and subsequently elected a Director at our Annual Meeting of Shareholders held in August 2007. At the time of the acquisition, Mr. 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. Under the agreements relating to our acquisition of Nuvotec and PEcoS (see “- Business Acquisition - Acquisition of Nuvotec” in “Notes to Consolidated Financial Statements”), we are required, if certain revenue targets are met, to pay to the former shareholders of Nuvotec an earn-out amount not to exceed \$4.4 million over a four year period ending June 30, 2011, with the first \$1 million of the earn-out amount to be placed into an escrow account to satisfy certain indemnification obligations to us of Nuvotec, PEcoS, and the former shareholders of Nuvotec, including Mr. Robert Ferguson.

The Environmental Protection Agency (“EPA”) has alleged that prior to the date that we acquired the PEcoS facility in June 2007, the PEcoS facility was in violation of certain regulatory provisions relating to the facility’s handling of certain hazardous waste and Polychlorinated Biphenyl (“PCB”) waste. In connection with these alleged violations, during May 2008, the EPA advised the facility that in the view of EPA, a total penalty of \$317,500 is appropriate to settle the alleged violations. If a settlement is not reached between the EPA and us within the allocated time, EPA could file a formal complaint. We are currently attempting to negotiate with EPA a reduction in the proposed fine.

We may claim reimbursement of the penalty, plus out of pocket expenses, paid or to be paid by us in connection with this matter from the escrow account. As of the date of this report, we have not made or accrued any earn-out payments to the former Nuvotec shareholders and have not paid any amount into the escrow account because such revenue targets have not been met. The \$317,500 in potential penalty has been recorded as a liability in the purchase acquisition of Nuvotec and its wholly owned subsidiary, PEcoS.

2003 Outside Directors Stock Plan

In 2003, our Board of Directors adopted the 2003 Outside Directors Stock Plan (the "2003 Plan"), and the 2003 Plan was approved by our stockholders at the annual meeting held on July 29, 2003. The 2003 Plan authorizes the grant of non-qualified stock options and issuance of our Common Stock in lieu of director fees otherwise payable in cash to each member of our Board of Directors who is not our employee. Under the 2003 Plan, an outside Director may elect to receive either 65% of the director fees for service on our Board in our Common Stock with the balance payable in cash or 100% of the director fees in our Common Stock. The number of shares of our Common Stock issuable to an outside Director in lieu of cash is determined by valuing the Common Stock at 75% of its fair market value on the business day immediately preceding the date that the director fees is due. Currently, we have seven outside directors. The Board of Directors believes that the 2003 Plan serves to:

- (a) attract and retain qualified members of the Board of Directors who are not our employees, and
- (b) enhance such outside directors' interests in our continued success by increasing their proprietary interest in us and more closely aligning the financial interests of such outside directors with the financial interests of our stockholders.

Currently, the maximum number of shares of our Common Stock that may be issued under the 2003 Plan is 1,000,000, of which 412,465 shares have previously been issued under the 2003 Plan, and 426,000 shares are issuable under outstanding options granted under the 2003 Plan. As a result, an aggregate of 838,465 of the 1,000,000 shares authorized under the 2003 Plan have been previously issued or reserved for issuance, and only 161,535 shares remain available for issuance under the 2003 Plan. In order to continue the benefits that are derived through the 2003 Plan, on June 9, 2008, our Compensation and Stock Option Committee approved and recommended that our Board of Directors approve the First Amendment to the 2003 Plan (the "First Amendment") to increase from 1,000,000 to 2,000,000 the number of shares of our Common Stock reserved for issuance under the 2003 Plan. Our Board of Directors approved the First Amendment to the 2003 Plan on June 13, 2008. Our shareholders approved the First Amendment at our Annual Meeting of Stockholders held on August 5, 2008.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157 ("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. In February 2008, the FASB issued FASB Staff Position No. 157-2, "Effective Date of FASB Statement No. 157" ("FSP FAS 157-2"), which delays the effective date of SFAS 157 for certain non-financial assets and non-financial liabilities. SFAS 157 is effective for financial assets and liabilities in fiscal years beginning after November 15, 2007 and for non-financial assets and liabilities in fiscal years beginning after March 15, 2008. We have evaluated the impact of the provisions applicable to our financial assets and liabilities and have determined that there is no current impact on our financial condition, results of operations and cash flow. The aspects that have been deferred by FSP FAS 157-2 pertaining to non-financial assets and non-financial liabilities will be effective for us beginning January 1, 2009. We are currently evaluating the impact of SFAS 157 for non-financial assets and liabilities on the Company's financial position and results of operations.

In September 2006, the FASB issued Statement No. 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plan – an amendment of FASB Statement No. 87, 88, 106, and 132". SFAS requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and recognize changes in the funded status in the year in which the changes occur. SFAS 158 is effective for fiscal years ending December 15, 2006. SFAS 158 did not have a material effect on our financial condition, result of operations, and cash flows.

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. If the fair value option is elected, the effect of the first re-measurement to fair value is reported as a cumulative effect adjustment to the opening balance of retained earnings. In the event the Company elects the fair value option pursuant to this standard, the valuations of certain assets and liabilities may be impacted. This statement is applied prospectively upon adoption. We have evaluated the impact of the provisions of SFAS 159 and have determined that there will not be a material impact on our consolidated financial statements.

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.

In December 2007, the SEC issued SAB No. 110, which expressed the views of the staff regarding the use of a “simplified” method, as discussed in SAB No. 107, in developing an estimate of expected term of “plain vanilla” share options in accordance with SFAS No. 123R, *Share-Based Payment*. In particular, the staff indicated in SAB No. 107 that it will accept a company’s election to use the simplified method, regardless of whether the Company has sufficient information to make more refined estimates of expected term. At the time SAB No. 107 was issued, the staff believed that more detailed external information about employee exercise behavior would, over time, become readily available to companies. Therefore, the SEC staff stated in SAB No. 107 that it would not expect a company to use the simplified method for share option grants after December 31, 2007. The staff understands that such detailed information about employee exercise behavior may not be widely available by December 31, 2007. Accordingly, SAB No. 110 states that the staff will continue to accept, under certain circumstances, the use of the simplified method beyond December 31, 2007. The Company does not expect the adoption of SAB No. 110 to have material effect on its operations or financial position.

In March 2008, the Financial Accounting Standards Board (the “FASB”) issued Statement of Financial Accounting Standards No. 161 (“SFAS 161”), “Disclosures about Derivative Instruments and Hedging Activities”. SFAS 161 amends and expands the disclosure requirements of Statement of Financial Accounting Standards No. 133, (“SFAS 133”), “Accounting for Derivative Instruments and Hedging Activities”, and requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company does not expect this standard to have a material impact on the Company’s future consolidated statements.

In April 2008, the FASB issued FSP No. 142-3, *Determination of the Useful Life of Intangible Assets* (“FSP FAS 142-3”), which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, *Goodwill and Other Intangible Assets* (“SFAS 142”). The intent of FSP FAS 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(R) and other U.S. generally accepted accounting principles. FSP FAS 142-3 requires an entity to disclose information for a recognized intangible asset that enables users of the financial statements to assess the extent to which the expected future cash flows associated with the asset are affected by the entity’s intent and/or ability to renew or extend the arrangement. FSP FAS 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company does not expect the adoption of FSP FAS 142-3 to have a material impact on the Company’s financial position or results of operations.

In May 2008, the FASB issued SFAS No. 162, “The Hierarchy of Generally Accepted Accounting Principles” (SFAS No. 162). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS No. 162 is effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, “The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles”. The implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

In June 2008, the FASB ratified EITF Issue No. 08-3, “Accounting for Lessees for Maintenance Deposits Under Lease Arrangement” (EITF 08-3). EITF 08-3 provides guidance on the accounting of nonrefundable maintenance deposits. It also provides revenue recognition accounting guidance for the lessor. EITF 08-3 is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the impact of EITF 08-3 on its consolidated financial position and results of operations.

In June 2008, the FASB ratified EITF Issue No. 07-5, “Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity’s Own Stock” (EITF 07-5). EITF 07-5 provides that an entity should use a two step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including the instrument’s contingent exercise and settlement provisions. It also clarifies on the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. EITF 07-5 is effective for fiscal year beginning and after December 15, 2008. The Company does not expect EITF 07-5 to have a material impact on the Company’s future consolidated financial statements.

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

PART I, ITEM 3

For the six months ended June 30, 2008, 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 \$26,000 for the year six months ended June 30, 2008. As of June 30, 2008, we had no interest swap agreements outstanding.

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONTROLS AND PROCEDURES

PART 1, ITEM 4

(a) *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 Quarterly Report on Form 10-Q, we have evaluated, with the participation of our Principal Executive Officer and Principal Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended) and believe that such are not effective, as a result of the identified material weakness in our internal control over financial reporting as set forth below (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)):

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.

We completed the sale of our PFMD, PFD, and PFTS facilities within our Industrial Segment in January 2008, March 2008, and May 2008, respectively. We are attempting to sell the remaining facilities/operations within our Industrial Segment. We believe the material weakness as set forth above will inherently be remediated once the remaining facilities/operations within our Industrial Segment are sold. Furthermore, we are in the process of developing a formal remediation plan for the Audit Committee's review and approval.

(b) *Changes in internal control over financial reporting.*

There has been no change in our internal control over financial reporting in the quarter and six months ended June 30, 2008. However, the following factor could impact the result of the Company's internal control over the financial reporting for the fiscal year ended December 31, 2008:

The Company acquired PFNWR facility (f/k/a PEcoS) in June 2007. For the fiscal year ending December 31, 2007, PFNWR was not subject to our internal controls over financial reporting documentation and testing. For the fiscal year ending December 31, 2008, PFNWR is in the scope for our internal controls over financial reporting and we have implemented plans to document and test our internal controls over financial reporting for PFNWR prior to December 31, 2008.

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

PART II - Other Information

Item 1. Legal Proceedings

There are no additional material legal proceedings pending against us and/or our subsidiaries or material developments with regards to legal proceedings not previously reported by us in Item 3 of our Form 10-K/A for the year ended December 31, 2007, which is incorporated here in by reference, except, as follows:

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.

In June 2008, the Circuit Court of Seminole County, Florida dismissed all of the claims made by the plaintiffs against PFO. On July 2, 2008 each of the plaintiffs filed amended complaints against all defendants, except PFO. Since the plaintiffs have elected not to amend the complaints against PFO, each of these cases against PFO has now been favorably concluded.

Perma-Fix Northwest Richland, Inc. (f/k/a Pacific EcoSolutions, Inc. - "PEcoS")

The Environmental Protection Agency ("EPA") has alleged that prior to the date that we acquired the PEcoS facility in June 2007, the PEcoS facility was in violation of certain regulatory provisions relating to the facility's handling of certain hazardous waste and Polychlorinated Biphenyl ("PCB") waste. In connection with these alleged violations, during May 2008, the EPA advised the facility that in the view of EPA, a total penalty of \$317,500 is appropriate to settle the alleged violations. If a settlement is not reached between the EPA and us within the allocated time, EPA could file a formal complaint. We are currently attempting to negotiate with EPA a reduction in the proposed fine. Under the agreements relating to our acquisition of Nuvotec and PEcoS, we are required, if certain revenue targets are met, to pay to the former shareholders of Nuvotec an earn-out amount not to exceed \$4.4 million over a four year period ending June 30, 2011, with the first \$1 million of the earn-out amount to be placed into an escrow account to satisfy certain indemnification obligations to us of Nuvotec, PEcoS, and the former shareholders of Nuvotec (including Mr. Robert Ferguson, a current member of our Board of Directors). We may claim reimbursement of the penalty, plus out of pocket expenses, paid or to be paid by us in connection with this matter from the escrow account. As of the date of this report, we have not made or accrued any earn-out payments to the former Nuvotec shareholders and have not paid any amount into the escrow account because such revenue targets have not been met. The \$317,500 in potential penalty has been recorded as a liability in the purchase acquisition of Nuvotec and its wholly owned subsidiary, PEcoS.

Notice of Violation - Perma-Fix Treatment Services, Inc. ("PFTS")

During July, 2008, PFTS received a notice of violation ("NOV") from the Oklahoma Department of Environmental Quality ("ODEQ") regarding eight loads of waste materials received by PFTS between January 2007 and July 2007 which the ODEQ alleges were not properly analyzed to assure that the treatment process rendered the waste non-hazardous before these loads were disposed of in PFTS' non-hazardous injection well. The ODEQ alleges that these possible failures are a basis for violations of various sections of the rules and regulations regarding the handling of hazardous waste. The ODEQ did not assert any penalties against PFTS in the NOV and requested PFTS to respond within 30 days from receipt of the letter. PFTS intends to respond to the ODEQ. PFTS sold substantially all of its assets to a non-affiliated third party on May 30, 2008.

Item 1A. Risk Factors

There has been no material change from the risk factors previously disclosed in our Form 10-K/A for the year ended December 31, 2007.

Item 6. Exhibits

(a) **Exhibits**

- 4.1 Amendment No. 11 to Revolving Credit Term Loan and Security Agreement, dated as of July 25, 2008, between the Company and PNC.
- 4.2 Amendment No. 12 to Revolving Credit Term Loan and Security Agreement, dated as of August 4, 2008, between the Company and PNC, as incorporated by reference to Exhibit 99.1 to the Company's Form 8-K filed on August 8, 2008.
- 10.1 Shared Resource Agreement (Subcontract) between an environmental engineering firm, and East Tennessee Material & Energy Corp. Inc., dated May 27, 2008.
- 10.2 First Amendment to 2003 Outside Directors Stock Plan, as incorporated by reference from Appendix "A" to the Company's 2008 Proxy Statement dated July 3, 2008.
- 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.

SIGNATURES

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

PERMA-FIX ENVIRONMENTAL SERVICES

Date: August 8, 2008

By: /s/ Dr. Louis F. Centofanti

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

Date: August 8, 2008

By: /s/ Steven Baughman

Steven T. Baughman
Chief Financial Officer

**AMENDMENT NO. 11
TO
REVOLVING CREDIT, TERM LOAN AND SECURITY AGREEMENT**

THIS AMENDMENT NO. 11 dated as of July 25, 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. Amendment. The definition of "Overadvance Amount" set forth in Section 1.2 of the Loan Agreement is amended to read as follows:

"Overadvance Amount" shall mean \$2,000,000 until the earlier of (i) August 30, 2008 or (ii) the date this Agreement is restructured with Agent and Lenders."

2. 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.

3. 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.

4. Loan Agreement. Except as expressly modified hereby, all of the terms and provisions of the Loan Agreement remain in full force and effect.

5. 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.

6. 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.

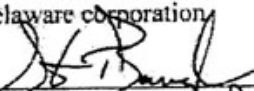
7. Governing Law. This Amendment shall be deemed to be a contract under, and shall for all purposes be construed in accordance with, the laws of the State of New York.

(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.

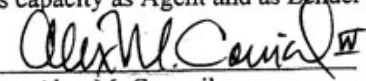
BORROWER:

PERMA-FIX ENVIRONMENTAL SERVICES, INC.,
a Delaware corporation

By: 
Name: Seruk 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 OF FLORIDA, INC.
PERMA-FIX OF MEMPHIS, 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 PITTSBURGH, INC.

By: 
Name: Seruk Baughman
Title: CFO/VP
of each of the foregoing entities

REV. 0 - 5/27/08

SHARED RESOURCE AGREEMENT (SUBCONTRACT)
BETWEEN

[REDACTED]
3190 George Washington Way Suite B
Richland, WA 99354

East Tennessee Materials & Energy Corp. Inc.,
a wholly owned subsidiary of Perma-Fix
Environmental Services, Inc.
Oak Ridge, Tennessee

This Shared Resource Agreement (Subcontract) is entered into between [REDACTED] and East Tennessee Materials & Energy Corp. Inc., a wholly owned subsidiary of Perma-Fix Environmental Services, Inc. (SUBCONTRACTOR); to establish the duties, rights, responsibilities, compensation, and special terms with respect to certain Personnel to be provided by the SUBCONTRACTOR, for the purpose of performing specific [REDACTED] work pursuant to the United States Department of Energy (DOE) Solicitation DE-RP06-07RL14788. [To be modified upon DOE award of the Prime Contract]

This Subcontract is conditioned upon the successful award of Solicitation DE-RP06-07RL14788 to [REDACTED] on or about July 1, 2008. The Subcontract shall become effective on the date [REDACTED] is awarded the Prime Contract with DOE. [REDACTED] and SUBCONTRACTOR hereby agree that all Work specified herein, which is a portion of the goods and services to be provided by [REDACTED] pursuant to Solicitation DE-RP06-07RL14788, shall be performed by the SUBCONTRACTOR in accordance with all stated provisions.

1. **Work to be Performed:** Except as specified elsewhere in the Subcontract, SUBCONTRACTOR shall furnish all labor and materials necessary and required to satisfactorily perform [REDACTED] support Task per Attachment 1. Work shall be ordered by [REDACTED] by the issuance to SUBCONTRACTOR of a Task Order Release per terms of Subcontract.

2. **Period of Performance:** The Subcontract period of performance is specified below.

Transition Period: July 1, 2008 through September 30, 2008 (or as specified under the prime contract including authorized scope)

Base Period: October 1, 2008 through September 30, 2013 (or as specified under the prime contract including authorized scope)

Option Period: October 1, 2013 through September 30, 2018 (or as specified under the prime contract including authorized scope)

3. **Contract Type:** Cost Reimbursement

4. **Total Value of Subcontract:** TBD (see Section 5 - Limitation of Funds)

5. **Limitation of Funds**

Although the parties hereto have agreed in principle to an estimated Subcontract value of TBD, [REDACTED] and the SUBCONTRACTOR realize that sufficient funds for the full scope of the work are not available. It is anticipated, funds will be obligated to this Subcontract once Solicitation DE-RP06-07RL14788 is awarded and the total estimated price of said Subcontract is obligated. The currently authorized funding value is zero and shall not be exceeded prior to a

[REDACTED]
formal Subcontract modification being awarded by [REDACTED] authorized personnel approving the funding value.

6. **Compensation:**

TASK 1: As full consideration for the satisfactory performance by SUBCONTRACTOR of this Transition Task (effective at time of successful DOE award through contract takeover date), [REDACTED] shall pay to SUBCONTRACTOR compensation in accordance with negotiated prices set forth at time of Task definitization consistent with the payment provisions of this Subcontract. Scope and costs for each specific task (i.e. Due Diligence, Extent of Condition, Personnel Reassignment), will be negotiated on a case by case basis.

ESTIMATED COST: TBD

TASK 2: As full consideration for the satisfactory performance by SUBCONTRACTOR of this Task, [REDACTED] shall pay to SUBCONTRACTOR compensation in accordance with negotiated prices set forth below at time of task definitization consistent with the payment provisions of this Subcontract, for the named essential leadership individual(s):

Name/Title
TBD

Labor:
Other Direct Costs (ODCs):
Indirects:
TOTAL Estimated Cost:

TASK 3: As full consideration for the satisfactory performance by SUBCONTRACTOR of this Task, [REDACTED] shall pay to SUBCONTRACTOR compensation in accordance with negotiated prices set forth at time of each task definitization consistent with the payment provisions of this Subcontract. Scope and costs for each specific managed task service or study will be negotiated on a case by case basis.

ESTIMATED COST: TBD

NOTES:

- SUBCONTRACTOR costs under this Subcontract shall be billed using SUBCONTRACTOR approved government billing rates, including any fee or profit; and Corporate G & A. This includes all work performed by a SUBCONTRACTOR affiliate.
- Incurred costs will be reimbursed in accordance with the terms and conditions of this Subcontract, including applicable policies, procedures, and Federal Acquisition Regulation (FAR) provisions.
- If a difference exists between this Subcontract, policies and procedures, or FAR provisions, the more restrictive contract clause, policy, procedure or provision will apply.
- Regarding Task 2, SUBCONTRACTOR shall not invoice for more than average 80 hours in a two week period (hours worked in excess of average 80 hours in a two week period are considered casual overtime and are non-billable). Invoices will be paid based on scheduled weeks worked each month prorated for partial weeks worked as applicable. See Section 10.1 below.

7. **Payment Terms:** As stated in *Article 3.0, Terms of Payment, of General Provisions*, payment will be made within 15 calendar days after receipt of a properly prepared invoice unless otherwise agreed to between SUBCONTRACTOR and [REDACTED]

8. **Authorized Personnel:** Only the following named [REDACTED] individuals are authorized to make changes to this document:

John Lehew, Site Project Manager, [REDACTED] 509-420-3427
Dan Cartmell, Director, Project Control and Business Administration, 509-372-3982

9. **Designation of Technical Representative:** [REDACTED] hereby designates the following as the Buyer's Technical Representative (BTR), for this Subcontract:

Name: Ty Blackford

10. **Special Provisions:**

10.1 **Performance**

- Tasks 1 and 3 will be negotiated on a case by case basis as described in Section 6.
- Pursuant to Task 2, SUBCONTRACTOR shall furnish essential leadership personnel acceptable to [REDACTED] to lead the Attachment 1 Statement of Work as described in Subsections 6 and 10.2 below, for the term as set forth in the Subcontract to be integrated into the [REDACTED] scope as a preferred small business subcontractor. Additional SUBCONTRACTOR personnel may be identified to support this specific task based on the SUBCONTRACTOR's capabilities, experience and expertise and the objectives of the [REDACTED] Project team.
- Pursuant to Task 2, SUBCONTRACTOR personnel shall work the same scheduled work hours and days as [REDACTED] professional Personnel and take off all non-work days, and facility closure days including weekends and holidays, taken off by [REDACTED] professional Personnel. However, the Parties shall mutually agree to vacation requested by SUBCONTRACTOR Personnel before such time is taken off.
- SUBCONTRACTOR personnel shall be provided with offices, work areas, computer, and LAN phone by [REDACTED] for all work activities performed on the Hanford site, that are reasonably comparable to those provided to its own professional Personnel performing similar duties.
- SUBCONTRACTOR personnel shall be trained as indicated in the training profile developed by the line manager for the specific position and their assigned work. Training shall be completed prior to performing the work and training shall be documented.
- The SUBCONTRACTOR shall perform work in accordance with [REDACTED] Quality Assurance Program and procedures.
- The SUBCONTRACTOR shall perform all work in accordance with [REDACTED] Environmental, Safety & Health (ES&H) program and procedures.

10.2 **Job Descriptions**

Responsibilities:

Tasks 1 and 3

Responsibilities for Tasks 1 and 3 will be developed and negotiated on a case by case basis.

- [REDACTED]
- In the performance of Tasks 1 and 3 scope (as further delineated in Attachment 1, the SUBCONTRACTOR shall be required to provide personnel meeting [REDACTED] requested staffing needs for the Project.
 - Consistent with the work scope objectives and subject to FAR and DEAR provisions, the SUBCONTRACTOR's incumbent work force, at the time of award, will be treated similar to all other incumbent workers when [REDACTED] evaluates future subcontracted staffing needs. The number and qualifications of personnel to be part of the SUBCONTRACTOR work force will initially be established by [REDACTED] during contract transition and will fluctuate throughout the term of the Subcontract. [REDACTED] Project Manager will hold monthly meetings with the SUBCONTRACTOR lead essential person to discuss overall Project status, future staffing needs, and other decisions that could affect the SUBCONTRACTOR. [REDACTED] and SUBCONTRACTOR recognize that subsequent to this Subcontract becoming effective, conditions relating to the Project may change as this Subcontract is significantly based on the [REDACTED] Contract, such as to dictate a change in the scope of work. In such event, the Parties acknowledge and agree that, this Subcontract shall be changed to the extent required to align with any changes or modifications to the [REDACTED] Contract impacting SUBCONTRACTOR scope of work or support area of expertise; and [REDACTED] and SUBCONTRACTOR will work together to provide DOE the most advantageous mix of resources for the performance of required work activities.,
 - Use of the SUBCONTRACTOR support is subject to any required DOE approval, successful accomplishment of all mandatory prime contract requirement obligations including small business subcontracting, achieving DOE negotiated competition objectives, and planned self perform contract requirements.
 - SUBCONTRACTOR shall retain the right to replace its employees including essential leadership personnel with [REDACTED] approval, assigned to baseline tasks with other existing qualified SUBCONTRACTOR staff resources in the event of termination, reassignment or transfer of such employee; as long as those positions continue to be funded and needed by the project and both parties mutually agree it is in the best interest of the project to continue to fill the positions.
 - The use by SUBCONTRACTOR of personnel from Affiliated Companies in the execution this Subcontract is subject to FAR provisions on contracting with Affiliates.
 - Specific SUBCONTRACTOR personnel assigned to a specific definitized task, may support commercial or other Subcontractor controlled work on a non-interference basis upon the prior written approval of [REDACTED] Management. However, they shall not charge any costs associated with supporting non-[REDACTED] work to the Project.
 - Specific SUBCONTRACTOR activities associated with treatment support at the SUBCONTRACTOR's off-site facility are excluded from this subcontract and will be addressed separately.

Task 2

Essential personnel responsibilities are in accordance with the designated position titles denoted in Section 6. Actual assignments will be dependent upon need of project and skills/experience of individuals selected.

Pursuant to Task 2, the following personnel are considered to be essential to the work being performed on this Subcontract, SUBCONTRACTOR will require the named individual to

[REDACTED]

provide the required letter of commitment to the project for a minimum of two (2) year following award of the prime contract. SUBCONTRACTOR essential personnel include initially TBD. Specific positions and their respective descriptions and responsibilities may be modified periodically by the mutual decision of both Parties to this Subcontract, via internal correspondence without the need to modify this Subcontract.

DOE-RL Communication Interface: Regarding Task 2 only, SUBCONTRACTOR has authority to directly interface with DOE-RL (DOE) Facility Representatives, or other technical personnel involving day-to-day implementation and clarification matters pertinent to agreed job description and responsibilities. All formal matters and commitments involving the [REDACTED] Prime Contract will be coordinated with the applicable [REDACTED] management personnel.

10.3 Intellectual Property

SUBCONTRACTOR shall be obligated to comply with all applicable flow-down provisions contained in the Prime Contract resulting from Solicitation DE-RP06-07RL14788, and shall have no other rights or obligations with respect to intellectual property as may be contained therein.

10.4 Status of SUBCONTRACTOR Personnel

SUBCONTRACTOR shall remain solely responsible to said SUBCONTRACTOR personnel for compensation and benefits, including but not limited to, salaries, paid absences, medical and dental benefits, pension, 401(k) contributions and plan maintenance, life insurance, severance benefits, all retirement benefits (including without limitation retirement medical and dental benefits), any other benefits mandated or regulated by the Employee Retirement Income Security Act, as amended, or other applicable statutes or regulations, and the cost of any incentive compensation programs. SUBCONTRACTOR personnel shall not be entitled to or qualify as eligible for any benefits of any kind from [REDACTED]. SUBCONTRACTOR personnel shall follow all applicable [REDACTED] policies, procedures (including conflicts of interest and ethics), ISMS Expectations, [REDACTED] Standards of Conduct and direction; and the performance of work shall at all times remain under the direct control of [REDACTED].

At all times [REDACTED] and SUBCONTRACTOR shall remain independent contractors, each responsible for its own employees, and not responsible for employees of the other.

10.5 Indemnification For Acts of Personnel

The personnel of the Parties shall comply with all pertinent rules, policies, and regulations of the other Party while on the premises of the other Party, including those relating to the safeguarding of proprietary or confidential information. Each Party agrees to indemnify and hold harmless the other Party from and against all claims for:

- a) damages to, or loss of use of, the other Party's property to the extent any such damage is caused by any act, failure to act or omission, including negligence, of the indemnifying Party's personnel in connection with performance under this Subcontract; and
- b) injury or death of any of the other Party's personnel to the extent any such injury is caused by any act or omission to act, including negligence, of the indemnifying Party's personnel in connection with performance under this Subcontract.

[REDACTED]

10.6 Scope of Authority – Conflict of Interest:

Except as otherwise provided by this Subcontract, SUBCONTRACTOR personnel shall have no authority to bind [REDACTED] or act as an agent of [REDACTED] unless so designated in writing by [REDACTED]

If SUBCONTRACTOR personnel feel at anytime that their assignment represents a real or apparent conflict of interest with respect to the SUBCONTRACTOR, said SUBCONTRACTOR personnel shall inform the managers within [REDACTED] organization responsible for that assignment. The SUBCONTRACTOR personnel shall not take any action to resolve the potential conflict until [REDACTED] has addressed the conflict concern.

10.7 Non-Solicitation and Hire of Personnel

During the term of this subcontract, neither Party shall, without the written approval of the other party, directly or indirectly or through the use of a third party, solicit for employment an employee of the other Party. This prohibition shall extend for a period of ninety (90) days after the employee terminates employment with the other Party. The foregoing shall not apply to employees of either Party who have not been substantially involved in the performance of the initial Teaming Agreement or [REDACTED] Project, clerical or administrative employees, or individuals hired as a result of the use of a general solicitation (e.g. [REDACTED] solicitation) not specifically directed to the employees of the other Party. This shall in no way, however, be construed to restrict, limit, or otherwise encumber the rights of any employee granted by law.

10.8 Waiver of Consequential Damages/Force Majeure/Limitation of Liability

Neither party to this Subcontract shall be liable to the other Party, whether in contract, warranty, tort (including negligence) or strict liability, or otherwise, for any indirect, special, incidental or consequential damages arising out of its performance or non-performance of obligations.

Neither Party shall be considered in default in the performance of its obligations under this Agreement (except the obligation to pay money) to the extent that the performance of such obligations is prevented or delayed by any cause beyond the reasonable control of and absent the fault of the affected Party.

Neither Party to this Subcontract, shall be liable to the other Party for costs, damages, fees, or expenses incurred as the result of the other Party's willful misconduct or gross negligence of any employee, officer, agent or representative.

Except as specifically set forth herein, each Party assumes no responsibility to the other for costs, expenses, risks and liabilities arising out of the efforts of the other.

The provisions of this Article 10.8 shall apply notwithstanding any other provision of this Subcontract or any other agreement.

10.9 Conflict of Interest/ Non-Disclosure Agreement.

Personnel are governed by strict conflict of interest requirements that prohibit resource procurement (staff or tangible goods) by Staff Augmentation Personnel from any source where a conflict of interest exists or there is the potential for a conflict of interest, without express written authorization from [REDACTED]

SUBCONTRACTOR personnel (including any personnel subcontracted or affiliates) will execute a Non-Disclosure Agreement (Attachment 5), prior to conducting any activities pursuant to this Subcontract.

[REDACTED]

10.10 Travel and Misc. Expenses

[REDACTED] will reimburse SUBCONTRACTOR for travel and miscellaneous expenses, as approved in advance, and in accordance with Federal Travel Regulations and Services in effect at the time of such travel as set forth in the Subcontract Services General Provisions Article 3.9.

10.11 Supplemental FAR/DEAR Clauses

[REDACTED] hereby passes down to SUBCONTRACTOR the following clauses, in addition to those flowed down per applicable Prime Contract and Subcontract Services General Provisions Article 7.0. The term "Government" or "Contracting Officer" as used in any of the following clauses shall mean [REDACTED] unless the context clearly and unambiguously requires that the term means "the United States Government." Similarly, the term "Contractor" shall mean "SUBCONTRACTOR" unless the context clearly and unambiguously requires that the term means "Contractor."

- FAR 52.246-25, Limitation of Liability – Services (FEB 1997)
- DEAR 970.5228-1, Insurance, Litigation, and Claims (MAR 2002)
- DEAR 970.5231-4, Preexisting Conditions (DEC 2000), Alternate II (DEC 2000)
- FAR 52.216-7, Allowable Cost & Payment (DEC 2002)
- FAR 31.205-35, Relocation Costs*

* [REDACTED] shall not be liable for any return relocation costs at the conclusion of the Subcontract performance period, unless authorized in advance by [REDACTED]

10.12 Special Provisions – Independent Subcontractor

10.12.1. Nothing in this Subcontract shall be deemed to constitute, create, or give effect to, or otherwise recognize a joint venture, partnership, pooling, arrangement, or formal business entity of any kind. [REDACTED] and SUBCONTRACTOR shall act as independent contractors, and the employees of one shall not be deemed the employee of any other.

10.12.2. Notwithstanding any other provision of this Subcontract that may be to the contrary, neither Party shall be liable to the other for any indirect, incidental, special, or consequential damages including cost, fees, and expenses, however caused (i.e. willful misconduct or gross negligence of the other parties employee, officer, agent, or representative), whether founded on contract, in tort, strict liability or otherwise.

10.12.3. Subcontractor expressly agrees to the adjustment of payments from [REDACTED] to reflect an equitable share of any fines, penalties, credits, damages, settlements, or loss/destruction/damage repair costs to government property and equipment, which shall become due to the government under the Prime contract and which are attributable to SUBCONTRACTOR's acts or omissions, performance or lack thereof. This includes non-compliance with Prime Contract Requirements for management of assigned nuclear facilities, substandard performance impacting negotiated costs and [REDACTED] earned fee in areas of assigned responsibility, and events arising in SUBCONTRACTOR owned offsite treatment facilities (separate subcontract), which directly impact accomplishment of Subcontract objectives of assigned areas. The provision for the payment of fines, penalties, credits, damages, or settlements shall not be an exclusive remedy but shall be in addition to any other rights which [REDACTED] shall have at law, equity or under contract.

[REDACTED]

SUBCONTRACTOR will be provided an opportunity to respond to above performance issues (i.e. quasi-cure notice response) within five work days, before [REDACTED] will unilaterally withhold payments. Further the limitation of liabilities for such issues is limited to all earned fee for duration of Subcontract terms and any SUBCONTRACTOR insurance coverage. SUBCONTRACTOR is required to submit insurance claims within five days of any SUBCONTRACTOR response denied by [REDACTED]. Subcontractor is responsible for all payments due within 30 days of notification regardless of insurance payment timing.

10.12.4. Inventions conceived solely by employees of a Party shall belong exclusively to that Party, as long as the Party funds the entire research and development activities from their own corporate funds and does not use any government provided funds. Inventions conceived jointly by the Parties hereto in the course of work called for by this Subcontract shall be subject to further agreement of the Parties. This understanding is subject to modification as may be required by applicable Government regulations, or the terms of the Prime contract and Subcontract. Nothing contained in this Subcontract shall be deemed by implication, estoppel, or otherwise, to grant any right or license in respect of any patents, inventions, or technical information at any time owned by the other Party.

10.12.5. The failure of either Party to enforce at any time any of the provisions of this Subcontract, or to require at any time performance by the other Party of any of the provisions hereof, shall in no way be construed to be a waiver of such provisions, nor in any way affect the validity of this Agreement or any part thereof, or the right of either Party to enforce thereafter each and every provision hereof.

10.12.6. If any portion of this Agreement is determined to be invalid or unenforceable by a court of competent jurisdiction, all remaining provisions left unaffected by such determination shall remain in full force and effect.

10.12.7. The DOE has the right to review the Agreement for Shared Resource Agreement subcontract. If the DOE does not approve the Subcontract, the Parties shall not execute the same, and this Agreement will become null and void.

10.12.8. A ceiling price shall be specified in each individual Subcontract Release. [REDACTED] shall not be obligated to pay the SUBCONTRACTOR any amount in excess of the individual Subcontract Release ceiling price, and SUBCONTRACTOR shall not be obligated to continue performance if to do so would exceed the Subcontract Release ceiling price, unless and until [REDACTED] has issued a Subcontract Release amendment increasing the ceiling price.

10.12.9. This Subcontract is subject to the McNamara-O'Hara Service Contract Act of 1965 (SCA). In accordance with the SCA, the SUBCONTRACTOR shall pay service employees, employed in the performance of this Subcontract, no less than the minimum wage and furnish fringe benefits in accordance with the incorporated Wage Determination.

During the term of this Subcontract, [REDACTED] may unilaterally modify this Subcontract to incorporate revised Wage Determinations. If a Wage Determination (or revision) is incorporated after award and the Subcontractor has to adjust rates payable to employees covered by the SCA in order to comply with the specified minimum wages and fringe benefits, the Subcontractor may request an equitable adjustment in accordance with the provisions of this Subcontract.

[REDACTED]

10.12.10. Fair Labor Standards Act and Service Contract Act-Price Adjustment (FAR 52.222-43, May 1989)

(a) This clause applies to both Subcontracts subject to area prevailing wage determinations and Subcontracts subject to collective bargaining agreements.

(b) The SUBCONTRACTOR warrants that the prices in this Subcontract do not include any allowance for any contingency to cover increased costs for which adjustment is provided under this clause.

(c) The wage determination, issued under the Service Contract Act of 1965, as amended, (41 U.S.C. 351, et seq.), by the Administrator, Wage and Hour Division, Employment Standards Administration, U.S. Department of Labor, current on the anniversary date of a multiple year Subcontract or the beginning of each renewal option period, shall apply to this Subcontract. If no such determination has been made applicable to this Subcontract, then the Federal minimum wage as established by section 6(a)(1) of the Fair Labor Standards Act of 1938, as amended, (29 U.S.C. 206) current on the anniversary date of a multiple year Subcontract or the beginning of each renewal option period, shall apply to this Subcontract.

(d) The Subcontract price or Subcontract unit price labor rates will be adjusted to reflect the SUBCONTRACTOR's actual increase or decrease in applicable wages and fringe benefits to the extent that the increase is made to comply with or the decrease is voluntarily made by the SUBCONTRACTOR as a result of:

(1) The Department of Labor wage determination applicable on the anniversary date of the multiple year Subcontract, or at the beginning of the renewal option period. For example, the prior year wage determination required a minimum wage rate of \$4.00 per hour. The SUBCONTRACTOR chose to pay \$4.10. The new wage determination increases the minimum rate to \$4.50 per hour. Even if the SUBCONTRACTOR voluntarily increases the rate to \$4.75 per hour, the allowable price adjustment is \$.40 per hour;

(2) An increased or decreased wage determination otherwise applied to the Subcontract by operation of law; or

(3) An amendment to the Fair Labor Standards Act of 1938 that is enacted after award of this Subcontract, affects the minimum wage, and becomes applicable to this Subcontract under law.

(e) Any adjustment will be limited to increases or decreases in wages and fringe benefits as described in paragraph (c) of this clause, and the accompanying increases or decreases in social security and unemployment taxes and workers' compensation insurance, but shall not otherwise include any amount for general and administrative costs, overhead, or profit.

(f) The SUBCONTRACTOR shall notify [REDACTED] of any increase claimed under this clause within 30 days after receiving a new wage determination unless this notification period is extended in writing by [REDACTED]. The SUBCONTRACTOR shall promptly notify [REDACTED] of any decrease under this clause, but nothing in the clause shall preclude the Government from asserting a claim within the period permitted by law. The notice shall contain a statement of the amount claimed and any relevant supporting data, including payroll records, which [REDACTED] may reasonably require. Upon agreement of the parties, the Subcontract price or Subcontract unit price labor rates shall be modified in writing. The SUBCONTRACTOR shall continue performance pending agreement on or determination of any such adjustment and its effective date.

(g) [redacted] or an authorized representative shall have access to and the right to examine any directly pertinent books, documents, papers and records of the SUBCONTRACTOR until the expiration of 3 years after final payment under the Subcontract.

10.12.11. In successful execution of this Subcontract, SUBCONTRACTOR agrees to become a co-plan sponsor signatory to the Hanford Employee Welfare Trust (HEWT), and co-signatory to the Hanford Atomic Metal Trades Council (HAMTC) collective bargaining agreement.

10.12.12. In accordance with the Attachment 4 - On-Site Work Provisions, Section 3.0- Integrated Safety Management System (ISMS), Authorization Agreements (AA) will be developed, mutually agreed to, and executed between [redacted] and the SUBCONTRACTOR. The AA's are to serve as a mechanism whereby [redacted] and the SUBCONTRACTOR, jointly clarify and agree to the key conditions, expectations, and requirements for SUBCONTRACTOR to conduct work safely, effectively, efficiently and in compliance with assigned Hazard Category nuclear facilities. They will be updated annually or as required to reflect changing conditions or SUBCONTRACTOR responsibilities.

11. List of Attachments

The attachments listed below are hereby incorporated into and made a part of this Subcontract. They shall have the same force and effect as if written into the body of the subcontract. In the case of potential conflicts, the order of precedence is the language contained in the body of this Subcontract, then the List of Attachments.

Attachment No.	Title	Revision	Date
1	Statement of Work	0	03/29/2008
2	Preliminary Hazard Analysis (PHA ID:31) is to be used for general office duties performed in [redacted] controlled office facilities only. Prior to performing any activities outside of the office facility, a job hazard analysis (JHA) must be completed to cover the activities to be performed. The JHA must be approved by [redacted] Safety Representative.	N/A	12/03/2007
3	Services General Provisions - Cost Reimbursement Contract Type	0	05/27/2008
4	On-Site Work Provisions	0	12/03/2007
5	Non-Disclosure Agreement*	0	TBD

*assigned individuals will sign and return a copy of this document prior to Subcontract start date

12. **Subcontractor Acknowledgement:** The Parties shall acknowledge this document, as provided herein, regardless of dollar value, by signing below and returning a signed copy of this Subcontract.

13. **Entire Agreement:** This Subcontract contains the entire agreement between the Parties specific to the subject matter herein. This Subcontract supersedes any prior or contemporaneous oral or written agreements, commitments, understanding or communications with respect to the subject matter hereof including specifically the Teaming Agreement entered into between the Parties,

[REDACTED]

dated July 9, 2007. No subsequent modification to this Subcontract shall be binding upon the Parties unless reduced to writing and signed by an authorized official of the Parties sought to be bound thereby.

14. Authorizing Signatures:

[REDACTED]

Perma-Tix Environmental Services, Inc.

D.B. Cartmell
D. B. Cartmell
Vice President wa CFO
Title:
Date: 5/27/08

[Signature]
Name:
President M&EC
Title:
Date: 5/27/08

STATEMENT OF WORK

Requisition #: _____

Title: ~~XXXXXX~~ Remediation Support Task

Revision Number 0

Date: 03/29/2008

Prior SOW or Revision Date: N/A

1.0 Objective:

This work is to provide administrative functions or program/project support and operation services where the products to be generated by the services are subject to control by established [REDACTED] program controls and review/approval processes as outlined in this SOW.

2.0 Background/Introduction:

This work provides administrative, program, project and operations support functions only.

3.0 Scope:

East Tennessee Materials & Energy Corp. Inc., a wholly owned subsidiary of Perma-Fix Environmental Services, Inc. (M&EC), will provide management, administrative, and other personnel and services as required for the accomplishment of [REDACTED] objectives on a Cost Reimbursement or fixed unit rate subcontract basis. Such services may include on a case by case basis at [REDACTED] direction, procurement of specialty services and or material/equipment when such procurement activities represents the best interest of DOE and [REDACTED] in the performance of work scope.

Three specific major tasks include:

Task 1: Provide support to transition period between time of DOE announcement and effective date of Contract takeover. This support will include support to Due Diligence, Extent of Condition reviews, personnel reassignments, etc. as directed by [REDACTED]

Task 2: Provide essential leadership support to manage subcontracted scope acceptable to [REDACTED]. The specific positions are outlined in the Shared Resource Agreement Subcontract Section 6- Compensation. The position details are considered business sensitive until formal announcements. Additional personnel may be requested at a future date.

Task 3: Provide managed task services personnel or other corporate Affiliate Personnel to assist [REDACTED] in the performance of the prime contract scope on a TBD as requested negotiated basis. Individual tasks releases will be issued by [REDACTED] to authorize work and expenditures.

Types of Task 1 and 3 services and expertise that may be tasked to provide as requested and authorized by [REDACTED] includes the following [REDACTED] scope:

- Section C.2.2.4.3 Manage and Dispose of PFP Solid Waste: M&EC shall provide necessary operations and staff personnel necessary to accomplish work scope as directed by [REDACTED] project management.

- Section C.2.3.6.1 Transuranic Waste Certification: M&EC shall provide operations and staff personnel to support accomplishment of the work scope as directed by [REDACTED] project management.

- Section C.2.3.1 Strategic Planning and Integration: M&EC personnel shall support [REDACTED] efforts with data, information, and subject matter experts as a course of business in [REDACTED] management and performance of this work scope.

- Section C.2.3.2 Waste Support Services: M&EC shall manage and perform Waste Services functions and processes as directed and authorized by [REDACTED] project management. M&EC shall assure necessary qualified personnel and staff are maintained, to accomplish this work scope.

- Section C.2.3.4 Solid Low Level Waste (LLW) and Mixed Low Level Waste (MLLW) Disposal: M&EC shall provide operations and staff personnel necessary to receive and dispose of LLW and MLLW as approved and authorized by [REDACTED] project management.

- Section C.2.3.3 Low Level Waste/ Low Level Mixed Waste (LLW/LLMW) Treatment: M&EC shall provide personnel and operations support necessary to accomplish this work scope as directed and authorized by [REDACTED] project management.

- Section C.2.3.12 Integrated Disposal Facility Authorization to Operate: M&EC shall support [REDACTED] management, direction, and completion of operational readiness and documentation activities necessary for IDF startup as directed and authorized by [REDACTED] project management.

- Section C.2.3.14 Facility Management; T-Plant Complex, Central Waste Complex (CWC), Low Level Burial Grounds (LLBGs), Environmental Restoration and Disposal Facility (ERDF), and Integrated Disposal Facility (IDF): M&EC shall operate and maintain facilities with qualified personnel and staff necessary to accomplish [REDACTED] mission scopes as directed by [REDACTED] project management. Facilities shall be operated in accordance with [REDACTED] procedures and policies and applicable State and federal regulations and associated permits, licenses, and authorization agreements. M&EC shall support T Plant modifications for Sludge Storage (C.2.3.8.1), alternate TRUPACT loadout capability (C.2.3.8.2), and M-91 facility upgrades and operation (C.2.3.10) as directed and authorized by [REDACTED] project management. Initial scope for burial grounds includes operations of the 200 East and West Low-Level Burial Grounds and maintenance of the Integrated Disposal Facility as directed by [REDACTED] project management. Incorporation of the IDF into operations will be at the direction of the [REDACTED] as noted in section C.2.3.12. Incorporation of operation of the ERDF will be determined upon DOE notification to the [REDACTED] to proceed with acceptance of ERDF operations.

NOTE: Specific SUBCONTRACTOR activities associated with treatment support at the SUBCONTRACTOR's off-site facility, are excluded from this subcontract and will be addressed separately.

4.0 Deliverables:

No specific deliverables are required for Task 2.
Deliverables for the Task 1 and 3 Transition and managed task services or studies will be negotiated on a case by case basis.

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5.0 Acceptance Criteria:

Work products and services provided must meet established applicable [REDACTED] procedures for control and review of work products.

6.0 Reserved

7.0 ESH&Q Requirements

7.1 Quality Assurance Requirements:

The subcontractor shall perform work in accordance with [REDACTED] Quality Assurance Program and procedures.

Subcontractor personnel shall be trained as indicated in the training profile developed by the line manager for the specific position and their assigned work. Training shall be completed prior to performing the work and training shall be documented.

7.2 Price-Anderson Amendments Act Requirements:

This 7.2 section and the General Provisions article entitled *Price-Anderson Amendments Act (PAAA)* are both determined to be applicable.

7.3 Applicable ES&H Requirements:

The Subcontractor shall perform all Subcontract work under and in accordance with [REDACTED] Hanford site policies, procedures, standards, and requirements. The On Site Work Provisions apply to this SOW. Preliminary hazard assessment PHA ID: 31 is to be used for general office duties performed in [REDACTED] controlled office facilities only. Prior to performing any activities outside of the office facility, a job hazard analysis (JHA) must be completed to cover the activities to be performed. The JHA must be approved by a [REDACTED] Safety Representative.

8.0 Verification/Hold Points:

Verification/hold points will be determined for each negotiated task within this SOW.

9.0 Configuration Management Requirements:

[REDACTED] configuration management requirements will be followed for each negotiated task within this SOW.

10.0 Work Location/Potential Access Requirements:

Work locations are the 200E, 200W, and 100 Areas of the Hanford Site. A DOE government badge is required. An office, computer, furniture, and office supplies will be furnished for subcontractor personnel working on the Hanford site.

11.0 Training:

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HGET is mandatory training for work on Hanford Site and facility-specific training may be required. Documented required training will be included in the Integrated Training Electronic Matrix (ITEM) system.

All M&EC personnel will be trained, and maintain qualifications as required by [REDACTED] procedure and/or regulation.

A request form (A-6003-001), "RPP ITEM Change Request Form," will be used to add each individual to the ITEM system.

12.0 Qualifications:

Tasks 1 and 3: In accordance with regulation and [REDACTED] training procedures and policies..

Task 2: BA/BS degree in engineering or business with 15 years of experience desired, including **proven leadership of large complex projects. A working knowledge of radioactive/chemical waste management and [REDACTED] scope is desirable.**

13.0 Special Requirements:

A physical exam will be required when reporting to work and at such time that the task is completed. A fresh air mask fit may be required for limited observation access to the facilities.

Use of Government Vehicles

One or more Subcontractor employees may have access to Government-furnished vehicles while performing this statement of work. Prior to initiating work the Seller will furnish to the BTR a copy of the employee(s) valid driver's license.

Government Property

The requirement does not apply to this SOW as the subcontractor will be working on site using government-provided office/computers/furniture/office supplies, or at Subcontractor's own facility.

14.0 Reporting/Administration:

Status Reports (e.g. cost and technical) will be established by the applicable [REDACTED] manager of the subcontracted personnel.

An Employee Job Task Analysis (EJTA) must be completed for each Subcontractor employee working on the Hanford site prior to performing work, if not already on file with SITE OCCUPATIONAL MEDICINE CONTRACTOR. Subcontractor should provide the following information prior to starting work:

- Hanford identification number
- Subcontractor employee name
- Date of EJTA submittal to SITE OCCUPATIONAL MEDICINE CONTRACTOR.

15.0 Workplace Substance Abuse Program Requirements:

A Workplace Substance Abuse Program is required for this SOW.

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16.0 Applicable Standards

The Standards will be defined upon execution of assigned management scope.

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PHA ID: 31	Date: 12/03/07	Performed By: Signature:
Brief Description: Admin functions or program support services involving general office duties in non-radiological [redacted] Contract controlled facilities.		

<input type="checkbox"/>	Bloodborne Pathogens	29 CFR 1910.151(b), "Medical Services and First Aid." 29 CFR 1910.1020, "Access to Employee Exposure and Medical Records." 29 CFR 1910.1030, "Bloodborne Pathogens." (S/RID)
<input type="checkbox"/>	Hazard Communication Program	29 CFR 1910, Subpart Z, "Toxic and Hazardous Substances." (S/RID) 29 CFR 1910.1200(h)(3). (S/RID) 29 CFR 1926, Subpart Z, "Toxic and Hazardous Substances." (S/RID) RPP-MP-003, "Integrated Environment, Safety, and Health Management System Description for the Tank Farm Contractor."
<input type="checkbox"/>	Respiratory Protection	29 CFR 1910.134, "Respiratory Protection." (Contract) 134(h)(1)(iii). (S/RID) 134(h)(3)(i)(B). (S/RID) 134(h)(3)(iv). (S/RID) 29 CFR 1926.103, "Respiratory Protection." (S/RID) ANSI Z88.2, "American National Standard for Respiratory Protection." (Contract) DOE O 440.1A, "Worker Protection Management for DOE Federal and Contractor Employees," Attachment 2, Section 18h. (S/RID)
<input checked="" type="checkbox"/>	Comprehensive Ergonomics Program Plan	29 CFR 1910.5 (a), "General Duty Clause." (contract) DOE O 440.1A, "Worker Protection Management for DOE Federal and Contractor Employees." (S/RID) "Integrated Environment, Safety, and Health Program Description for the Contractor." [redacted]
<input type="checkbox"/>	Industrial Hygiene Personal Monitoring Program Plan	29 CFR 1910, "General Industry Standards." (S/RID) 29 CFR 1926, "Construction Standards." (S/RID) DOE 5480.8, "Occupational Health Program." (S/RID) DOE 5480.10, "Contractor Industrial Hygiene Program," Section 9. (S/RID) "Occurrence Reporting and Processing of Operations Information." "Integrated Environment, Safety and Health System Management Plan for the Contractor." "Safety and Health Management Program Description." [redacted] Technical Safety Requirements." "Standards/Requirements Identification Document." [redacted] Health and Safety Plan."



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<input type="checkbox"/>	<p>Safety Inspections</p>	<p>29 CFR 1926.20(b)(2), "Accident Prevention Responsibilities."</p> <p>DOE Order 5483.1A, "Occupational Safety and Health Program For DOE Contractor Employees at Government-Owned Contractor-Operated Facilities."</p> <p>DOE Order 5480.9A, "Construction Project Safety and Health Management."</p> <p>"Integrated Environment, Safety and Health Management System Plan for the Contractor."</p> <p>Contractor Work Control"</p> <p>"Problem Evaluation Request."</p> <p>Public Law 91-596; 1, Section 5(a)(1). (S/RID)</p>
<input checked="" type="checkbox"/>	<p>Control of Working Hours and Working Alone</p>	<p>Occupational Safety and Health Act of 1970, OSHA Section 5(a)(1). (Contract)</p> <p>49 CFR Part 395.3, U.S. Department of Transportation, Federal Motor Carrier Safety Regulations, "Hours of Service of Drivers – Maximum Driving and On Duty Time." (Contract)</p> <p>DOE O 440.1A, "Worker Protection Management for DOE Federal and Contractor Employees," Attachment 2, Section 1. (Contract)</p>
<input type="checkbox"/>	<p>Hearing Conservation</p>	<p>29 CFR 1910, "Occupational Safety and Health Standards," Subpart 95, "Occupational Noise Exposure."</p> <p>29 CFR 1926, "Safety and Health Regulations for Construction," Subpart 52, "Occupational Noise Exposure."</p> <p>ACGIH, "Threshold Limit Values for Chemical Substances and Physical Agents and Biological Exposure Indices."</p> <p>DOE O 440.1A, "Worker Protection Management for DOE Federal and Contractor Employees."</p> <p>DOE G 440.1-1, "Worker Protection Management for DOE Federal and Contractor Employees Guide for use with DOE Order 440.1."</p>
<input type="checkbox"/>	<p>Concrete and Masonry Construction</p>	<p>29 CFR 1926, Subpart Q, "Concrete and Masonry Construction," (S/RID)</p> <p>ANSI A 10.9 sections 11 and 29.</p>
<input type="checkbox"/>	<p>Beryllium Program</p>	<p>10 CFR 850, "Chronic Beryllium Disease Prevention Program."</p> <p>Letter, FDH-9957106, "Initial Beryllium Characterization Report," D. L. Renberger to S. J. Voitanheimer, dated September 29, 1999.</p>
<input type="checkbox"/>	<p>Erecting Steel Structures</p>	<p>29 CFR 1926, Subpart R, "Steel Erection," (S/RID)</p>
<input type="checkbox"/>	<p>Hoisting and Rigging</p>	<p>DOE-RL-92-36, "Hanford Site Hoisting and Rigging Manual." (S/RID)</p> <p>29 CFR 1910, "Occupational Safety and Health Standards," Subpart N, "Materials Handling and Storage." (S/RID)</p> <p>29 CFR 1926, "Safety and Health Regulations for Construction," (S/RID) Subpart H, "Materials Handling, Storage, Use, and Disposal." Subpart N, "Cranes, Derricks, Hoists, Elevators, and Conveyors." Subpart W, "Rollover Protective Structures; Overhead Protection."</p>



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<input type="checkbox"/>	Confined Space	OSHA, 29 CFR 1910.146, "Permit-Required Confined Spaces." (S/RID) OSHA, 29 CFR 1910.146(g)(1, 2 and 4). (S/RID)
<input checked="" type="checkbox"/>	Safety Signs, Tags, Barriers, and Color Coding	29 Part 1910, "Occupational Safety and Health Administration, Department of Labor." Subpart J, "General Environmental Controls." (S/RID) 29 CFR 1910.144, "Safety Color Code for Marking Physical Hazards." 29 CFR 1910.145, "Specifications for Accident Prevention Signs and Tags." 29 Part 1926, "Safety and Health Regulations." Subpart G, "Signs, Signals, and Barricades." (S/RID) 29 CFR 1926.200, "Accident Prevention Signs and Tags."
<input type="checkbox"/>	Carcinogen Control	29 CFR 1910, Subpart Z – "Toxic and Hazardous Substances." (S/RID) DOE 5480.10, "Hazard Controls." Section 9.b(3). (S/RID) Section 9.c(4)(a). (S/RID) Section 9.c(4)(b). (S/RID) Section 9.c(4)(c). (S/RID) Section 9.c(4)(e). (S/RID)
<input type="checkbox"/>	Scaffolding	29 CFR 1910, "Subpart D," "Walking-Working Surfaces." (S/RID) 29 CFR 1926, "Subpart L," "Scaffold." (S/RID)
<input checked="" type="checkbox"/>	Office Safety	29 CFR 1910, Subpart E. (S/RID)
<input type="checkbox"/>	Storing, Using, and Handling Compressed Gases	29 CFR 1910, Subpart G, "Occupational Health and Environmental Control." (S/RID) 29 CFR 1910, Subpart H, "Hazardous Materials." (S/RID) 29 CFR 1910, Subpart M, "Compressed Gas and Compressed Air Equipment." (S/RID) 29 CFR 1910, Subpart Q, "Welding, Cutting and Brazing." (S/RID) 29 CFR 1926, Subpart J, "Welding and Cutting." (S/RID)
<input type="checkbox"/>	Elevating Work Platforms	ANSI/SIA A92.2, "Vehicle Mounted Elevating and Rotating Aerial Devices" ANSI/SIA A92.3, "Manually Propelled Elevating Work Platforms" ANSI/SIA A92.5, "Boom-Supported Elevating Work Platforms" ANSI/SIA A92.6, "Self-Propelled Elevating Work Platforms" 29 CFR 1910, "Occupational Safety and Health Administration, Department of Labor." Subpart F, "Powered Platforms, Manlifts, and Vehicle-Mounted Work Platforms." (S/RID) 1910.57, "Vehicle-Mounted Elevating and Rotating Work Platforms." 29 CFR 1926, "Safety and Health Regulations for Construction." Subpart L, "Scaffolds." (S/RID) 1926.453, "Aerial Lifts."



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<input type="checkbox"/>	Portable Ladders	<p>ANSI A14.1, "Portable Wood Ladders." ANSI A14.2, "Portable Metal Ladders." ANSI A14.3, "Job-Made Ladders." ANSI A14.5, "Portable Reinforced Plastic Ladders." 29 CFR 1910, Subpart D, "Walking-Working Surfaces." (SRID) 29 CFR 1926, Subpart X, "Stairways and Ladders." (SRID) 29 CFR 1926, Subpart T, "Demolition," 1926.651 - Stairs, Passageways, and Ladders."</p>
<input type="checkbox"/>	Hand and Portable Power Tools	<p>29 CFR 1910, Subpart P, "Hand & Portable Powered Tools & Other Hand-Held Equipment." (S/RID) 1910.242, "Hand and portable powered tools and equipment, general." 1910.243, "Guarding of portable powered tools." 1910.244, "Other portable tools and equipment." 29 CFR 1926, Subpart I, "Tools - Hand and Power." (S/RID) 1926.300, "General requirements." 1926.301, "Hand tools." 1926.302, "Power operated hand tools." 1926.303, "Abrasive wheels and tools." 1926.304, "Woodworking tools." 1926.305, "Jacks - lever and ratchet, screw and hydraulic." 1926.306, "Air receivers." 1926.307, "Mechanical power-transmission apparatus."</p>
<input type="checkbox"/>	Machine Guarding	<p>29 CFR 1910, Subpart O, "Machinery and Machine Guarding." (S/RID) 1910.211, "Definitions." 1910.212, "General requirements for all machines." 1910.213, "Woodworking machinery requirements." 1910.215, "Abrasive wheel machinery." 1910.217, "Mechanical power presses." 1910.219, "Mechanical power-transmission apparatus." 29 CFR 1926, Subpart I, "Tools - Hand and Power." (S/RID) 1926.300, "General requirements." 1926.303, "Abrasive wheels and tools." 1926.304, "Woodworking tools." 1926.307, "Mechanical power-transmission apparatus."</p>
<input checked="" type="checkbox"/>	Safety Meetings and Communications	<p>29 CFR 1926.21(a), "Safety Training and Education." "Integrated Environment, Safety, and Health Management System Description for the [redacted] Contractor."</p>
<input type="checkbox"/>	Laser Safety and Nonionizing Radiation	<p>29 CFR 1910, Subpart G, "Occupational Health and Environmental Control." 29 CFR 1910.97, "Nonionizing Radiation." (S/RID) DOE O 440.1A, "Worker Protection Management for DOE Federal and Contractor Employees." (S/RID)</p>
<input type="checkbox"/>	Lead Program	<p>29 CFR 1910, Subpart Z, "Toxic and Hazardous Substances." 29 CFR 1910.1025, "Lead (general industry)." (S/RID) 29 CFR 1926 Subpart D, "Occupational Health and Environmental Controls." 29 CFR 1926.62, "Lead Exposure (Construction)."</p>
<input type="checkbox"/>	Heat Stress Control	<p>ACGIH, "Threshold Limit Values for Chemical Substances and Physical Agents and Biological Exposure Limits." 29 CFR 1910.120, "Hazardous Waste Operations and Emergency Response." 29 CFR 1926.10(a), "Scope of Subpart." 29 CFR 1926.65, "Hazardous Waste Operations and Emergency Response."</p>



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<input type="checkbox"/>	Safety Showers and Eyewashes	29 CFR 1910, Subpart K, "Medical and First Aid." (S/RID) 29 CFR 1910.151, "Medical services and first aid."
<input type="checkbox"/>	Exposure Monitoring, Reporting, and Records Management	1926, "Substance Specific Standards." (S/RID) American Conference of Governmental Industrial Hygienists (ACGIH), "Threshold Limit Values for Chemical Substances, Physical Agents and Biological Exposure Indices." (S/RID) 29 CFR 1910, "Substance Specific Standards." Subpart Z, "Toxic and Hazardous Substances." (S/RID) 29 CFR 1910.1020, "Access to Employee Exposure and Medical Records." DOE O 440.1A, "Worker Protection Management for DOE Federal and Contractor Employees," Attachment 2, section 18 d and section 19 c (1) (b). (S/RID) DOE 5480.4, "Environmental Protection, Safety, and Health Protection Standards," Attachment 2, Section 2.d.(3)(a). (S/RID) DOE 1324.2A, "Records Disposition." DOE 5000.3B, "Occurrence Reporting and Processing of Operations Information."



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<input type="checkbox"/>	<p>Electrical Safety</p>	<p>29 CFR 1910, Subpart S, "Electrical." (S/RID) 1910.302, "Electric utilization systems." 1910.303, "General requirements." 1910.304, "Wiring design and protection." 1910.305, "Wiring methods, components, and equipment for general use." 1910.306, "Specific purpose equipment and installations." 1910.307, "Hazardous (classified) locations." 1910.308, "Special systems." 1910.331, "Scope." 1910.332, "Training." 1910.333, "Selection and use of work practices." 1910.334, "Use of equipment." 1910.335, "Safeguards for personnel protection." 1910.399, "Definitions applicable to this subpart." 29 CFR 1926, Subpart K, "Electrical." (S/RID) 1926.402, "Applicability." 1926.403, "General requirements." 1926.404, "Wiring design and protection." 1926.405, "Wiring methods, components, and equipment for general use." 1926.406, "Specific purpose equipment and installations." 1926.407, "Hazardous (classified) locations." 1926.408, "Special systems." 1926.416, "General requirements." 1926.417, "Lockout and tagging of circuits." 1926.431, "Maintenance of equipment." 1926.432, "Environmental deterioration of equipment." 1926.441, "Batteries and battery charging." 1926.449, "Definitions applicable to this subpart." NFPA 70, "National Electrical Code (NEC)." NFPA 70E, "Standard for Electrical Safety Requirements for Employee Workplaces." ANSI C2, "National Electrical Safety Code." Washington Administrative Code (WAC) 296-46A, "Safety Standards - Installing Electrical Wires and Equipment - Administrative Rules." 296-401AB, "Certification of Competency for Journeyman Electricians." Revised Code of Washington (RCW) Title 19.28 "BUSINESS REGULATIONS - MISCELLANEOUS - Electricians and Electrical Installations." DOE O 440.1A, "Worker Protection Management for DOE Federal and Contractor Employees." (S/RID)</p>
<input type="checkbox"/>	<p>Fall Protection</p>	<p>29 CFR 1910 Subpart D, "Walking-Working Surfaces" (S/RID) 1910.23 "Guarding floor and wall openings and holes." 29 CFR 1926, Subpart M, "Fall Protection." (S/RID) 1926.500, "Scope, application, and definitions applicable to this subpart." 1926.501, "Duty to have fall protection." 1926.502, "Fall protection systems criteria and practices." 1926.503, "Training requirements."</p>
<input type="checkbox"/>	<p>Asbestos Control - Facility Management/General Industry</p>	<p>ANSI 9.2-1979, "Fundamentals Governing the Design and Operation of Local Exhaust Systems." 29 CFR 1910.1001, "Asbestos (General Industry)." (S/RID) Subpart Z. Section 1001(j)(7)(i). Section 1001(j)(7)(ii). 29 CFR 1926.1101, "Asbestos (Construction)."</p>



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<input checked="" type="checkbox"/>	<p>Transportation Safety</p>	<p>29 CFR 1910, Subpart Z, "Toxic and Hazardous Substances." (S/RID) 1910.1201, "Retention of DOT markings, placards and labels."</p> <p>29 CFR 1926, "Subpart O, Motor Vehicles, Mechanized Equipment, and Marine Operations." (S/RID) 1926.600, "Equipment." 1926.601, "Motor vehicles." 1926.602, "Material handling equipment." 1926.603, "Pile driving equipment." 1926.604, "Site cleaning."</p> <p>29 CFR 1926, "Subpart W, Rollover Protective Structures; Overhead Protection."(S/RID) 1926.1000, "Rollover protective structures (ROPS) for material handling equipment." 1926.1001, "Minimum performance criteria for rollover protective structures for designated scrapers, loaders, dozers, graders, and crawler tractors." 1926.1002, "Protective frames (roll-over protective structures, known as ROPS) for wheelttype agricultural and industrial tractors used in construction." 1926.1003, "Overhead protection for operators of agricultural and industrial tractors." 49 CFR, "Transportation," Chapter II, Federal Railroad Administration, Department Of Transportation, Parts 211-240.</p>
<input type="checkbox"/>	<p>Subcontractor Safety & Health Management</p>	<p>DOE O 440.1A, "Worker Protection Management for DOE Federal and Contractor Employees." (S/RID)</p>
<input checked="" type="checkbox"/>	<p>Walking/Working Surfaces</p>	<p>29 CFR 1910, Subpart D, "Walking-Working Surfaces." (S/RID) 1910.21, "Definitions." 1910.22, "General Requirements." 1910.23, "Guarding floor and wall openings." 1910.24, "Fixed industrial stairs." 1910.25, "Portable wood ladders." 1910.26, "Portable metal ladders." 1910.27, "Fixed ladders." 1910.28, "Safety requirements for scaffolding." 1910.29, "Manually propelled mobile ladder stands and scaffolds (lowers)." 1910.30, "Other working surfaces."</p> <p>29 CFR 1910, Subpart E, "Means of Egress." (S/RID) 1910.35, "Definitions." 1910.36, "General requirements." 1910.37, "Means of egress, general."</p> <p>29 CFR 1926, Subpart M, "Fall Protection." (S/RID) 1926.500, "Scope, application, and definitions applicable to this subpart." 1926.501, "Duty to have fall protection."</p> <p>29 CFR 1926, Subpart X, "Stairways and Ladders." (S/RID) 1926.1050, "Scope, application, and definitions applicable to this subpart." 1926.1051, "General requirements." 1926.1052, "Stairways." 1926.1053, "Ladders." 1926.1060, "Training requirements."</p>



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<input checked="" type="checkbox"/>	<p>Occupational Medical Qualification and Monitoring</p>	<p>10 CFR 851 Worker Safety and Health Program</p> <p>29 CFR 1910.120, "Hazardous Waste Operations and Emergency Response." (S/RID)</p> <p>29 CFR 1910.151, "Medical Services and First Aid." (S/RID)</p> <p>DOE O 440.1A, "Worker Protection Management for DOE Federal and Contractor Employees." (S/RID)</p>
<input type="checkbox"/>	<p>Excavating, Trenching, and Shoring</p>	<p>29 CFR Part 1926, Subpart P, "Excavations." (S/RID) "Authority for 1926 Subpart P." Appendix A, "Soil Classification." Appendix B, "Sloping and Benching." Appendix C, "Timber Shoring for Trenches." Appendix D, "Aluminum Hydraulic Shoring for Trenches." Appendix E, "Alternatives to Timber Shoring." Appendix F, "Selection of Protective Systems."</p> <p>29 CFR Part 1926.650, "Scope, application, and definitions applicable to this subpart." 29 CFR Part 1926.651, "Specific Excavation Requirements." 29 CFR Part 1926.652, "Requirements for Protective Systems." ANSI/ASTM D120-95, "Standard Specification For Rubber Insulating Gloves." American Public Works Association (APWA), "Excavator's Damage Prevention Guide" (1997).</p>
<input type="checkbox"/>	<p>Personal Protection</p>	<p>29 CFR 1910, Subpart I, "Personal Protective Equipment." 29 CFR 1926, Subpart E, "Personal Protective and Life Saving Equipment."</p>
<input type="checkbox"/>	<p>Asbestos Control - Construction Industry</p>	<p>29 CFR 1926.1101, "Asbestos (Construction)."</p>
<input type="checkbox"/>	<p>Storing and Handling Chemicals</p>	<p>29 CFR 1910.1450, "Occupational Exposure to Hazardous Chemicals in Laboratories." 29 CFR 1910.1450, "Occupational Exposure to Hazardous Chemicals in Laboratories."</p>
<input checked="" type="checkbox"/>	<p>Fire Protection Program</p>	<p>"RL Fire Protection Program." (S/RID) DOE O 420.1A, "Facility Safety." (S/RID)</p>
<input type="checkbox"/>	<p>Fire Protection Design Criteria</p>	<p>"RL Fire Protection Program." (S/RID)</p>
<input type="checkbox"/>	<p>Fire Protection Requirements for Construction, Occupancy and Demolition Activities</p>	<p>29 CFR 1926, "Safety and Health Regulations for Construction." (S/RID) Section 150(a)(4) DOE 420.1A, "Facility Safety." (S/RID) "RL Fire Protection Program." (S/RID)</p>
<input type="checkbox"/>	<p>Fire Hazard Analysis/Facility Assessment Requirements</p>	<p>DOE O 420.1A, "Facility Safety." (S/RID) "Integrated Environment, Safety, and Health Management System Description for the ██████████ Contractor." "RL Fire Protection Program." (S/RID)</p>
<input type="checkbox"/>	<p>Fire Protection System Testing, Inspection, and Maintenance</p>	<p>DOE O 420.1A, "Facility Safety." (S/RID) "RL Fire Protection Program." (S/RID)</p>



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<input type="checkbox"/>	Hanford Fire Marshal Permits	DOE O 420.1A, "Facility Safety." (S/RID) "RL Fire Protection Program." (S/RID) National Fire Protection Association, Standard 1 (NFPA 1), "Fire Prevention Code." Uniform Fire Code (UFC), Article 80, "Hazardous Materials," 1997 edition.
<input type="checkbox"/>	Controlling Hot Work	DOE O 420.1A, "Facility Safety." (S/RID). "RL Fire Protection Program." (S/RID) National Fire Protection Association, Standard 51B, "Cutting and Welding Processes."
<input type="checkbox"/>	Flammable/Combustible Liquids	DOE O 420.1A, "Facility Safety." (S/RID) "RL Fire Protection Program." (S/RID)
<input type="checkbox"/>	Fire Extinguishers/Fire Barriers	29 CFR 1910, "Occupational Safety and Health Standards." (S/RID) Section 157(g)(1). Section 157(g)(2). DOE O 420.1A, "Facility Safety." (S/RID) "RL Fire Protection Program." (S/RID) National Fire Protection Association, Standard 10 (NFPA 10), "Portable Fire Extinguishers." NFPA 80, "Fire Doors and Fire Windows." NFPA 101 [®] , "Life Safety Code [®] ."
<input type="checkbox"/>	Hazardous/Waste Absorbent Material Storage	DOE O 420.1a, "Facility Safety." (S/RID) "RL Fire Protection Program." (S/RID) WAC 173-303. (S/RID) Section 395(1). Section 630(8) and (8)(a). Section 630(8)(b).
<input type="checkbox"/>	Fire Protection System Winterization/Portable Heater Use	DOE O 420.1A, "Facility Safety." (S/RID) "RL Fire Protection Program." (S/RID)

SERVICES GENERAL PROVISIONS
Cost Reimbursement Contract Type
Attachment 3
May 27, 2008
Rev. 0

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SUBCONTRACT FLOW-DOWN REQUIREMENTS

SUBCONTRACTOR shall bind all lower-tier Subcontractors, regardless of tier level, to the provisions of this Subcontract where indicated with an asterisk (*) as a required flow down or as stated in the provision's text.

DEFINITIONS

Whenever used in this document, the following definitions shall apply unless the content indicates otherwise:

Authorized Procurement Representative - The term "authorized procurement representative" shall be a [REDACTED] person with authority to enter into and administer Subcontracts and make related determinations and findings. These individuals are identified with the associated authority in the body of the Subcontract.

Buyer's Technical Representative (BTR) - The term "Buyer's Technical Representative (BTR)" means the individual responsible for providing technical direction to the SUBCONTRACTOR. The BTR does not possess any explicit, apparent or implied authority to modify Subcontract terms and conditions.

[REDACTED] - The term [REDACTED] means [REDACTED] Company.

Government - The term "Government" shall mean the United States of America and includes the U.S. Department of Energy (DOE) Richland Operations Office (RL), or any duly authorized representative thereof, including the [REDACTED] Administrative Contracting Officer (ACO).

Lower-Tier Subcontractors - The term "lower-tier Subcontractors" refers to companies or individuals with whom the SUBCONTRACTOR has purchase orders and rental agreements for materials or equipment, and other services not performed directly by the SUBCONTRACTOR under this Subcontract.

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SUBCONTRACTOR – The term SUBCONTRACTOR refers to the company, person or organization, including all lower-tier Subcontractors, performing Work under this Subcontract.

Subcontract – The term Subcontract shall mean this Subcontract or Purchase Order between [REDACTED] Company [REDACTED] and SUBCONTRACTOR including its terms, conditions, clauses, provisions, written direction and instructions, releases, and documents.

Services – The term "services" shall mean labor, direction of labor, production of technical information, consulting services or any other services furnished by SUBCONTRACTOR and its lower-tier Subcontractors within the scope of this Subcontract.

Work – The term "Work" includes all material, labor, tools, and all appliances, machinery, and transportation, necessary to perform and complete the Subcontract's requirements, and such additional items not specifically indicated or described that can be reasonably inferred as required to complete the Subcontract.

ARTICLE 1.0 CONTRACT TYPE

Cost Reimbursement Contract Type: The contract type is identified and provided on the face of this Subcontract. The provisions that pertain to the contract type identified will be the basis for performance administration. [REDACTED] will make payments to the SUBCONTRACTOR in amounts determined to be allowable by [REDACTED] in accordance with Federal Acquisition Regulation (FAR) Subpart 31.2 in effect on the date of this Subcontract and the terms of this Subcontract.

1.1 Cost Plus Fixed Fee

- A. **Fixed Fee Value:** [REDACTED] shall pay the SUBCONTRACTOR for performing this Subcontract the fixed fee specified in the Compensation Schedule in accordance with Federal Acquisition Regulation (FAR) 52.216-8 (March 1997).
- B. **Fixed Fee Payment:** Payment of the fixed fee shall be made as specified in the Compensation Schedule; provided, that after payment of 85 percent of the fixed fee, [REDACTED] may withhold further payment of fee until a reserve is set aside in an amount that [REDACTED] considers necessary to protect [REDACTED] interest. This reserve shall not exceed 15 percent of the total fixed fee, or \$100,000, whichever is less. [REDACTED] shall release 75 percent of all fee withholds under this Subcontract after receipt of the certified final indirect cost rate proposal covering the year of physical completion of this Subcontract, provided the SUBCONTRACTOR has satisfied all other Subcontract terms and conditions, including the submission of the final patent and royalty reports, and is not delinquent in submitting final invoices on prior years' settlements. [REDACTED] may release up to 90 percent of the fee withholds under this Subcontract based on the SUBCONTRACTOR's past performance related to the submission and settlement of final indirect cost rate proposals.

1.2 Cost Plus Incentive Fee

- A. **Incentive Fee Value:** [REDACTED] shall pay the SUBCONTRACTOR for performing this Subcontract a fee determined as provided in this Subcontract.
- B. **Target Cost and Target Fee:** The target cost and target fee specified in the Compensation Schedule are subject to adjustment if the Subcontract is modified based on equitable adjustment.
 - 1. **Target Cost**, as used in this Subcontract, means the estimated cost of this Subcontract as initially negotiated, adjusted in accordance with paragraph (D) below.
 - 2. **Target Fee**, as used in this Subcontract, means the fee initially negotiated on the assumption that this Subcontract would be performed for a cost equal to the estimated cost initially negotiated, adjusted in accordance with paragraph (D) of this clause.
- C. **Withholding of Fee Payment:** Normally, [REDACTED] shall pay the fee to the SUBCONTRACTOR as specified in the Subcontract. However, when [REDACTED] considers that performance or cost indicates that the SUBCONTRACTOR will not achieve target, [REDACTED] shall pay on the basis of an appropriate lesser fee. When the SUBCONTRACTOR demonstrates that performance or cost clearly indicates that the SUBCONTRACTOR will earn a fee significantly above the target fee, [REDACTED] may, at the sole discretion of [REDACTED], pay on the basis of an appropriate higher fee. After payment of 85 percent of the applicable fee, [REDACTED] may withhold further payment of fee until a reserve is set aside in an amount that

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██████████ considers necessary to protect ██████████ interest. This reserve shall not exceed 15 percent of the applicable fee, or \$100,000, whichever is less. ██████████ shall release 75 percent of all fee withholds under this Subcontract after receipt of the certified final indirect cost rate proposal covering the year of physical completion of this Subcontract, provided the SUBCONTRACTOR has satisfied all other Subcontract terms and conditions, including the submission of the final patent and royalty reports, and is not delinquent in submitting final invoices on prior years' settlements. ██████████ may release up to 90 percent of the fee withholds under this Subcontract based on the SUBCONTRACTOR's past performance related to the submission and settlement of final indirect cost rate proposals.

- D. Equitable Adjustments: When the scope of work under this Subcontract is increased or decreased by an amendment to this Subcontract or when any equitable adjustment in the target cost is authorized under any other clause, equitable adjustments in the target cost, target fee, minimum fee, and maximum fee, as appropriate, shall be stated in an amendment to this Subcontract.
- E. Fee Payable:
1. The fee payable under this Subcontract shall be in accordance with the Compensation Schedule.
 2. The fee shall be subject to adjustment, to the extent provided in paragraph (D) above, and within the minimum and maximum fee limitations in subparagraph (I) of this clause, when the total allowable cost is increased or decreased as a consequence of (i) payments made under assignments or (ii) claims excepted from the release as required.
 3. If this Subcontract is terminated in its entirety, the portion of the target fee payable shall not be subject to an increase or decrease as provided in this paragraph. The termination shall be accomplished in accordance with other applicable clauses of this Subcontract.
 4. For the purpose of fee adjustment, "total allowable cost" shall not include allowable costs arising out of:
 - a. Any of the causes covered by excusable delays to the extent that they are beyond the control and without the fault or negligence of the SUBCONTRACTOR or any lower-tier Subcontractor;
 - b. The taking effect, after negotiating the target cost, of a statute, court decision, written ruling, or regulation that results in the SUBCONTRACTOR being required to pay or bear the burden of any tax or duty or rate increase in a tax or duty;
 - c. Any direct cost attributed to the SUBCONTRACTOR's involvement in litigation as required by ██████████ pursuant to a clause of this Subcontract, including furnishing evidence and information requested pursuant to the Notice and Assistance Regarding Patent and Copyright Infringement provision;
 - d. The purchase and maintenance of additional insurance not in the target cost and required by ██████████, or claims for reimbursement for liabilities to third persons pursuant to the Insurance Liability to Third Persons clause;
 - e. Any claim, loss, or damage resulting from a risk for which the SUBCONTRACTOR has been relieved of liability by the Government Property clause; or
 - f. Any claim, loss, or damage resulting from a risk defined in the Subcontract as unusually hazardous or as a nuclear risk and against which the Government has expressly agreed to indemnify the SUBCONTRACTOR.
 5. All other allowable costs are included in "total allowable cost" for fee adjustment.
- F. Subcontract Modification: The total allowable cost and the adjusted fee determined as provided in this provision shall be evidenced by an amendment to this Subcontract signed by the SUBCONTRACTOR and ██████████

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- G. Inconsistencies. In the event of any language inconsistencies between this clause and provisioning documents or [REDACTED] options under this Subcontract, compensation for spare parts or other supplies and services ordered under such documents shall be determined in accordance with this provision.

1.3 Cost Reimbursement - No Fee

- A. Fee Payable: [REDACTED] shall not pay the SUBCONTRACTOR a fee for performing this Subcontract.
- B. Withholding of Cost: After payment of 80 percent of the total estimated cost shown in the Subcontract, [REDACTED] may withhold further payment of allowable cost until a reserve is set aside in an amount that [REDACTED] considers necessary to protect CH2M HILL's interest. This reserve shall not exceed one percent of the total estimated cost shown in the Subcontract, or \$100,000, whichever is less.

In a Subcontract for research and development with an educational institution or a nonprofit organization, for which [REDACTED] has determined that withholding of a portion of allowable costs is not required, paragraph (B) of the basic clause is not applicable..

ARTICLE 2.0 ORDER OF PRECEDENCE

In the event of a discrepancy among any of the Subcontract terms, conditions, clauses, provisions, written direction and instructions, and documents (collectively, the 'Subcontract'), the following order of precedence shall govern resolution: (i) [REDACTED] written Subcontract, modifications/amendments, direction, and instructions; (ii) Special Provisions; (iii) Services General Provisions; (iv) Statement of Work ('SOW'); (v) Technical Specifications; and (vi) Drawings.

Nothing recited above shall be construed as superseding or deleting any applicable statute, rule, ordinance, or regulation (collectively, the 'Laws'). In the event of a conflict with Laws, the specific conflicting term of the Subcontract shall be considered null and without effect, Laws shall govern. All remaining terms unaffected by said Laws should continue in force.

ARTICLE 3.0 TERMS OF PAYMENT

3.1 General Invoice Requirements

- A. Invoice Submission Requirements: Original invoices and supporting documentation shall be submitted no more than once a month per calendar month to [REDACTED] Accounts Payable organization at the address below:
[REDACTED]
Accounts Payable Mail Stop: TBD
[REDACTED]
[REDACTED]
Email electronic invoices to: [REDACTED]
- B. Invoice Payment Terms: SUBCONTRACTOR shall prepare and submit no more than semi-monthly, all invoices in a form satisfactory to and approved by [REDACTED]. Except to the extent expressly stated elsewhere in this Subcontract, the invoice is payable fifteen (15) calendar days after receipt by [REDACTED] of a properly marked and submitted invoice. Discounts are expected for earlier payments and shall be specifically incorporated in the Subcontract. All unit pricing and payments made shall be in United States dollars only, in the forms of cash, check or electronic transfer as may be agreed upon. Remittance will be made only to the remittance address on file for the SUBCONTRACTOR. Invoices from third parties or with different remittance instructions or addresses will not be processed. Invoices may be submitted electronically, if in an acceptable format. All invoice requirements still apply to electronic invoices.
- C. Invoice Certification: Submittal of an invoice constitutes SUBCONTRACTOR's certification that materials, work and/or services have been delivered as specified on the invoice in accordance with the Subcontract.
- D. Separate Invoice Requirements: Each Subcontract or Subcontract Release shall be invoiced separately.
- E. Minimum Invoice Requirements: The invoice shall identify the following information:

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- SUBCONTRACTOR's name, invoice number, and Subcontract number, and Release number.
 - SUBCONTRACTOR's name and telephone number of a representative available to respond to invoice questions.
 - The total amount due for the billing period (this amount shall be separate from cumulative amounts or subtotals included on the invoice).
 - A cost summary identifying all cost elements being invoiced with all indirect cost (rate) allocations clearly identified.
 - A synopsis of services performed during the billing period.
 - A corresponding description of each item billed and the associated amount.
- F. Provisional Indirect Billing Rates: Until final annual indirect cost rates are established for any period, [REDACTED] shall reimburse the SUBCONTRACTOR at provisional billing rates established by [REDACTED] or the Contracting Officer or by an authorized representative (the cognizant auditor), subject to adjustment when the final indirect rates are established. These provisional indirect billing rates:
- Shall be the anticipated final rates; and
 - May be prospectively or retroactively revised by mutual agreement, at either party's request, to prevent substantial overpayment or underpayment.
- G. Reimbursement of Costs: Reimbursable costs will be determined allowable by [REDACTED] in accordance with Federal Acquisition Regulation (FAR) Subpart 31.2 in effect on the date of this Subcontract and the terms of this Subcontract.
1. For the purpose of reimbursing costs (except as provided in subparagraph (2) below, with respect to pension, deferred profit sharing, and employee stock ownership plan contributions), the term "costs" includes only:
 - a. Those recorded costs that, at the time of the request for reimbursement, the SUBCONTRACTOR has paid by cash, check, or other form of actual payment for items or services purchased directly for the Subcontract.
 - b. When the SUBCONTRACTOR is not delinquent in paying costs of Subcontract performance in the ordinary course of business, costs incurred, but not necessarily paid, for:
 - i. Materials issued from the SUBCONTRACTOR's inventory and placed in the production process for use on the Subcontract;
 - ii. Direct labor;
 - iii. Direct travel;
 - iv. Other direct in-house costs; and
 - v. Properly allocable and allowable indirect costs, as shown in the records maintained by the SUBCONTRACTOR for purposes of obtaining reimbursement under Government contracts; and
 - c. The amount of progress payments that have been paid to the SUBCONTRACTOR's lower-tier Subcontractors under similar cost standards.
 2. SUBCONTRACTOR contributions to any pension or other postretirement benefit, profit-sharing or employee stock ownership plan funds that are paid quarterly or more often may be included in indirect costs for payment purposes; Provided, that the SUBCONTRACTOR pays the contribution to the fund within 30 days after the close of the period covered. Payments made 30 days or more after the close of a period shall not be included until the SUBCONTRACTOR actually makes the payment. Accrued costs for such contributions that are paid less often than

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quarterly shall be excluded from indirect costs for payment purposes until the SUBCONTRACTOR actually makes the payment.

3. Notwithstanding the audit and adjustment of invoices or vouchers allowable indirect costs under this Subcontract shall be obtained by applying indirect cost rates established in accordance with the section titled *Provisional Indirect Billing Rates*.
 4. Any statements in specifications or other documents incorporated in this Subcontract by reference designating performance of services or furnishing of materials at the SUBCONTRACTOR's expense or at no cost to [REDACTED] or the Government shall be disregarded for purposes of cost-reimbursement under this clause.
- H. Rejection of Invoices: Any invoice submitted, which fails to comply with the terms of this Subcontract, including the requirements of form and documentation, may be returned to the SUBCONTRACTOR. Any costs associated with the resubmission of a proper invoice shall be to SUBCONTRACTOR's account.
- I. Withholding Invoice Payments: [REDACTED] may, at its sole discretion, withhold payment due for, but not limited to, the following reasons:
- Substandard Work or delays in the Work not corrected promptly.
 - Evidence that a claim has been or will be filed against SUBCONTRACTOR.
 - Evidence that lower tier Subcontractor's or suppliers have not been properly paid.
 - Failure to provide accrual reports by the 15th of each month as specified in the Subcontract provisions.

3.2 Small Business Concerns

Upon receiving written approval from [REDACTED], a small business concern may be paid more frequently than the cited payment terms and may invoice and be paid for recorded costs for items or services purchased directly for the Subcontract, even though the concern has not yet paid for those items or services.

3.3 Final Indirect Cost Rates

Final annual indirect cost rates and the appropriate bases shall be established in accordance with Subpart 42.7 of the Federal Acquisition Regulations (FAR) in effect for the period covered by the indirect cost rate proposal.

The SUBCONTRACTOR shall, within 180 days after the expiration of each of its fiscal years, or by a later date approved by [REDACTED] submit to the authorized procurement representative responsible for negotiating its final indirect cost rates and, if required by agency procedures, to the cognizant audit activity proposed final indirect cost rates for that period and supporting cost data specifying the Subcontract and/or Subcontract to which the rates apply. The proposed rates shall be based on the SUBCONTRACTOR's actual cost experience for that period. The appropriate authorized procurement representative or Government representative and SUBCONTRACTOR shall establish the final indirect cost rates as promptly as practicable after receipt of the SUBCONTRACTOR's proposal.

The SUBCONTRACTOR and the appropriate authorized procurement representative or Government representative shall execute a written understanding setting forth the final indirect cost rates. The understanding shall specify (i) the agreed-upon final annual indirect cost rates, (ii) the bases to which the rates apply, (iii) the periods for which the rates apply, (iv) any specific indirect cost items treated as direct costs in the settlement, and (v) the affected Subcontract, identifying any with advance agreements or special terms and the applicable rates. The understanding shall not change any monetary ceiling, Subcontract obligation, or specific cost allowance or disallowance provided for in this Subcontract. The understanding is incorporated into this Subcontract upon execution.

Failure by the parties to agree on a final annual indirect cost rate shall be a dispute within the meaning of the Disputes provision.

[REDACTED]

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3.4 Quick-Closeout Procedures

Quick-closeout procedures are applicable when the conditions in Federal Acquisition Regulation (FAR) 42.708(a) are satisfied.

3.5 Audit

At any time or times before final payment, [REDACTED] may have the SUBCONTRACTOR's invoices or vouchers and statements of cost audited. Any payment may be (1) reduced by amounts found by [REDACTED] not to constitute allowable costs or (2) adjusted for prior overpayments or underpayments.

3.6 Final Payment

The SUBCONTRACTOR shall submit a completion invoice or voucher, designated as such, promptly upon completion of the Work, but no later than one year (or longer, as the authorized procurement representative may approve in writing) from the completion date. Upon approval of that invoice or voucher, and upon the SUBCONTRACTOR'S compliance with all terms of this Subcontract, the [REDACTED] shall promptly pay any balance of allowable costs and that part of the fee (if any) not previously paid.

The SUBCONTRACTOR shall pay to [REDACTED] any refunds, rebates, credits, or other amounts (including interest, if any) accruing to or received by the SUBCONTRACTOR or any assignee under this Subcontract, to the extent that those amounts are properly allocable to costs for which [REDACTED] has reimbursed the SUBCONTRACTOR. Reasonable expenses incurred by the SUBCONTRACTOR for securing refunds, rebates, credits, or other amounts shall be allowable costs if approved by the authorized procurement representative. Before final payment under this Subcontract, the SUBCONTRACTOR and each assignee whose assignment is in effect at the time of final payment shall execute and deliver --

- A. An assignment to [REDACTED], in form and substance satisfactory to [REDACTED], of refunds, rebates, credits, or other amounts (including interest, if any) properly allocable to costs for which the SUBCONTRACTOR has been reimbursed by [REDACTED] under this Subcontract; and
- B. A release discharging [REDACTED] and the Government, their officers, agents, and employees from all liabilities, obligations, and claims arising out of or under this Subcontract, except:
 - 1. Specified claims stated in exact amounts, or in estimated amounts when the exact amounts are not known;
 - 2. Claims (including reasonable incidental expenses) based upon liabilities of the SUBCONTRACTOR to third parties arising out of the performance of this Subcontract; provided, that the claims are not known to the SUBCONTRACTOR on the date of the execution of the release, and that the SUBCONTRACTOR gives notice of the claims in writing to [REDACTED] within 6 years following the release date or notice of final payment date, whichever is earlier; and
 - 3. Claims for reimbursement of costs, including reasonable incidental expenses, incurred by the SUBCONTRACTOR under the patent clauses of this Subcontract, excluding, however, any expenses arising from the SUBCONTRACTOR'S indemnification of the Government against patent liability.
- C. Any invoice submitted, which fails to comply with the terms of this Subcontract, including the requirements of form and documentation, may be returned to SUBCONTRACTOR. Any costs associated with the resubmission of a proper invoice shall be to SUBCONTRACTOR's account. Final payment shall not relieve the SUBCONTRACTOR of any obligation under this Subcontract.
- D. [REDACTED] may, at its sole discretion, withhold payment due for, but not limited to, the following reasons:
 - Substandard work or delays in the Work not corrected promptly.
 - Evidence that a claim has been or will be filed against SUBCONTRACTOR

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- Evidence that lower-tier Subcontractors have not been properly paid.

3.7 Cash Discounts

Cash discounts will apply from the date a correct, properly supported invoice is received by [REDACTED].

3.8 Limitation of Cost

The parties estimate that performance of this Subcontract, exclusive of any fee, will not cost [REDACTED] more than (1) the estimated cost specified in the Subcontract or, (2) if this is a cost-sharing Subcontract, [REDACTED]'s share of the estimated cost specified in the Subcontract. The SUBCONTRACTOR agrees to use its best efforts to perform the Work specified in the Subcontract and all obligations under this Subcontract within the estimated cost, which, if this is a cost-sharing Subcontract, includes both [REDACTED] and the SUBCONTRACTOR share of the cost.

The SUBCONTRACTOR shall notify [REDACTED] in writing whenever it has reason to believe the authorized cost limitation will be exceeded. This SUBCONTRACTOR notification shall be completed when (1) the estimated costs the SUBCONTRACTOR expects to incur under this Subcontract in the next 60 days, when added to all costs previously incurred, will exceed 75 percent of the estimated cost specified in the Subcontract; or (2) the total cost for the performance of this Subcontract, exclusive of any fee, will be either greater or substantially less than had been previously estimated. As part of the notification, the SUBCONTRACTOR shall provide [REDACTED] a revised estimate of the total cost of performing this Subcontract.

Except as required by other provisions of this Subcontract, specifically citing and stated to be an exception to this clause: [REDACTED] is not obligated to reimburse the SUBCONTRACTOR for costs incurred in excess of (i) the estimated cost specified in the Subcontract or, (ii) if this is a cost-sharing Subcontract, the estimated cost to [REDACTED] specified in the Subcontract.

The SUBCONTRACTOR is not obligated to continue performance under this Subcontract (including actions under the Termination clause of this Subcontract) or otherwise incur costs in excess of the estimated cost specified in the Subcontract, until [REDACTED] (i) notifies the SUBCONTRACTOR in writing that the estimated cost has been increased and (ii) provides a revised estimated total cost of performing this Subcontract. If this is a cost-sharing Subcontract, the increase shall be allocated in accordance with the formula specified in the Subcontract.

No notice, communication, or representation in any form other than that specified above, or from any person other than [REDACTED], shall affect this Subcontract's estimated cost to [REDACTED]. In the absence of the specified notice, [REDACTED] is not obligated to reimburse the SUBCONTRACTOR for any costs in excess of the estimated cost or, if this is a cost-sharing Subcontract, for any costs in excess of the estimated cost to [REDACTED] specified in the Subcontract, whether those excess costs were incurred during the course of the Subcontract or as a result of termination.

If the estimated cost specified in the Subcontract is increased, any costs the SUBCONTRACTOR incurs before the increase that are in excess of the previously estimated cost shall be allowable to the same extent as if incurred afterward, unless [REDACTED] issues a termination or other notice directing that the increase is solely to cover termination or other specified expenses.

Change orders shall not be considered an authorization to exceed the estimated cost to [REDACTED] specified in the Subcontract, unless they contain a statement increasing the estimated cost.

If this Subcontract is terminated or the estimated cost is not increased, [REDACTED] and the SUBCONTRACTOR shall negotiate an equitable distribution of all property produced or purchased under the Subcontract, based upon the share of costs incurred by each party.

3.9 Reimbursement of Travel Expenses

When authorized as part of the Statement of Work, the SUBCONTRACTOR will be reimbursed travel expenses incurred in performance provided that the expenses are for costs incurred for lodging, meals, and incidental expenses considered reasonable, allowable, and allocable to the extent that they do not exceed the maximum per diem rates in effect at the time of travel as set forth in *Federal Travel Regulations (FTR)* for travel within the 48 states. The following are links for referencing the travel guidelines.

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Federal Travel Regulations

Additional guidance can be referenced through the Joint Travel Regulations (JTR) for travel in Alaska, Hawaii, the Commonwealth of Puerto Rico, and territories and possessions of the United States; or the Standardized Regulations (SR) for travel allowances in foreign areas.

A per diem will be paid to SUBCONTRACTOR employees only who are assigned to a project site for twelve (12) months (365 days) or less. SUBCONTRACTOR employees assigned to a project for more than sixty (60) days will be expected to vacate hotel lodging and move into residential accommodations.

A. Short-Term Assignments: Per diem and lodging will be paid in accordance with the rates established by the Federal Travel Regulations unless otherwise specified in this Subcontract. Home visits for less than four (4) consecutive weeks of assignment (on travel status) are not authorized.

B. Temporary Work Assignments (Sixty (60) Days or Less): Expenses associated with temporary work assignments that are sixty (60) days or less will be reimbursed under the following guidelines:

1. Transportation Other than Airline: Reimbursement of transportation costs will be at the current FTR per mile rate, for travel made by automobile, or actual fares for other public conveyance, reasonably incurred by SUBCONTRACTOR's personnel in traveling by the shortest and most direct route from his/her home office to (Hanford Site) Richland, Washington, or to other such locations and return, at the request of [REDACTED]. When travel is by automobile the most direct route shall be determined in accordance with the Rand McNally Standard Distance Chart. Local mileage costs while at the Hanford Site will not be reimbursed, unless specifically authorized by [REDACTED].
2. Transportation by Airline: Every effort shall be made to plan required travel to obtain the lowest fares available. Actual receipts must document all airfare costs being invoiced under this Subcontract.
3. Car Rental: Compact or intermediate size cars are to be used as a first choice. Should a compact or intermediate size vehicle not be available, use of a more expensive vehicle must include a certification by the employee of the effort made to obtain the compact or intermediate vehicle. Actual receipts must document all car rental and fuel costs.
4. Lodging: Lodging will be reimbursed at the current FTR rate or at the actual cost if less than the allowable FTR rate. Actual receipts must document all lodging costs being invoiced under this Subcontract.
5. Meals and Incidental Expenses (M&IE): M&IE will be reimbursed at a flat rate per day, not to exceed the limits specified for the geographical location in the FTR. The daily living expense (M&IE) shall be prorated per the FTR during the first and last day of travel, inclusive of weekend trips home. Weekend stay-over(s) are paid when continued work is required during the following week.

C. Temporary Work Assignments – More Than Sixty (60) Days, But Less Than Three Hundred Sixty-five (365) Days: Effective the sixty-first day of the work assignment, the following modifications become effective: [REDACTED] will pay a reduced per diem rate of \$30 per day to compensate lodging/subsistence expenses. Receipts will not be required for lodging/subsistence while under the reduced per diem rate allowance.

Instead of using a rental car, a SUBCONTRACTOR owned vehicle may be used if determined to be more cost effective. However, shipping cost and arrangements must be pre-approved by the authorized procurement representative. [REDACTED] assumes no liability for accidents when SUBCONTRACTOR owned or rental vehicles are used.

One trip home, to the primary residence, after each four (4) consecutive weeks of assignment (on travel status) to the Subcontract will be reimbursed when approved in advance by [REDACTED] as follows:

- Fourteen (14) day advanced coach airfare via the most direct route in accordance with FTR guidelines. If the project work assignment or an urgent situation prevents the SUBCONTRACTOR employee from obtaining the fourteen- (14) day airfare: approval must be obtained from [REDACTED]. If a personal vehicle is used to return

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to the primary residence, mileage and lodging will be paid at the current FTR rates, not to exceed the fourteen (14) day advance airfare rate.

- While traveling and at home, per-diem expenses are not reimbursable.
- The trips home are neither "bankable," transferable nor cumulative.

- D. Work Assignments - Three Hundred Sixty-five (365) Days and Over: Unless pre-approved by [REDACTED], work assignments of more than three hundred sixty-five (365) consecutive days are considered permanent. Any incurred travel and living expenses, after three hundred sixty-five (365) consecutive days, are not reimbursable without written pre-approval from [REDACTED]. This provision shall also apply to SUBCONTRACTOR's employees who transfer to another Subcontract. The number of consecutive days for a transferred employee shall not restart with the new Subcontract but shall continue from the original Subcontract assignment date.

3.10 Identification of Uncompensated Overtime

Uncompensated overtime means the hours worked without additional compensation in excess of an average of 40 hours per week by direct charge employees who are exempt from the Fair Labor Standards Act. Compensated personal absences such as holidays, vacations, and sick leave shall be included in the normal work week for purposes of computing uncompensated overtime hours.

The SUBCONTRACTOR's reporting of uncompensated overtime must be consistent with its established accounting practices used to accumulate and report uncompensated overtime hours.

3.11 Accruals

The SUBCONTRACTOR shall provide monthly to Accounts Payable an estimate of the total billable cost from inception of the Subcontract through the current calendar month end. This information must be provided by email (preferred), fax, or mail by the 15th of each month. This data must be provided for each Subcontract release until all payments are received and the Subcontract is complete.

Email: TBD

Fax: TBD

Mailing Address:

[REDACTED]

ATTN: Accounts Payable / MSIN H6-09

[REDACTED]
[REDACTED]

Monthly Subcontract-to-Date Cost Estimate Form can be obtained at the following Internet Address:

TBD

3.12 Taxes

The SUBCONTRACTOR shall collect the applicable Washington State sales or use tax from [REDACTED] unless the SUBCONTRACTOR obtains a Direct Pay Permit from [REDACTED]. All other Federal, State, county, municipal or other taxes not excluded by the Washington State Department of Revenue Direct Pay Permit must be included in the Subcontract amount. If as a result of this Subcontract, the SUBCONTRACTOR becomes eligible for Washington State Business and Occupation Tax Credit for Research and Development spending, the SUBCONTRACTOR shall take such tax credit and assign such tax credit to [REDACTED]. If the SUBCONTRACTOR applies for the Washington State Business and Occupation Tax Credit for Research and Development spending, the SUBCONTRACTOR shall notify [REDACTED]. The SUBCONTRACTOR shall fully cooperate with [REDACTED] in any tax audits, tax assessment reviews, or tax challenges.

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3.13 Right to Offset

██████████, without waiver or limitation of any rights or remedies of ██████████, shall be entitled from time to time to deduct from any amounts due or owing by ██████████ to SUBCONTRACTOR in connection with this Subcontract (or any other Subcontract with ██████████), any and all amounts owed by SUBCONTRACTOR to ██████████ or the Government in connection with this Subcontract.

3.14 Interest Payment

No interest is payable to SUBCONTRACTOR for any claim it may have, except that specifically imposed by a court of competent jurisdiction on any judgment, and then only from the date of the entry of judgment.

ARTICLE 4.0 OBLIGATIONS OF SUBCONTRACTOR

4.1 Independent Contractor

SUBCONTRACTOR is an independent contractor and shall maintain complete control of and responsibility for its employees, lower-tier Subcontractors, and agents. SUBCONTRACTOR shall also be solely responsible for the means and methods for carrying out the Work and for the safety of its employees. Nothing contained in this Subcontract shall be construed to create any employer-employee relationship between SUBCONTRACTOR's employees and ██████████ or to create a contractual relationship between the Government and SUBCONTRACTOR.

4.2 Authorization for Lower-Tier Subcontracting*

SUBCONTRACTOR shall not further Subcontract performance of all or any portion of the Work under this Subcontract, except as disclosed in the SUBCONTRACTOR's proposal, without first notifying ██████████ and obtaining ██████████ written acceptance (consent) for subcontracting the Work and approval of the lower-tier Subcontractor.

4.3 Right of Access*

██████████, its Clients, or agents shall have the right to inspect and evaluate SUBCONTRACTOR's facilities at any time during the procurement process and performance (from Subcontract award through final payment). ██████████, its Clients, or agents shall have the right of access to lower-tier Subcontractors for the purpose of verifying the quality of their Work. Access to lower-tier Subcontractors shall be coordinated through the SUBCONTRACTOR and verification may be performed jointly with the SUBCONTRACTOR.

4.4 SUBCONTRACTOR Responsibility*

SUBCONTRACTOR agrees that it is as fully responsible to ██████████ for the acts and omissions of its lower-tier Subcontractors and of persons either directly or indirectly employed by them as it is for the acts and omissions of persons directly employed by SUBCONTRACTOR. SUBCONTRACTOR shall not be relieved of its responsibility for the Work by virtue of any lower-tier Subcontracts it may place regardless of ██████████ acceptance of such lower-tier Subcontract.

The SUBCONTRACTOR is responsible for the quality of work, material, and equipment supplied under the term of this Subcontract. SUBCONTRACTOR management and employees are expected to learn from experience, prevent adverse operating incidents, and share good work practices and lessons learned. The SUBCONTRACTOR shall be responsible for assuring that all lower-tier Subcontractors implement adequate quality and process control commensurate with importance to safety, cost, schedule, and success of the program, of the products supplied or services rendered. All applicable technical and quality requirements imposed by this Subcontract shall be flowed down to lower-tier Subcontractors through appropriate procurement documents. The SUBCONTRACTOR retains the responsibility for the quality of all work, material, and equipment provided by lower-tier Subcontractors.

The SUBCONTRACTOR shall hold a pre-fabrication conference with ██████████, prior to starting fabrication of items by SUBCONTRACTOR and/or its lower-tier Subcontractors.

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Nothing contained in this Subcontract will be construed to create any contractual relationship between any lower-tier Subcontractor and [REDACTED].

4.5 SUBCONTRACTOR Certification*

SUBCONTRACTOR will provide certification that the lower-tier Subcontractor has the necessary permits and licenses for the Work to be performed. The SUBCONTRACTOR guarantees that its lower-tier Subcontractors will comply fully with the terms of this Subcontract applicable to the portion of the Work performed. If any portion of the Work, which has been subcontracted by the SUBCONTRACTOR, and is not performed in accordance with this Subcontract, on request by [REDACTED], the lower-tier Subcontractor will be replaced at no additional cost to [REDACTED] and will not be employed again on the Subcontract unless so authorized by [REDACTED].

4.6 SUBCONTRACTOR Assignment*

SUBCONTRACTOR shall include a provision in every lower-tier Subcontract that authorizes assignment of such lower-tier Subcontracts to [REDACTED] without requiring further consent from such lower-tier Subcontractors.

4.7 SUBCONTRACTOR Communications*

[REDACTED] shall have the right from time to time to contact lower-tier Subcontractors, upon notification of the SUBCONTRACTOR, to discuss the lower-tier Subcontractor's progress.

4.8 Organizational Conflicts of Interest*

SUBCONTRACTOR warrants that, to the best of its knowledge and belief, and except as otherwise disclosed, that the SUBCONTRACTOR has disclosed all such relevant information to [REDACTED] prior to award of this Subcontract and that there are no facts which could give rise to an organizational conflict of interest during the Work's performance.

4.9 Inspection of Services*

- A. The SUBCONTRACTOR shall provide and maintain an inspection system acceptable to [REDACTED] covering the services under this Subcontract. Complete records of all inspection work performed by the SUBCONTRACTOR shall be maintained and made available to [REDACTED] during subcontract performance and for as long afterwards as the Subcontract requires.
- B. [REDACTED] has the right to complete inspections and tests on all services called for by the Subcontract, to the extent practicable at all places and times during the performance of the Subcontract. [REDACTED] shall perform inspections and tests in a manner that will not unduly delay the work.
- C. If any of the services performed do not conform to Subcontract requirements, [REDACTED] may require the SUBCONTRACTOR to perform the services again in conformity with Subcontract requirements, for no additional fee. When the defects in services cannot be corrected by re-performance, [REDACTED] may --
 1. Require the SUBCONTRACTOR to take necessary action to ensure that future performance conforms to Subcontract requirements; and
 2. Reduce any fee payable under the subcontract to reflect the reduced value of the services performed.
- D. If the SUBCONTRACTOR fails to promptly perform the services again or take the action necessary to ensure future performance in conformity with Subcontract requirements, [REDACTED] may --
 1. By Subcontract or otherwise, perform the services and reduce any fee payable by an amount that is equitable under the circumstances; or

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2. Terminate the Subcontract for default.

4.10 Final Acceptance

When the SUBCONTRACTOR deems the Work fully completed, including satisfactory completion of such inspections, tests and documentation as are specified in this Subcontract, the SUBCONTRACTOR shall, within ten (10) working days, give a written notice specifying the Work completed and the date it was completed. Within thirty (30) calendar days after receipt of the notice, [REDACTED] shall inspect the Work and shall either reject the Work and specify defective or uncompleted portions of the Work, or shall give the SUBCONTRACTOR written acceptance of the Work either for the purpose of final payment only, or for the purposes of final payment and acceptance.

In the event [REDACTED] rejects the Work and specifies defective or uncompleted portions of the Work, SUBCONTRACTOR shall, within five (5) working days, provide for [REDACTED] review and approval, a schedule detailing when all defects will be corrected and/or when the Work will be completed and shall proceed to remedy such defective and uncompleted portions of the Work. Thereafter, the SUBCONTRACTOR shall again give [REDACTED] a written notice of completing the Work, specifying a new date for the completion of the Work based upon the date such defective or uncompleted portions of the Work were corrected. The foregoing procedure shall apply again and successively thereafter until [REDACTED] has given SUBCONTRACTOR written final acceptance for purposes of final payment.

Any failure by [REDACTED] to inspect or to reject the Work or to reject SUBCONTRACTOR's notice of completion as set forth above, shall not be deemed to be final acceptance of the Work for any purpose by [REDACTED], nor imply acceptance of, or agreement with, said notice.

4.11 Non-Conformance Reports (NCRs)

Nonconformance Reports (NCRs) generated by SUBCONTRACTOR, sub-tier subcontractors and suppliers of items with the proposed disposition of "Use as is" or "Repair" shall be submitted for approval to [REDACTED] Design Authority, Engineering, and Quality Assurance before SUBCONTRACTOR initiates any remedial action on the nonconformance.

4.12 PriceAnderson Amendments Act (PAAA)

As a government Prime Contractor providing nuclear safety-related services to the Department of Energy, [REDACTED] is required by contract to comply with the nuclear safety rules contained in the following regulations:

- 10 CFR 820, *Procedural Rules for DOE Nuclear Activities*,
- 10 CFR 830, *Nuclear Safety Management*,
- 10 CFR 835, *Occupational Radiation Protection*, and
- 10 CFR 708, *Contractor Employee Protection*.

If specified in the Subcontract, one or more of the nuclear safety regulations identified above have been determined to apply to this Work and therefore compliance is incumbent upon the SUBCONTRACTOR. The SUBCONTRACTOR will flow down these PAAA requirements to its lower-tier Subcontractors for Work performed under this Subcontract.

The SUBCONTRACTOR will accurately, completely, and voluntarily report the nature and actions taken in response to any non-compliance with the nuclear safety rules to the [REDACTED] Director, via the authorized procurement representative, and will take prompt and comprehensive corrective action to prevent recurrence.

4.13 Indemnification*

SUBCONTRACTOR agrees to defend, indemnify and hold harmless [REDACTED] and the Government, the affiliated companies of each, and all of their directors, officers, employees, agents and representatives, from and against:

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- A. Any claim, demand, cause of action, liability, loss or expense arising by reason of SUBCONTRACTOR's failure to comply with any law, ordinance, regulation, rule or order. This clause includes, but is not limited to, fines or penalties by Government authorities and claims arising from SUBCONTRACTOR's actual or asserted failure to pay taxes.
- B. Any claim, demand, cause of action, liability, judgment or damages arising from actual or asserted violation or infringement of rights in any patent, copyright, proprietary information, trade secret or other property right caused or alleged to be caused by the use or sale of goods, materials, equipment, methods, processes, designs or information, including construction methods, construction equipment and temporary construction facilities, furnished by SUBCONTRACTOR or its lower-tier Subcontractors in performance of the Work. Should any goods or services provided by SUBCONTRACTOR become, or appear likely to become, the subject of a claim of infringement of a patent, copyright or other property right, SUBCONTRACTOR shall, at [REDACTED] option, either procure for [REDACTED] and the Government the right to continue using such goods or services, replace same with equivalent, non-infringing goods or services, or modify the goods or services so that the use thereof becomes non-infringing, provided that any such modification or replacement is of equal quality and provides equal performance to the infringing good or services.
- C. Any claim, demand, cause of action, liability, judgment or damages arising from SUBCONTRACTOR's negligence or acts or omissions which results in injury to or death of persons (including employees of [REDACTED] the Government, SUBCONTRACTOR and SUBCONTRACTOR's lower-tier Subcontractors) or results in damage to or loss of property (including the property of [REDACTED] or the Government). SUBCONTRACTOR's defense and indemnity obligations hereunder include claims and damages arising from non-delegable duties of [REDACTED] or arising from use by SUBCONTRACTOR of construction equipment, tools, scaffolding or facilities furnished to SUBCONTRACTOR by [REDACTED] or the Government.
- D. Any claim, demand, cause of action, liability, judgment or damages arising out of any act or omission by SUBCONTRACTOR that results in contamination, pollution, or public or private nuisance.
- E. SUBCONTRACTOR's defense and indemnity obligations shall include the duty to reimburse any attorney's fees and expenses incurred by [REDACTED] or the Government for legal action to enforce SUBCONTRACTOR's indemnity obligations.
- F. In the event that the indemnity provisions in this Subcontract are contrary to the law governing this Subcontract, then the indemnity obligations applicable hereunder shall be construed to be to the fullest extent allowable by applicable law.
- G. With respect to claims by employees of SUBCONTRACTOR or its lower-tier Subcontractors, the indemnity obligations created under this clause shall not be limited by the existence of, amount, or type of benefits or compensation, payable by or for SUBCONTRACTOR, its lower-tier Subcontractors or suppliers under any workers compensation, disability benefits, or other employee benefits acts or regulations, and SUBCONTRACTOR, specifically and knowingly, waives any limitation of liability arising from workers' compensation or such other acts or regulations.

4.14 Limitation of Liability*

Except to the extent that the SUBCONTRACTOR is expressly responsible under this Subcontract for deficiencies in the services required to be performed under the Subcontract (including any materials furnished in conjunction with those services), the SUBCONTRACTOR shall not be liable for loss of or damage to property of the Government that (1) occurs after [REDACTED] acceptance of services performed under this Subcontract and (2) results from any defects or deficiencies in the services performed or materials acceptably furnished.

The limitation of liability shall not apply when a defect or deficiency in, or [REDACTED] acceptance of, services performed or materials furnished results from willful misconduct or lack of good faith on the part of any of the SUBCONTRACTOR's managerial personnel. The term "SUBCONTRACTOR's Managerial Personnel", as used in this clause, means the SUBCONTRACTOR's directors, officers, and any of the SUBCONTRACTOR's managers, superintendents, or equivalent representatives who have supervision or direction of:

- * All or substantially all of the SUBCONTRACTOR's business;

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- All or substantially all of the SUBCONTRACTOR's operations at any one plant, laboratory, or separate location at which the Subcontract is being performed; or
- A separate and complete major industrial operation connected with the performance of the Subcontract.

If the SUBCONTRACTOR carries insurance, or has established a reserve for self-insurance, covering liability for loss or damage suffered by the Government or [REDACTED] through the SUBCONTRACTOR's performance of services or furnishing of material under this Subcontract, the SUBCONTRACTOR shall be liable to the Government or [REDACTED] to the extent of such insurance or reserve, for loss of or damage to property of the Government occurring after [REDACTED] acceptance of, and resulting from any defects and deficiencies, in services performed or materials furnished under this Subcontract.

The SUBCONTRACTOR shall include this provision, including this paragraph, supplemented as necessary to reflect the relationship of the subcontracting parties, in all lower-tier Subcontracts over \$25,000.*

4.15 Codes, Laws, and Regulations*

SUBCONTRACTOR shall comply strictly with local, municipal, state, federal and governmental laws, orders, codes and regulations applicable to SUBCONTRACTOR's operations in the performance of the Subcontract. Prior to offering the item or service for acceptance, the SUBCONTRACTOR shall verify and document that the item or service being furnished complies with the procurement requirements. Where required by code, regulation, or Subcontract requirement, documentary evidence that items conform to procurement documents shall be available at the facility site prior to installation or use.

SUBCONTRACTOR shall not, under any circumstances apply to or enter into negotiations with any governmental authority or agency for acceptance of variations from or revisions to safety, health, or environmental laws or regulations relating to this Subcontract or to the performance thereof, without [REDACTED] prior written approval.

SUBCONTRACTOR shall not, under any circumstances, cause or permit, in connection with the Subcontract to be performed hereunder, the discharge, emission or release of any hazardous substance and/or waste, pollutant, contaminant or other substance in violation of any applicable laws, rules or regulations which are now or hereafter promulgated by any governmental authorities having jurisdiction over the Subcontract. SUBCONTRACTOR shall comply with all regulatory requirements applicable to the Work performed under this Subcontract and shall be responsible for compliance with all hazardous waste, health and safety, notice, training, and environmental protection laws, rules, regulations and requirements. "Hazardous waste" includes all substances, which are or may be identified as such in applicable Federal or State laws and regulations. SUBCONTRACTOR shall submit to [REDACTED] material safety data sheets (OSHA Form 20) as required by applicable regulation.

As an inducement to award of this Subcontract, SUBCONTRACTOR warrants full compliance and that it will adhere to all applicable project hazardous waste procedures and, if necessary, obtain or arrange for, at its expense and in accordance with the terms of this Subcontract, all identification numbers, permits, applications and other requirements in connection with the Work. SUBCONTRACTOR agrees that it will not store any hazardous wastes at the jobsite for periods in excess of ninety (90) days or in violation of the applicable jobsite storage limitations imposed by law, the Government or [REDACTED], whichever shall be more restrictive. SUBCONTRACTOR further agrees that it will not permit any accumulation in excess of the small quantity generator exclusion of 40 CFR, Part 261, or other applicable laws, as amended. SUBCONTRACTOR agrees to take, at its expense, all actions necessary to protect third parties, including without limitation, employees and agents of the Government and [REDACTED] from any exposure to, or hazards of, hazardous and/or toxic wastes or substances generated or utilized in SUBCONTRACTOR's operations. SUBCONTRACTOR agrees to report to the appropriate governmental agencies all discharges, releases and spills of hazardous substances and/or wastes required to be reported by law and to immediately notify [REDACTED] of the same.

4.16 Foreign Ownership, Control, and Influence*

For purposes of this provision, a foreign interest is defined as any of the following:

- A foreign government or foreign government agency;
- Any form of business enterprise organized under the laws of any country other than the United States or its possessions;

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- Any form of business enterprise organized or incorporated under the laws of the United States, or a State or other jurisdiction within the United States, which is owned, controlled, or influenced by a foreign government, agency, firm, corporation or person; or
- Any person who is not a United States citizen.

Foreign ownership, control, or influence (FOCI) means the situation where the degree of ownership, control, or influence over a SUBCONTRACTOR by a foreign interest is such that a reasonable basis exists for concluding that compromise of classified information or special nuclear material, as defined in 10 CFR Part 710, may result.

The SUBCONTRACTOR shall immediately provide [REDACTED] written notice of any changes in the extent and nature of FOCI over the SUBCONTRACTOR's status. Further, notice of changes in ownership or control, which are required to be reported to the Securities and Exchange Commission, the Federal Trade Commission, or the Department of Justice, shall also be furnished concurrently to [REDACTED].

In those cases where a SUBCONTRACTOR has changes involving FOCI, [REDACTED] must determine whether the changes will pose an undue risk to the common defense and security. In making this determination, [REDACTED] shall consider proposals made by the SUBCONTRACTOR to avoid or mitigate foreign influences.

If [REDACTED] at any time determines that the SUBCONTRACTOR is, or is potentially, subject to FOCI, the SUBCONTRACTOR shall comply with such instructions as [REDACTED] shall provide in writing to safeguard any classified information or significant quantity of special nuclear material.

The SUBCONTRACTOR agrees to insert terms that conform substantially to the language of this provision including this paragraph in all lower-tier Subcontracts under this Subcontract that will require access to classified information or a significant quantity of special nuclear material. Information to be provided by a lower-tier Subcontractor pursuant to this provision may be submitted directly to [REDACTED].

Information submitted by the SUBCONTRACTOR or any affected lower-tier Subcontractor as required pursuant to this provision shall be treated by [REDACTED] to the extent permitted by law, as business or financial information submitted in confidence to be used solely for purposes of evaluating FOCI.

The requirements of this provision are in addition to the requirement that a SUBCONTRACTOR obtain and retain the security clearances required by the Subcontract. This provision shall not operate as a limitation on [REDACTED] rights, including its rights to terminate this Subcontract.

[REDACTED] may terminate this Subcontract for default either if the SUBCONTRACTOR fails to meet obligations imposed by this provision (e.g., provide the information required by this provision, comply with [REDACTED] instructions about safeguarding classified information, or make this provision applicable to lower-tier Subcontractors) or if, in [REDACTED] judgment, the SUBCONTRACTOR creates a FOCI situation in order to avoid performance or a termination for default. [REDACTED]

[REDACTED] may terminate this Subcontract for convenience if the SUBCONTRACTOR becomes subject to FOCI and for reasons other than avoidance of performance of the Subcontract, cannot, or chooses not to, avoid or mitigate the FOCI problem.

4.17 Publicity*

SUBCONTRACTOR will not disclose the nature of its Work under this Subcontract or engage in any other publicity or public media disclosures with respect to this Subcontract without the prior written consent of [REDACTED].

4.18 Key Personnel

Certain SUBCONTRACTOR employees may be designated as Key Personnel in this Subcontract. The SUBCONTRACTOR agrees those individuals determined to be key individuals will not be changed or reassigned without the written agreement of [REDACTED]. If any of the designated key personnel become unavailable for assignment for Work under this Subcontract, the SUBCONTRACTOR, with the prior approval of [REDACTED], will replace the employee with an individual substantially equal in abilities or qualifications.

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4.19 Suspension of Work*

The authorized procurement representative may order the SUBCONTRACTOR, in writing, to suspend, delay, or interrupt all or any part of the Work of this Subcontract for the period of time that the authorized procurement representative determines appropriate for the convenience of [REDACTED]. The notice of suspension shall specify the date of suspension and the estimated duration of the suspension. Such suspensions under this Subcontract shall not exceed one hundred eighty (180) consecutive calendar days each nor in aggregate more than two hundred seventy (270) calendar days.

Upon receiving any such notice of suspension, the SUBCONTRACTOR shall promptly suspend further performance of the Work to the extent specified, and during the period of such suspension shall properly care for and protect all Work in progress and materials, supplies and equipment that the SUBCONTRACTOR has on hand for performance of the Work. Upon the request of [REDACTED], the SUBCONTRACTOR shall promptly deliver to [REDACTED] copies of outstanding Subcontracts of the SUBCONTRACTOR, and shall take such action relative to such Subcontracts as may be directed by [REDACTED]. The SUBCONTRACTOR shall use its best efforts to utilize its material, labor, and equipment in such a manner as to mitigate costs associated with the suspension.

[REDACTED] may at any time withdraw the suspension of Work as to all or part of the suspended Work by written notice to the SUBCONTRACTOR specifying the effective date and scope of withdrawal, and the SUBCONTRACTOR shall resume diligent performance of the Work for which the suspension is withdrawn on the specified effective date of withdrawal.

If the performance of all or any part of the Work exceeds the suspension days specified in this provision, an adjustment shall be made for any increase in the cost of performance of this Subcontract (excluding profit) necessarily caused by the unreasonable suspension, delay, or interruption, and the Subcontract shall be modified in writing accordingly. However, no adjustment shall be made under this provision for any suspension, delay, or interruption to the extent that performance would have been so suspended, delayed, or interrupted by any other cause, including the fault or negligence of the SUBCONTRACTOR, or for which an equitable adjustment is provided for or excluded under any other provision of this Subcontract. The SUBCONTRACTOR shall not be entitled to any profits or any damages because of such suspension or withdrawals of suspension.

4.20 Suspect and Counterfeit Items*

[REDACTED] reserves the right to question and/or require SUBCONTRACTOR to certify and/or furnish proof regarding the quality, authenticity, application, or fitness for use of the items supplied by the SUBCONTRACTOR under this Subcontract. The SUBCONTRACTOR shall establish and implement appropriate measures to prevent the procurement and incorporation of suspect and counterfeit parts into the deliverable for this subcontract. In addition, the SUBCONTRACTOR shall report the discovery of suspect and counterfeit items in sufficient details to establish all circumstances relative to the occurrence.

Any items furnished as part of this Subcontract and which have been previously found by [REDACTED], the Department of Energy, or the Department of Commerce to be counterfeit or which are listed by the Department of Commerce to be suspect will be deemed, without more proof, to be subject to the above requirement of further proof or certification. [REDACTED] also reserves the right to question the circumstances and make available a report of any such review to the Government. All costs associated with conducting inquiries into and reporting on, components determined to be counterfeit, shall be recovered by [REDACTED] from the SUBCONTRACTOR.

4.21 SUBCONTRACTOR Generated Documentation

Documents that furnish evidence of the quality of items and/or activities affecting quality are considered quality assurance records and shall be prepared and controlled in accordance with approved procedures. Submittal of these documents to [REDACTED] shall be accomplished as specified in the Statement of Work, specification, or other Subcontract documents.

4.22 Acquisition of Real Property

Notwithstanding any other provision of this Subcontract, the SUBCONTRACTOR will obtain prior approval from the authorized procurement representative when, in performance of this Subcontract, the SUBCONTRACTOR acquires or proposes to acquire

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use of real property by lease when the Government will ultimately assume the liability for, or will otherwise pay for the obligation under the lease as a reimbursable Subcontract cost.

4.23 Management of SUBCONTRACTOR-Held Government-Owned Property*

This provision specifies requirements which Government Furnished Property (GFP) is either provided or purchased in accomplishing the Work under this Subcontract.

- A. [REDACTED] reserves the right to furnish any property or services required for the performance of the Work under this Subcontract.
- B. Except as otherwise provided by the authorized procurement representative, title to all materials, equipment, supplies, and tangible personal property of every kind and description purchased by the SUBCONTRACTOR, for the cost of which the SUBCONTRACTOR is entitled to be reimbursed as a direct item of cost under this Subcontract, shall pass directly from the vendor to the Government. [REDACTED] reserves the right to inspect, and to accept or reject, any item of such property. The SUBCONTRACTOR shall make such disposition of rejected items as the authorized procurement representative shall direct. Title to other property, the cost of which is reimbursable to the SUBCONTRACTOR under this Subcontract, shall pass to and vest in the Government upon (1) issuance for use of such property in the performance of this Subcontract, or (2) commencement of processing or use of such property in the performance of this Subcontract, or (3) reimbursement of the cost thereof by [REDACTED] whichever first occurs. Property furnished by the [REDACTED] and property purchased by the SUBCONTRACTOR, title to which vests in the Government, under this paragraph are hereinafter referred to as Government property. Title to Government property shall not be affected by the incorporation of the property into or the attachment to any property not owned by the Government, nor shall such Government property or any part, be or become a fixture or lose its identity by reason of affixation to any realty.
- C. To the extent directed by the authorized procurement representative, the SUBCONTRACTOR shall identify Government property coming into the SUBCONTRACTOR's possession or custody, by marking and segregating in such a way, satisfactory to [REDACTED], as shall indicate its ownership by the Government.
- D. The SUBCONTRACTOR shall make such disposition of Government property which has come into the possession or custody of the SUBCONTRACTOR under this Subcontract as the authorized procurement representative may direct during the progress of the Work or upon completion or termination of this Subcontract. The SUBCONTRACTOR may, upon such terms and conditions as the [REDACTED] authorized procurement representative may approve, sell, or exchange such property, or acquire such property at a price agreed upon by the authorized procurement representative and the SUBCONTRACTOR as the fair value thereof. The amount received by the SUBCONTRACTOR as the result of any disposition, or the agreed fair value of any such property acquired by the SUBCONTRACTOR, shall be applied in reduction of costs allowable under this Subcontract or shall be otherwise credited to account to [REDACTED], as the authorized procurement representative may direct. Upon completion of the work or the termination of this Subcontract, the SUBCONTRACTOR shall render an accounting, as prescribed by the authorized procurement representative, of all Government property which had come into the possession or custody of the SUBCONTRACTOR under this Subcontract.
- E. Management of Property and Classified Materials:
 1. The SUBCONTRACTOR shall take all reasonable precautions, and such other actions as may be directed by the authorized procurement representative, or in the absence of such direction, in accordance with sound business practice, to safeguard and protect Government property in the SUBCONTRACTOR's possession or custody.
 2. In addition, the SUBCONTRACTOR shall ensure that adequate safeguards are in place, and adhered to, for the handling, control and disposition of high-risk property and classified materials throughout the life cycle of the property and materials consistent with the policies, practices and procedures for property management contained in the Federal Property Management regulations (41 CFR chapter 101), the Department of Energy Property Management regulations (41 CFR chapter 109), and other applicable regulations.
 3. High-risk property is property, the loss, destruction, damage to, or the unintended or premature transfer of which could pose risks to the public, the environment, or the national security interests of the United States. High-risk property includes proliferation sensitive, nuclear related dual use, export controlled, chemically or radioactively contaminated, hazardous, and specially designed and prepared property, including property on the militarily critical technologies list.

[REDACTED]

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F. Risk of Loss of Government Property:

1. The SUBCONTRACTOR shall not be liable for the loss or destruction of, or damage to, Government property unless such loss, destruction, or damage was caused by any of the following:
 - a. Willful misconduct or lack of good faith on the part of the SUBCONTRACTOR's managerial personnel;
 - b. Failure of the SUBCONTRACTOR's managerial personnel to take all reasonable steps to comply with any appropriate written direction of the authorized procurement representative to safeguard such property under this provision; or
 - c. Failures of the SUBCONTRACTOR managerial personnel to establish, administer, or properly maintain an approved property management system in accordance with this provision.
2. If, after an initial review of the facts, the authorized procurement representative informs the SUBCONTRACTOR that there is reason to believe that the loss, destruction of, or damage to the Government property results from conduct falling within one of the categories set forth above, the burden of proof shall be upon the SUBCONTRACTOR to show that the SUBCONTRACTOR should not be required to compensate [REDACTED] for the loss, destruction, or damage.
3. In the event that the SUBCONTRACTOR is determined liable for the loss, destruction or damage to Government property in accordance with this provision, the SUBCONTRACTOR's compensation to [REDACTED] shall be determined as follows:
 - a. For damaged property, the compensation shall be the cost of repairing such damaged property, plus any costs incurred for temporary replacement of the damaged property. However, the value of repair costs shall not exceed the fair market value of the damaged property. If a fair market value of the property does not exist, the authorized procurement representative shall determine the value of such property, consistent with all relevant facts and circumstances.
 - b. For destroyed or lost property, the compensation shall be the fair market value of such property at the time of such loss or destruction, plus any costs incurred for temporary replacement and costs associated with the disposition of destroyed property. If a fair market value of the property does not exist, the authorized procurement representative shall determine the value of such property, consistent with all relevant facts and circumstances.
4. The SUBCONTRACTOR shall not be reimbursed for, and shall not include as an item of overhead, the cost of insurance or of any reserve covering risk of loss or destruction of, or damage to, Government property, except to the extent that the authorized procurement representative may have expressly required the SUBCONTRACTOR to carry such insurance under another provision of this Subcontract.

G. Steps to be Taken in Event of Loss:

In the event of any damage, destruction, or loss to Government property in the possession or custody of the SUBCONTRACTOR with a value above the threshold set out in the SUBCONTRACTOR's approved property management system, the SUBCONTRACTOR:

1. Shall immediately inform the authorized procurement representative of the occasion and extent thereof,
2. Shall take all reasonable steps to protect the property remaining, and
3. Shall repair or replace the damaged, destroyed, or lost property in accordance with the written direction of the authorized procurement representative. The SUBCONTRACTOR shall take no action prejudicial to the right of [REDACTED] to recover therefore, and shall furnish to [REDACTED] on request, all reasonable assistance in obtaining recovery.

H. Government property shall be used only for the performance of this Subcontract.

I. Property Management:

1. Property Management System:

- a. The SUBCONTRACTOR shall establish, administer, and properly maintain an approved property management system of accounting for and control, utilization, maintenance, repair, protection, preservation, and disposition of Government property in its possession under the Subcontract. The SUBCONTRACTOR's property management system shall be submitted to the authorized procurement representative for approval and shall be maintained and administered in accordance with sound business practice, applicable Federal Property Management regulations and

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Department of Energy Property Management regulations, and such directives or instructions which the authorized procurement representative may from time to time prescribe.

- b. In order for a property management system to be approved, it must provide for:
 - i. Comprehensive coverage of property from the requirement identification, through its life cycle, to final disposition;
 - ii. Employee personal responsibility and accountability for Government-owned property;
 - iii. Full integration with the SUBCONTRACTOR's other administrative and financial systems; and
 - iv. A method for continuously improving property management practices through the identification of best practices established by "best in class" performers.
 - c. Approval of the SUBCONTRACTOR's property management system shall be contingent upon the completion of the baseline inventory as provided in this provision.
2. Property Inventory:
- a. Unless otherwise directed by the authorized procurement representative, the SUBCONTRACTOR shall within six (6) months after execution of the Subcontract provide a baseline inventory covering all items of Government property.
 - b. If the SUBCONTRACTOR is succeeding another Subcontractor in the performance of this Subcontract, the SUBCONTRACTOR shall conduct a joint reconciliation of the property inventory with the predecessor Subcontractor. The SUBCONTRACTOR agrees to participate in a joint reconciliation of the property inventory at the completion of this Subcontract. This information will be used to provide a baseline for the succeeding Subcontract as well as information for closeout of the predecessor Subcontract.
- J. The term "SUBCONTRACTOR's managerial personnel" as used in this provision means the SUBCONTRACTOR's directors, officers and any of its managers, superintendents, or other equivalent representatives who have supervision or direction of:
- 1. All or substantially all of the SUBCONTRACTOR's business; or
 - 2. All or substantially all of the SUBCONTRACTOR's operations at any one facility or separate location to which this Subcontract is being performed; or
 - 3. A separate and complete major industrial operation in connection with the performance of this Subcontract; or
 - 4. A separate and complete major construction, alteration, or repair operation in connection with performance of this Subcontract; or
 - 5. A separate and discrete major task or operation in connection with the performance of this Subcontract.
- K. The SUBCONTRACTOR shall include this provision in all time and material or cost reimbursable lower-tier Subcontracts.

4.24 Holiday and Work Schedules

Daily work schedules and facility operations are NOT uniform among Hanford Site Contractors. In addition, some organizations and facilities observe alternate Friday closures. Accordingly, BEFORE scheduling deliveries, the SUBCONTRACTOR shall make specific schedule arrangements for the delivery of materials with the authorized procurement representative, Facility Manager, Delivery Warehouse Manager, or Building Manager, etc. The authorized procurement representative will not be liable for the cost of any delays, demurrage, layover, extra travel days, etc. which result from SUBCONTRACTOR's failure to obtain a specific schedule in advance. Current Hanford Site Facility Closure days are: New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day (and following Friday), Christmas Eve and Christmas Day.

4.25 SUBCONTRACTOR's Personnel and Notification

Any employee of the SUBCONTRACTOR deemed by [REDACTED], in their sole judgment, to be objectionable shall be removed from the job-site immediately upon authorized procurement representative request and shall be promptly replaced by the SUBCONTRACTOR at no extra expense to [REDACTED]. The SUBCONTRACTOR shall nevertheless retain all authority and control over its employees, including responsibility for all costs arising from providing reasonable accommodations for its employees.

[REDACTED]

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Upon verbal or written notification by the authorized procurement representative that a SUBCONTRACTOR employee's services are no longer required under this Subcontract, the SUBCONTRACTOR shall notify the impacted employee within twenty-four (24) hours of receiving authorized procurement representative notification. The SUBCONTRACTOR then shall confirm in writing within twenty-four (24) hours to the authorized procurement representative that notification has been given to the impacted employee.

If requested by the authorized procurement representative, The SUBCONTRACTOR shall furnish [REDACTED] with the names and addresses of lower-tier Subcontractors and others who have performed or are performing the Work under this Subcontract.

4.26 Permits, Licenses, and Fees

SUBCONTRACTOR will obtain and pay for all applicable permits and licenses required by law that are associated with the Work.

ARTICLE 5.0 OBLIGATIONS OF CH2M HILL

5.1 Changes

The Work shall be subject to change by additions, deletions or revisions thereto by [REDACTED]. The SUBCONTRACTOR will be notified of such changes by receipt of additional and/or revised drawings, specifications, exhibits or other written notification.

The SUBCONTRACTOR shall submit to [REDACTED] within ten (10) working days after receipt of notice of a change, a detailed proposal with supporting calculations and pricing for the change together with any requested adjustments in the schedule. The pricing shall be itemized as required by [REDACTED] and shall be in sufficient detail to permit an analysis of all labor, material and equipment and shall cover all Work involved in the change, whether such Work was deleted, added or modified. Amounts related to Subcontracts shall be supported in similar detail. In addition, if the proposal includes a time extension, justification therefore shall also be furnished.

The SUBCONTRACTOR shall not perform changes in the Work until [REDACTED] has approved in writing the change and any adjustment in the schedule for performance of the Work. Upon receiving such written approval from [REDACTED], the SUBCONTRACTOR shall diligently perform the change in strict accordance with the Subcontract.

Notwithstanding the paragraph above, the authorized procurement representative may expressly authorize the SUBCONTRACTOR in writing to perform the change prior to approval by [REDACTED]. The SUBCONTRACTOR shall not suspend performance of the Subcontract during the review and negotiation of any change, except as may be directed by [REDACTED] pursuant to the "Suspension of Work" provision.

The SUBCONTRACTOR shall not comply with verbally directed changes to the Work. If the SUBCONTRACTOR believes that any oral notice or instruction received from [REDACTED] will involve a change in the cost, time to perform or integrity of Work, the SUBCONTRACTOR shall require that the notice or instruction be given in writing by the authorized procurement representative. Any costs incurred by SUBCONTRACTOR to perform verbally directed changes shall be the SUBCONTRACTOR's responsibility, and the SUBCONTRACTOR waives any and all rights to a claim from [REDACTED] for such costs or additional time to perform the Work as a result of compliance by the SUBCONTRACTOR with such verbally directed changes.

5.2 Technical Representative Responsibilities

[REDACTED] as elsewhere in this Subcontract designated the Buyer's Technical Representative (BTR). The BTR is responsible for monitoring and providing technical guidance for this Subcontract and should be contacted regarding questions or problems of a technical nature. The BTR is also responsible for appropriate surveillance of the SUBCONTRACTOR while on the Hanford-site. In no event, however, will an understanding or agreement, modification, change order, or any deviation from the terms of this Subcontract be effective or binding upon [REDACTED] unless formalized by proper Subcontract documents executed by the authorized procurement representative prior to completion of this Subcontract. On all matters that pertain to Subcontract terms, the SUBCONTRACTOR shall contact the authorized procurement representative specified within the Subcontract. When in the opinion of the SUBCONTRACTOR, the BTR requests or directs efforts outside the existing scope of the Subcontract; the

[REDACTED]

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SUBCONTRACTOR shall promptly notify the authorized procurement representative in writing. No action shall be taken by the SUBCONTRACTOR until the authorized procurement representative has issued an appropriate modification to the Subcontract.

ARTICLE 6.0 GENERAL LEGAL PROVISIONS

6.1 Confidential and Proprietary Information

[REDACTED] possesses information of a confidential and proprietary nature about businesses, products, services, and processes of [REDACTED] and the Government. This information, which relates to designs, technical experience, classified information, software, processing systems, databases, financial and other data, intellectual property including trade secrets, customers and vendors, personnel records, research, development, inventions, construction plans, manufacturing, engineering, accounting, bid data, sales and marketing including Subcontract terms, and any information generated pursuant to Work performed in accordance with the Subcontract (collectively, Confidential Information), constitutes a commercial asset of considerable value to [REDACTED] and the Government. SUBCONTRACTOR shall use such Confidential Information only for the purpose of performing Work in accordance with the Subcontract and not disclose such Confidential Information to any other person (including the media for purposes of publicity), partnership, venture, firm, Government, or corporation without the express written direction of [REDACTED] or the Government, as appropriate. SUBCONTRACTOR further shall make all reasonable efforts to require its employees and any others, including lower-tier Subcontractors, to maintain such Confidential Information in strictest confidence.

Confidential Information shall not include the following:

- Information that is acquired by SUBCONTRACTOR from others who have no confidential commitment to [REDACTED] or the Government; or
- Information that is part of the public domain or becomes, without fault or participation of SUBCONTRACTOR, part of the public domain, by publication or otherwise; or
- Information that is in SUBCONTRACTOR's possession prior to [REDACTED] or the Government's disclosure to it; or
- Information that is developed independently by SUBCONTRACTOR; or
- Information that is required to be publicly disclosed under operation of law, for which SUBCONTRACTOR will provide at least five (5) days notice to [REDACTED] or the Government, as appropriate, before disclosure.

All drawings, specifications, prints, financial and other data, and any other written or electronically encoded materials (collectively, 'Documentation') furnished by [REDACTED] and the Government to SUBCONTRACTOR shall remain [REDACTED] property. In addition, all documentation developed by SUBCONTRACTOR in the performance of Work in accordance with the Subcontract shall become [REDACTED] property. Upon completion of Work, SUBCONTRACTOR shall either destroy or return such documentation and any other Confidential Information reduced to tangible or electronic form, including copies thereof, to [REDACTED], unless [REDACTED] provides written direction to do otherwise.

Nothing contained in the Subcontract, or in any disclaimer made by [REDACTED] or the Government, shall be construed to grant SUBCONTRACTOR any license or other rights in or to disclosed Confidential Information or any patent, trademark, or copyright that has been or may be issued unless expressly conveyed by written agreement exclusive of the Subcontract.

In the event that Work performed by SUBCONTRACTOR in accordance with the Subcontract involves the collection or generation of data on persons or associations, SUBCONTRACTOR shall maintain strict confidentiality of records in accordance with the Privacy Act of 1974 (5 U.S.C. 552a), provisions of the Fair Credit Reporting Act (15 U.S.C. 1681), and applicable federal and state agency regulations. Violations of these statutes may result in criminal penalties.

6.2 Claims for Extra Work

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In any case where the SUBCONTRACTOR anticipates additional compensation will become due, the SUBCONTRACTOR will notify the authorized procurement representative, in writing, of its intention to make a claim for such compensation before it begins the extra Work on which it bases the claim. If such notification is not given and the SUBCONTRACTOR fails to keep strict account of actual costs for this extra Work, then the SUBCONTRACTOR hereby waves any claim for such additional compensation. Such notice by SUBCONTRACTOR, and the accounting of the SUBCONTRACTOR's actual costs for the extra Work, will not be construed as proving the validity of the claim. Claims for additional compensation shall be made in detail and submitted, in writing, to the authorized procurement representative within ten (10) working days of identifying this effort as extra Work for which the SUBCONTRACTOR bases its claim. The submission shall contain a detailed proposal with supporting calculations and pricing for the claim together with any requested adjustments in the schedule. The pricing shall be itemized as required by the authorized procurement representative and shall be in sufficient detail to permit an analysis of all labor, material and equipment costs and shall cover all work involved in the claim. If the claim is found to be valid, it will be allowed and reimbursed for as provided in this Subcontract.

6.3 Assignment

SUBCONTRACTOR shall not assign any of the duties or rights or any claim arising out of or related to this Subcontract, whether arising in tort, Subcontract or otherwise, without the written consent of [REDACTED]. Any unauthorized assignment is void and unenforceable. These conditions and the entire Subcontract are binding on the heirs, successors, and assigns of the SUBCONTRACTOR.

[REDACTED] may assign this Subcontract, in whole or in part to the Government or to such party as the Government may designate to perform [REDACTED] obligations hereunder. Upon receipt by SUBCONTRACTOR of written notice that the Government or a party so designated by the Government or [REDACTED] has accepted an assignment of this Subcontract, [REDACTED] shall be relieved of all responsibility hereunder and SUBCONTRACTOR shall thereafter look solely to such assignee for performance of [REDACTED] obligations.

6.4 Termination

- A. Termination for Convenience: This Subcontract may be terminated at any time by mutual agreement of the Parties. It is anticipated that this Subcontract shall continue for the duration of the [REDACTED] Contract and any extension thereto, unless during the term of this Subcontract, DOE directs in writing the termination of the Subcontract in accordance with FAR 52.249-6 or unless DOE removes substantially all of the Subcontractor scope of work from the Prime Contract. In such event, SUBCONTRACTOR will be entitled to compensation for Work performed up to the date of termination and reasonable termination expenses as determined within the discretion of [REDACTED].
- B. Termination for Default: [REDACTED] may, by written notice, terminate the whole or any part of this Subcontract for default in the event that SUBCONTRACTOR fails to perform any of the provisions of this Subcontract, or fails to make progress as to endanger performance of this Subcontract in accordance with its terms, or, in the opinion of [REDACTED] becomes financially or legally incapable of completing the Work and does not correct such to [REDACTED] reasonable satisfaction within a period of seven (7) calendar days after receipt of notice from [REDACTED] specifying such failure. If, after notice of termination, it is determined for any reason that SUBCONTRACTOR was not in default or that the default was excusable, the rights and obligations of the parties will be the same as if the notice of termination had been issued pursuant to a termination for convenience." In the event of termination for default, the SUBCONTRACTOR will not be entitled to termination expenses.
- C. Regardless of the cause of termination, the SUBCONTRACTOR shall deliver to [REDACTED] legible copies of all completed or partially completed Work products and instruments of service and all materials and equipment previously paid for by [REDACTED].
- D. In no case shall termination for any cause constitute a claim for consequential damages or damages based on loss of anticipated profits.

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- E. The rights and remedies of [REDACTED] provided in this provision are not exclusive and are in addition to any other rights and remedies provided by law or equity under this Subcontract.

6.5 Governing Law

Irrespective of the place of performance, this Subcontract will be construed and interpreted according to Federal Government Contract Law as enunciated and applied by Federal judicial bodies, Boards of Contract Appeals and quasi-judicial agencies of the Federal Government. To the extent that this law is not dispositive, the law of the State of Washington shall apply. In the event that either party hereto must resort to litigation to enforce a right or remedy conferred by law, equity or the provisions of this Subcontract, the parties hereby consent to the action being brought in the court of competent jurisdiction in the State of Washington.

6.6 Severability and Survival

If any of the provisions contained in this Subcontract are held invalid, illegal, or unenforceable, the enforceability of the other remaining provisions shall not be affected or impaired thereby. Limitations of liability, indemnities, and other express representations shall survive termination of this Subcontract for any cause.

6.7 Authorization to Proceed

Execution of this Subcontract by [REDACTED] will be authorization for the SUBCONTRACTOR to proceed with the Work unless otherwise indicated in this Subcontract.

6.8 No Third-Party Beneficiaries

This Subcontract conveys no rights or benefits to anyone other than SUBCONTRACTOR and [REDACTED] and has no third-party beneficiaries.

6.9 Arbitration

In the event that [REDACTED] is required to arbitrate a dispute with a third party, which dispute arises out of or is directly related to this Subcontract, the SUBCONTRACTOR agrees to join in such arbitration proceeding as [REDACTED] may direct and shall submit to such jurisdiction and be finally bound by the judgment rendered in accordance with the arbitration rules as may be established therein.

6.10 Disputes

In the event that the parties cannot, through negotiations, reach agreement on any issue arising out of the Subcontract, the issue will be considered a dispute and shall be resolved in accordance with the following:

If efforts at resolution through good faith discussions and/or negotiations fail to resolve the dispute, the parties agree that before taking any other action, they will consider the use of Alternate Dispute Resolution (ADR). In the event that non-binding mediation or arbitration is agreed upon, the site of the proceedings shall be Richland, Washington, unless otherwise agreed in writing by the parties. The rules for mediation or arbitration and the selection of the arbitrator shall be determined by mutual agreement of the parties. The mediator or arbitrator shall allocate cost, except that there shall be no pre-decisional interest costs, and each party shall bear its discretionary costs.

In the event ADR fails or is not used, primary jurisdiction for the resolution of any claim arising under this Subcontract shall reside in the United States Federal District Court for the Eastern District of Washington. If the requirements for jurisdiction in the United States District Court are not met, the litigation shall be brought in a Court of competent jurisdiction in Benton County, Washington. Unless otherwise directed in writing by [REDACTED] the SUBCONTRACTOR shall proceed diligently with the performance of the Subcontract pending final resolution of the dispute.

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6.11 Waiver

failure to insist on performance of any term, condition, or instruction, or to exercise any right or privilege included in this Subcontract, or its waiver of any breach, shall not thereafter waive any such term, condition, instruction, and/or any right or privilege. No asserted waiver of any right or benefit by shall be valid unless such waiver is in writing, signed by supported by consideration and specifies the extent and nature of the rights or benefits being waived.

6.12 Gratuities

The SUBCONTRACTOR, its employees, agents or representatives shall not offer or give to an officer, official or employee of or the Government, gifts, entertainment, payments, loans or other gratuities to influence the award of a Subcontract or obtain favorable treatment under a Subcontract.

Violation of this provision may be deemed by to be a material breach of this Subcontract and any other Subcontract with and subject all Subcontracts with the SUBCONTRACTOR to termination for default, as well as any other remedies by law or in equity.

6.13 Interpretation

Heading and titles of provisions, clauses, sections, paragraphs or other subparts of this Subcontract are for convenience of reference only and shall not be considered in interpreting the text of this Subcontract. No provision in this Subcontract is to be interpreted for or against any party because that party or its counsel drafted such provision.

ARTICLE 7.0 SUPPLEMENTAL TERMS AND CONDITIONS

General Intent. This Agreement is subject to the terms and conditions of Solicitation Number DE-RP06-07RL14788. The general intent of these provisions is to incorporate into the Subcontract all required Federal Acquisition Regulation (FAR) and Department of Energy Acquisition Regulations (DEAR) flow down clauses, and any other State or Federally-mandated Subcontract clauses, which are required to be so incorporated either by the FAR, DEAR, Prime Contract or applicable State or Federal law.

To reference the cited FAR and DEAR flowdown clauses, the following web addresses are provided:

<http://farsite.hill.af.mil/>

<http://farsite.hill.af.mil/vfdoes.htm>

Substitution of the Parties. Wherever required to make any FAR, DEAR, or Prime Contract clause incorporated herein meaningful, the term "Contractor" shall be read "Subcontractor," and the term "Government" or "Contracting Officer" shall be read with the exception of DEAR 952.250-70 Nuclear Hazards Indemnity Agreement (June 1996).

Specific Incorporated Clauses. Without in any way limiting the FAR, DEAR, or Prime Contract clauses to be incorporated herein, the following FAR and DEAR Contract Clauses are hereby specifically incorporated herein by reference with the same force and effect as if they were given in full text.

7.1 Federal Acquisition Regulation (48 CFR Chapter 1) Clauses and Department of Energy Acquisition Regulation (48 CFR Chapter 9) Clauses

Applicable to all orders:

1. FAR 52.202-1 Definitions (Jul 2004) (As Supplemented by DEAR 952.202-1)
2. FAR 52.224-1 Privacy Act Notification (Apr 1984)*
3. FAR 52.224-2 Privacy Act (Apr 1984)*

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4. FAR 52.227-14 Rights in Data-General (Modified per DEAR 927.409(a)) (Jun 1987)(Alternate 1-Jul 1995)*
5. FAR 52.227-16 Additional Data Requirements (Jun 1987)*
6. FAR 52.242-1 Notice of Intent to Disallow Costs (Apr 1984)*
7. FAR 52.244-6 Subcontracts for Commercial Items and Commercial Components (Dec 2004)*
8. DEAR 952.204-2 Security (May 2002)*
9. DEAR 952.204-70 Classification/Declassification (Sep 1997)*
10. DEAR 952.204-71 Sensitive Foreign Nations Controls (Apr 1994)*
11. DEAR 952.208-70 Printing (Apr 1984)*
12. DEAR 952.227-9 Refund of Royalties (Feb 1995)*
13. DEAR 952.227-11 Patent Rights – Retention by the Contractor (Short Form)(Feb 1995)* (Applies to Subcontracts for experimental, research, developmental, or demonstration work when the SUBCONTRACTOR is a domestic small business or nonprofit organization as defined at FAR 27.301)
14. DEAR 952.227-13 Patent Rights – Acquisition by the Government (Sep 1997)* (Applies to Subcontracts for experimental, research, developmental, or demonstration work when the SUBCONTRACTOR is a domestic large business.)
15. DEAR 952.250-70 Nuclear Hazards Indemnity Agreement (Jun 1996)*
16. DEAR 970.5204-1 Counterintelligence (Dec 2000)*
17. DEAR 970.5204-3 Access to and Ownership of Records (Jul 2005)*
18. DEAR 970.5208-1 Printing (Dec 2000)*
19. DEAR 970.5215-4 Cost Reduction (Dec 2000)*
20. DEAR 970.5227-1 Rights in Data - Facilities (Dec 2000)*
21. DEAR 970.5227-8 Refund of Royalties (Aug 2002)*
22. DEAR 970.5229-1 State and Local Taxes (Dec 2000)*
23. DEAR 970.5232-3 Accounts, Records, and Inspection (Dec 2000)*

Applicable to all orders over \$2,500:

24. FAR 52.222-41 Service Contract Act of 1965, as Amended (Jul 2005)*
25. FAR 52.222-47 SCA Minimum Wages and Fringe Benefits Applicable to Successor Contract Pursuant to Predecessor Contractor Collective Bargaining Agreements (CBA) (May 1989)*
26. FAR 52.225-13 Restrictions on Certain Foreign Purchases (Feb 2006)*

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Applicable to all orders over \$10,000:

- 27. FAR 52.222-21 Prohibition of Segregated Facilities (Feb 1999)*
- 28. FAR 52.222-26 Equal Opportunity (Apr 2002)*
- 29. FAR 52.222-35 Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era (Dec 2001)*
- 30. FAR 52.222-36 Affirmative Action for Workers with Disabilities (Jun 1998)*
- 31. FAR 52.222-37 Employment Reports on Disabled Veterans and Veterans of the Vietnam Era (Dec 2001)*

Applicable to all orders over \$25,000:

- 32. FAR 52.209-6 Protecting the Government's Interest when Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment (Jan 2005)*
- 33. FAR 52.225-3 Buy American Act – Free Trade Agreements – Israeli Trade Act (Jan 2005) *(Applies if acquisition value is \$25,000 or more but less than \$175,000. If the value is \$25,000 or more but less than \$50,000, Alternate I applies. If acquisition value is \$50,000 or more but less than \$58,550, Alternate II applies)**

Applicable to all orders over \$100,000:

- 34. FAR 52.203-5 Covenant Against Contingent Fees (Apr 1984)*
- 35. FAR 52.203-6 Restrictions on Subcontractor Sales to the Government (Jul 1995)*
- 36. FAR 52.203-7 Anti-Kickback Procedures (Jul 1995)*
- 37. FAR 52.203-8 Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity (Jan 1997)*
- 38. FAR 52.203-12 Limitation on Payments to Influence Certain Federal Transactions (Sep 2005)*
- 39. FAR 52.215-2 Audit and Records-Negotiation (Jun 1999)*
- 40. FAR 52.222-4 Contract Work Hours & Safety Standards Act-Overtime Compensation (Jul 2005)*
- 41. FAR 52.222-39 Notification of Employee Rights Concerning Payment Of Union Dues or Fees (Dec 2004)*
- 42. FAR 52.223-14 Toxic Chemical Release Reporting (Aug 2003)*
- 43. FAR 52.227-1 Authorization and Consent (Jul 1995)*
- 44. FAR 52.227-2 Notice and Assistance Concerning Patent and Copyright Infringement (Aug 1996)*
- 45. FAR 52.242-13 Bankruptcy (Jul 1995)*
- 46. DEAR 970.5227-4 Authorization and Consent (Aug 2002)*
- 47. DEAR 970.5227-5 Notice and Assistance Regarding Patent and Copyright Infringement (Aug 2000)*

Applicable to all orders over \$175,000:

- 48. FAR 52.225-5 Trade Agreements (Jan 2005)*

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Applicable to all orders over \$500,000:

- 49. FAR 52.230-2 Cost Accounting Standards (Apr 1998)* - Small Business Exempted
- 50. FAR 52.230-3 Disclosure and Consistency of Cost Accounting Practices (Apr 1998)* - Small Business Exempted
- 51. FAR 52.230-6 Administration of Cost Accounting Standards (Apr 2005)* - Small Business Exempted
- 52. DEAR 952.226-74 Displaced Employee Hiring Preference (Jun 1997)*
- 53. DEAR 970.5226-2 Workforce Restructuring Under Section 3161 of the National Defense Authorization Act for Fiscal Year 1993 (Dec 2000)*

Applicable to all orders over \$550,000:

- 54. FAR 52.219-9 Small Business Subcontracting Plan (Jul 2005) Alternate II (Oct 2001)* - Small Business Exempted

Applicable to all orders over \$650,000:

- 55. FAR 52.215-10 Price Reduction for Defective Cost or Pricing Data (Oct 1997)*
- 56. FAR 52.215-11 Price Reduction for Defective Cost or Pricing Data-Modifications (Oct 1997)*
- 57. FAR 52.215-12 Subcontractor Cost or Pricing Data (Oct 1997)*
- 58. FAR 52.215-13 Subcontractor Cost or Pricing Data - Modifications (Oct 1997)*
- 59. FAR 52.215-15 Pension Adjustments and Asset Reversions (Oct 2004)*
- 60. FAR 52.215-18 Reversion or Adjustment of Plans for Postretirement Benefits (PRB) Other than Pensions (Jul 2005)*
- 61. FAR 52.215-19 Notification of Ownership Changes (Oct 1997)*

**ON-SITE WORK PROVISIONS
ATTACHMENT 4**

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1.0 DEFINITIONS

For the purposes of these ON-SITE WORK PROVISIONS:

1. The term "authorized procurement representative" shall be a [redacted] person with authority to enter into and administer Subcontracts and make related determinations and findings. These individuals are identified with the associated authority in the body of the Subcontract.
2. The term "Buyer's Technical Representative (BTR)" means the individual responsible for providing technical direction to the SUBCONTRACTOR. The BTR does not possess any explicit, apparent or implied authority to modify Subcontract terms and conditions.
3. The term "[redacted]" means [redacted].
4. The term "Government" shall mean the United States of America and includes the U.S. Department of Energy (DOE) Richland Operations Office (RL), or any duly authorized representative thereof, including the [redacted] Administrative Contracting Officer (ACO).
5. The term "safety" encompasses the environment, personal safety, health, and work quality. Safety includes pollution prevention, waste minimization, nuclear safety, and radiological protection.
6. The term "Safety Management System (System)" refers to the [redacted] Integrated Environment, Safety & Health Management System (ISMS) program.
7. The term "SUBCONTRACTOR" refers to the company, person or organization, including all lower-tier Subcontractors, performing Work under this Subcontract.
8. The term "Work" includes all material, labor, tools, and all appliances, machinery, and transportation, necessary to perform and complete the Subcontract's requirements, and such additional items not specifically indicated or described that can be reasonably inferred as required to complete the Subcontract.
9. The term "employee" or "worker" includes SUBCONTRACTOR and all lower-tier(s) Subcontractor employees.

2.0 PREAMBLE

- A. These On-Site Work Provisions apply to Work performed on the Hanford site for [redacted]. All requirements contained herein are in addition to the General Provisions and any other provisions incorporated in this Subcontract.
- B. The SUBCONTRACTOR retains responsibility to assure compliance with all applicable federal and state laws, rules and/or regulations. Nothing within this Subcontract may be construed as creating joint or co-employment of the SUBCONTRACTOR workers with [redacted].
- C. This Subcontract is awarded with the understanding that the goal of [redacted] is to maintain a responsible and comprehensive program to assure that the Plateau Remediation contract facilities are operated in a safe and environmentally acceptable manner for the protection of workers, the public, and the environment. It is the policy of [redacted] to use reasonable efforts to provide resources necessary to achieve this purpose and to

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cooperate with the SUBCONTRACTOR and with Federal and State agencies having an interest in environmental, safety, health and quality (ESH&Q) matters, to accomplish this goal.

- D. [REDACTED] has a goal of zero occupational injuries and illnesses. This goal can be achieved by understanding and applying the [REDACTED] safety and occupational health principles:
- Occupational injury and illnesses can be prevented through safe work practices.
 - [REDACTED] is committed to preventing accidents and reducing exposure to hazards to a level that is as low as reasonably achievable.
 - Management is responsible for providing a safe and healthy workplace.
 - Working safely is a condition of continued Hanford site access.
 - All operations must be performed safely or not at all.
 - All workers must be trained, qualified, and equipped for the task to be performed.
 - All workers are responsible for performing Work in accordance with procedures, regulations, safety rules, and safe work practices.
 - Safety and health related deficiencies must be corrected promptly.
 - A clean and orderly workplace must be maintained.
- E. Unless specifically authorized in writing by the [REDACTED] authorized procurement representative identified in the body of this Subcontract, no Work shall begin until all requirements identified in these On-Site Work Provisions, as being required actions prior to start of Work, are met.

3.0 INTEGRATION OF ENVIRONMENT, SAFETY, HEALTH AND QUALITY (ESH&Q) INTO WORK PLANNING AND EXECUTION [DEAR 970.5223-1 (DEC 2000)] [DEVIATION]

3.1 General

- A. When performing Work under this Subcontract, the SUBCONTRACTOR shall perform work safely, in a manner that ensures adequate protection for employees, the public, and the environment, and shall be accountable for the safe performance of the Work. The SUBCONTRACTOR shall exercise a degree of care commensurate with the Work and the associated hazards. The SUBCONTRACTOR shall ensure that management of Environment, Safety, Health, and Quality (ESH&Q) functions and activities becomes an integral and visible part of the SUBCONTRACTOR's Work planning and execution processes. The SUBCONTRACTOR shall, prior to the performance of Work, ensure that:
1. Senior SUBCONTRACTOR management is actively engaged in the implementation, feedback and improvement of the SUBCONTRACTOR's Safety Management System (System).
 2. SUBCONTRACTOR line management is responsible for the protection of employees, the public, and the environment from activities arising out of performance under this Subcontract.
 3. Clear and unambiguous lines of authority and responsibility for ensuring ESH&Q requirements are established and maintained at all organizational levels. This shall be documented and communicated to all SUBCONTRACTOR employees by the SUBCONTRACTOR.
 4. Employees shall possess the experience, qualifications, skills, training and abilities that are necessary to execute their responsibilities under this Subcontract, including any applicable Occupational Safety and Health Administration (OSHA) requirements and standards.
 5. Employees entering the Hanford site or [REDACTED]-controlled facilities shall be dressed appropriately for the Work conditions and potential hazards as required by safety procedures and job hazard(s) analyses. When required by [REDACTED] policies or directives, personal protective equipment (hard hats, safety glasses, gloves, steel-toed shoes, etc.) must be worn as a condition of continued access to the Hanford site.
 6. Resources shall be effectively allocated to address ESH&Q programmatic and operational considerations. Protecting employees, the public, and the environment is a priority whenever Work is planned and performed.
 7. Before Work is performed, the SUBCONTRACTOR shall evaluate foreseeable hazards, determine planned protective measures, and as required, address OSHA requirements and standards. These evaluations shall be prepared by a certified Professional Engineer (PE) or qualified individual and establish an agreed-upon set of ESH&Q controls and requirements that, when properly implemented, provide adequate assurance employees, the public, and the environment are protected from adverse consequences.
 8. The conditions and ESH&Q requirements to be satisfied for Work to be performed are established and agreed-upon by [REDACTED] and the SUBCONTRACTOR. These agreed-upon conditions and ESH&Q requirements are binding upon the SUBCONTRACTOR. The extent of documentation and level of authority for agreement shall be tailored to the complexity and hazards associated with the Work.
 9. Administrative and engineering controls to prevent and mitigate hazards are tailored to the Work being performed and any associated hazards. Emphasis must be on designing the Work and controls to reduce or eliminate the hazards, prevent accidents, and unplanned releases and exposures.
 10. The SUBCONTRACTOR's employees shall be actively involved in the Safety Management System (System), job hazard analysis, and pre-job safety reviews where employees are informed of foreseeable hazards and planned protective measures.
 11. Open and effective communication shall exist between the SUBCONTRACTOR and the Buyers Technical Representative (BTR) to support the management of ESH&Q issues and initiatives.
 12. Workers, fieldwork supervisors, and management shall continually ensure the adequacy of work processes, procedures, and equipment and correct deficiencies when identified.
- B. The SUBCONTRACTOR shall perform Work in compliance with [REDACTED] approved safety procedures or shall submit within thirty (30) working days after Subcontract award and annually thereafter to the [REDACTED] authorized procurement representative a SUBCONTRACTOR Safety Management System Plan (System) that is, at a minimum, equivalent to [REDACTED] safety procedures for [REDACTED] approval. Should the SUBCONTRACTOR choose to use the [REDACTED] System, the SUBCONTRACTOR will notify the [REDACTED] authorized procurement representative in writing. The use of the [REDACTED] System requires the SUBCONTRACTOR access

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to, knowledge-of, and use-of referenced requirements and procedures. The SUBCONTRACTOR shall obtain electronic access to these documents to ensure the latest approved version is being applied to the Work. These documents are available on the Internet at the [REDACTED] Procurement Website. The SUBCONTRACTOR shall also ensure that all requirements are flowed down to lower-tier Subcontractors and the employees have access to, fully understand, and comply with the [REDACTED] safety procedures. Procedure compliance is mandatory for all Hanford site Work activities.

- C. Resources shall be identified and allocated to meet the safety objectives and performance commitments as well as maintain the integrity of the entire Safety Management System (System). Accordingly, the System shall be integrated with the SUBCONTRACTOR's business processes for Work planning, budgeting, authorization, execution, and change control.
- D. The SUBCONTRACTOR shall comply with, and shall cooperate with [REDACTED] in assuring compliance with, all applicable laws, regulations and directives. The [REDACTED] authorized procurement representative has identified specific requirements applicable to this Work in this Subcontract. The SUBCONTRACTOR shall meet all these requirements, including any additional requirements, which the SUBCONTRACTOR identifies. The SUBCONTRACTOR shall cooperate with Federal and non-Federal agencies having jurisdiction over ESH&Q matters under this Subcontract. Where a conflict exists between regulations, requirements or standards, the SUBCONTRACTOR shall bring the conflict to the attention of the [REDACTED] authorized procurement representative, who shall resolve the conflict.
- E. The SUBCONTRACTOR shall promptly identify, evaluate and communicate to the [REDACTED] authorized procurement representative any noncompliance with the Safety Management System (System). If the SUBCONTRACTOR fails to provide the necessary communication to the [REDACTED] authorized procurement representative or if, at any time, the SUBCONTRACTOR's acts or failure to act causes substantial harm or an imminent danger to the environment, health and safety of workers or the public [REDACTED] may issue an order stopping Work in whole or in part. Any stop Work order issued by [REDACTED] under this provision (or issued by the SUBCONTRACTOR to a lower-tier Subcontractor) shall be without prejudice to any other legal or contractual rights of [REDACTED]. In the event that [REDACTED] issues a stop Work order, [REDACTED] must issue an order authorizing the resumption of the Work before Work may resume. The SUBCONTRACTOR shall not be entitled to an extension of time or additional costs, fee or damages by reason of, or in connection with, any Work stoppage ordered in good faith in accordance with this provision.
- F. The SUBCONTRACTOR is responsible for compliance with the ESH&Q requirements applicable to this Subcontract. The SUBCONTRACTOR is responsible for flowing down the ESH&Q requirements applicable to this Subcontract to all lower-tier Subcontractors to the extent necessary to ensure compliance. The SUBCONTRACTOR shall include a provision substantially the same as Article 3.1 of these provisions in all lower-tier Subcontracts for Hanford site Work at a Government-owned or Government-leased facility. The SUBCONTRACTOR may require the lower-tier Subcontractor to submit a Safety Management System Plan for review and approval by the SUBCONTRACTOR and the [REDACTED].
- G. As prescribed in 10 CFR 851, the SUBCONTRACTOR and lower-tier Subcontractors that fail to comply with [REDACTED] safety procedures or an approved SUBCONTRACTOR Safety Management System Plan may be subject to financial penalties under this SUBCONTRACT.

3.2 Specific Requirements (Unless superseded by specific requirements elsewhere in this Subcontract, the SUBCONTRACTOR shall comply with the following minimum requirements.)

- A. [REDACTED] safety requirements for the specific Work will be determined and be included in the Subcontract. The SUBCONTRACTOR shall identify and correct any hazardous or unsafe conditions, acts or instances of noncompliance.
- B. Prior to commencing Work on the Hanford site, the SUBCONTRACTOR shall identify a member of its staff as its designated "Safety Representative" to the [REDACTED] authorized procurement representative for approval. This notification shall include documentation on the assigned worker's qualifications and professional certifications. This worker shall have the authority and responsibility to ensure full compliance with [REDACTED] Safety Management System (System) or the implementation of the SUBCONTRACTOR's [REDACTED] approved System.
- C. The SUBCONTRACTOR shall obtain the following services from the Site Occupational Medical Contractor (SOMC): occupational medical evaluations, including return to work evaluations and work restriction reviews; medical surveillance evaluations; occupational primary care; health care center/first aid; work conditioning, care management, work site health programs including blood-borne pathogens and immunizations; behavioral health services, including employee assistance programs; and health information services, including services such as medical records and scheduling. The SUBCONTRACTOR shall coordinate these medical evaluations/services with the [REDACTED] authorized procurement representative.
- D. The SUBCONTRACTOR shall ensure that Environmental Health (EH) exposure monitoring equipment brought to the Hanford site is calibrated, maintained, and operated in accordance with sound EH practices to ensure data obtained is legally and technically defensible. The SUBCONTRACTOR shall use the data collection forms provided, upon request by the SUBCONTRACTOR, by the [REDACTED] authorized procurement representative. At the request of the [REDACTED] authorized procurement representative, the SUBCONTRACTOR shall provide any additional calibration and maintenance history for the equipment to [REDACTED]. The SUBCONTRACTOR shall assure that samples collected in airborne contamination areas are submitted to nationally accredited analytical laboratories, approved to accept EH samples. Cost of replacement or decontamination of EH monitoring equipment that has been radiological contaminated such that it cannot be released to the operator will be borne by the SUBCONTRACTOR.
- E. While on the Hanford site, the SUBCONTRACTOR shall operate motor vehicles only on hard-surfaced or gravel roads unless prior approval is obtained from the [REDACTED] authorized procurement representative. During high fire hazard periods, the SUBCONTRACTOR shall adhere

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to all restrictions for off-road travel, which include, but are not limited to, requiring vehicles to carry fire extinguishers, shovels and radio communications. [REDACTED] reserves the right to ban all off-road travel during extreme fire hazard periods.

- F. [REDACTED] shall determine if a post-award/pre-job meeting is required. The scope of this meeting will be conducted on a graded approach based on the nature of the Work.
- G. SUBCONTRACTOR compliance with in effect "Hoisting and Rigging" procedure and the Hanford Hoisting and Rigging Manual, DOE-RL-92-36 are required. The SUBCONTRACTOR may submit an equivalent SUBCONTRACTOR procedure to the [REDACTED] authorized procurement representative for [REDACTED] approval prior to commencing Work.
- H. The SUBCONTRACTOR shall perform electrical work de-energized, except for testing and troubleshooting governed by the [REDACTED] Electrical Safety Program, per in effect "Electrical Safety" procedure. The SUBCONTRACTOR may submit an equivalent procedure to the [REDACTED] authorized procurement representative for [REDACTED] approval. All SUBCONTRACTOR workers performing electrical work shall possess a current electrician's license issued by the State of Washington.

3.3 Required Notifications

- A. The SUBCONTRACTOR shall immediately notify the [REDACTED] authorized procurement representative and the [REDACTED] Safety and Health Department of any occupational injury or illness.
- B. The SUBCONTRACTOR shall immediately notify the [REDACTED] authorized procurement representative, Buyer's Technical Representative (BTR), and the [REDACTED] Safety and Health Department for any deviation from a planned or projected activity that has a potential environmental, health, safety or quality significance. As part of this notification, all employees involved in the Work are required to understand the process of reporting any unplanned hazards during performance.
- C. The SUBCONTRACTOR shall immediately notify the [REDACTED] authorized procurement representative and the [REDACTED] Safety and Health Department of any employee occupational exposure (either measured or estimated) to toxic substances (e.g., chemical hazards), harmful physical agents (e.g., noise, laser light, ergonomic, etc.), or hazards, that exceed the Occupational Safety and Health Administration (OSHA) Permissible Exposure Limit (PEL), or trigger level, the American Conference of Governmental Industrial Hygienist (ACGIH) Threshold Limit Value (TLV), or 10 CFR 835 Occupational Radiation Protection Standards.
- D. The SUBCONTRACTOR shall immediately notify the [REDACTED] authorized procurement representative and BTR of any requests from or notifications to external agencies and regulators, required as a result of worker exposure.
- E. The SUBCONTRACTOR shall notify the BTR and the [REDACTED] Safety and Health Department, not less than five (5) working days prior to delivering any equipment to the Plateau Remediation facilities of the type indicated below. The BTR will arrange for a safety inspection, as required. Equipment that the [REDACTED] Safety and Health Department may perform a safety inspection includes, but is not limited to, the following:
 - 1. Cranes, derricks, hoists, forklifts and man-lifts.
 - 2. Earth moving equipment.
 - 3. Off-highway motor vehicles.
 - 4. Pile driving equipment.
 - 5. Rock drilling, core drilling, well drilling and similar equipment.
 - 6. Pressure vessels and/or equipment supplied with pressure vessels, either fired or unfired.
 - 7. Equipment employing "laser" techniques.
 - 8. Power-actuated tools.
- F. The SUBCONTRACTOR shall provide the following documents with the equipment to be inspected at least ten (10) working days prior to the Work commencing. This includes associated worker qualifications and certification requirements.
 - 1. A copy of the latest maintenance and certified inspection (as applicable) with expiration date.
 - 2. Manufacturer's specification and/or recommendations.
 - 3. Load rating charts and other information as applied to cranes and hoists.
 - 4. Hydrostatic test certification (if applicable).
 - 5. Qualification records and certifications for operators, riggers, and rigging engineers. All training and qualification submittals shall comply with the appropriate requirements of the Hanford Hoisting and Rigging Manual, DOE-RL-92-36.

Equipment presented for inspection shall have all required protective equipment installed when inspected by [REDACTED]. Warnings and postings shall also be in place to ensure all equipment is maintained and operated in a safe and effective manner.

3.4 Investigation Support

- A. The SUBCONTRACTOR shall cooperate in any accident investigations, including submission of a comprehensive report of any accident and shall cooperate, as appropriate, in the conduct of investigations relating to recordable injuries/illnesses and property damage.

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- B. Equipment involved in an accident resulting in an injury, shall not be moved until released, except where removal is essential to prevent further environment/property damage or injury/illness. Where necessary to remove the injured personnel, such equipment may be moved only to the extent of making possible such removal.

3.5 Reporting and Record Keeping

- A. If the SUBCONTRACTOR's Hanford site workforce includes ten (10) or more workers, or if the SUBCONTRACTOR's Work involves the use of equipment as listed in these provisions, the SUBCONTRACTOR shall maintain a log and summary of all recordable occupational injuries and illnesses. For this purpose, OSHA Form Number 300 shall be used. The log and summary shall be completed in the detail provided in the Form and instructions on OSHA Form Number 300, in compliance with Occupational Safety and Health Standards 29 CFR 1904.
- B. The SUBCONTRACTOR shall assure all of its workers who experience an injury or illness while performing Work under this Subcontract shall report immediately to supervision to assure evaluation, proper treatment, and injury/illness documentation on the [REDACTED] Event Report (Site Forms A-6003-583), or a [REDACTED] approved equivalent.
- C. If the SUBCONTRACTOR's Hanford site work force includes ten (10) or more workers, the SUBCONTRACTOR shall submit to the [REDACTED] authorized procurement representative by the fifth (5) working day of each month an accounting of the injuries/illnesses in connection with the Work performed under this Subcontract. The report shall identify the SUBCONTRACTOR's name, Subcontract number, and total number of workers and hours worked by the SUBCONTRACTOR on the Hanford site during the month.
- D. The SUBCONTRACTOR shall report any unusual occurrence to the [REDACTED] authorized procurement representative. An Unusual Occurrence is any deviation from the planned or projected behavior or course of events in connection with any operation if the deviation has safety, health or environmental protection significance.
- E. The SUBCONTRACTOR shall provide the [REDACTED] authorized procurement representative, copies of safety inspections, audits, and assessments performed under this Subcontract. In addition, the SUBCONTRACTOR shall provide to [REDACTED] all worker occupational exposure records. Worker occupational exposure records include workplace monitoring or measuring of a toxic substance, or harmful physical agent including personal, area, grab, wipe or other forms of sampling, as well as, related collection and analytical methodologies, calculations and other background data relevant to interpretation of the results. The [REDACTED] authorized procurement representative shall provide the SUBCONTRACTOR the appropriate exposure data collection forms. Title to worker occupational exposure records shall be vested with the Government.
- F. The [REDACTED] Employee Concerns Program is available for use by all SUBCONTRACTOR employees on the Hanford site for the reporting of issues and concerns related to safety, health, environmental protection, quality, security or illegality. Issues should be raised through the management chain if possible, or made directly to the Employee Concerns Office at phone numbers posted throughout the Hanford site. Concerns may also be submitted anonymously.

3.6 Site-Wide Qualification and Training

- A. The SUBCONTRACTOR shall ensure that its workers meet and maintain the appropriate training, qualification, and certification requirements for the Work. [REDACTED] specific training requirements to safely perform this Work will be identified by the [REDACTED] authorized procurement representative or Buyers Technical Representative (BTR), in accordance with the [REDACTED] SUBCONTRACTOR Qualification and Training Plan. The SUBCONTRACTOR shall ensure that training requirements are identified, understood, and workers are trained prior to initiating Work under this Subcontract.
- B. The SUBCONTRACTOR, at the request of the [REDACTED] authorized procurement representative, shall provide a list of qualified SUBCONTRACTOR employees and associated documentation, including certifications, to demonstrate the SUBCONTRACTOR employees meet the necessary qualifications required under this Subcontract.
- C. The SUBCONTRACTOR shall be charged for any SUBCONTRACTOR employees that are no-shows at scheduled training classes, unless the [REDACTED] Training BTR is notified at least three (3) working days in advance of the scheduled training class. Contact information for the [REDACTED] Training BTR will be provided, upon SUBCONTRACTOR's documented request, by the [REDACTED] authorized procurement representative. The no-show fee shall be based on the actual cost identified by the [REDACTED] Training organization for each occurrence and be offset from any pending SUBCONTRACTOR invoice. Refund of charges, previously collected, will not be made after the date of final payment to the SUBCONTRACTOR.

3.7 Site Deliveries

- A. The SUBCONTRACTOR shall ensure that all shipments made to the Hanford site in performance of this Subcontract are packaged and loaded for safe handling and unloading. Any employee delivering to the Hanford site or to a [REDACTED] controlled facility shall wear appropriate protective equipment and may be required by [REDACTED] to wear specific personal protective equipment (hand, eye, head or foot protection). Deliveries to the Hanford site or [REDACTED] controlled facility may be refused and/or unloading work stopped by any employee for unsafe conditions or practices.

4.0 HAZARDOUS MATERIALS/WASTE

- A. Hazardous materials used and hazardous waste generated on the Hanford site by the SUBCONTRACTOR shall be transported, managed, handled, and otherwise treated, stored and disposed of in accordance with (i) applicable Federal, State of Washington, and local statutes, rules, regulations, and ordinances; (ii) applicable [REDACTED] Policies and Procedures; and (iii) SUBCONTRACTOR's established handling and management procedures, which are subject to review and approval by the [REDACTED] authorized procurement representative prior to the SUBCONTRACTOR starting the Work activity. [REDACTED] also reserves the right to review and approve the use of hazardous materials prior to use by the SUBCONTRACTOR on the Hanford site and require product substitution of less hazardous or non-regulated materials. The SUBCONTRACTOR shall minimize waste generation and prevent pollution as practicable.
- B. Material Safety Data Sheets (MSDS) for hazardous chemicals, as defined by 29 CFR 1910.1200, which will be used during the Work activity, shall be provided ten (10) working days prior to use on the Hanford site for [REDACTED] approval. These documents shall be submitted to the [REDACTED] authorized procurement representative. The SUBCONTRACTOR shall communicate the information required under the Federal Emergency Planning and Community Right-to-Know Act (including quantities used, dates brought on the Hanford site, types of containers, and locations of storage) to the [REDACTED] authorized procurement representative. The SUBCONTRACTOR shall also make available at each location, and review with its employees, information contained in the MSDS for the hazardous materials to be used.
- C. The SUBCONTRACTOR is responsible for reporting and remediating hazardous material and hazardous waste spills and other releases in accordance with (i) Federal, State of Washington, and local statutes, rules, regulations, and ordinances; and (ii) applicable [REDACTED] Policies and Procedures. Notwithstanding this provision, [REDACTED] can, at SUBCONTRACTOR's expense, assume responsibility for conducting remediation.

5.0 SECURITY

5.1 Badge Requirements

- A. Any worker assigned to Work in a Protected, Limited or Property Protection Area or an [REDACTED] facility shall be required to wear a security badge identifying the worker. The SUBCONTRACTOR shall comply with all badging, training, and procedural requirements, as directed by the [REDACTED] authorized procurement representative. The identification badge shall be worn in plain view, above the waist, and on the front of the body.
- B. The [REDACTED] authorized procurement representative will authorize security badges for all SUBCONTRACTOR workers. Security badges will be issued/approved by Hanford Security, after successful completion of Hanford General Employee Training (HGET) at location(s) and schedule(s) provided by the [REDACTED] authorized procurement representative. The SUBCONTRACTOR's employees shall provide [REDACTED] the complete name (as it appears on the photo identification used), business address, social security number, country of citizenship, birth date, and the individual(s) city and state of birthplace of the individual(s) requiring a security badge(s). This shall be at least two (2) working days prior to the date that the employee(s) require(s) the security badge(s) for Work performance. Each employee requiring a badge must appear in person with photo identification (e.g., valid driver's license) to identify himself/herself to obtain the security badge.
- C. The SUBCONTRACTOR shall identify and obtain [REDACTED] approval prior to allowing access and/or a Hanford site security badge to a foreign national. Requests for foreign national security badge(s) shall be made to the [REDACTED] authorized procurement representative ten (10) working days prior to the start of visit/assignment by a national of a non-sensitive country to non-sensitive facilities, or thirty (30) days prior for a sensitive country national, or access to sensitive facilities.
- D. If a SUBCONTRACTOR employee misplaces a security badge, the loss shall be reported immediately to the [REDACTED] authorized procurement representative.
- E. Upon completion of the SUBCONTRACTOR's Work, and before final payment shall be made, all badges issued to the SUBCONTRACTOR shall be returned to the issuing office or as otherwise directed by the [REDACTED] authorized procurement representative. A fee of \$1,000 shall be charged and be offset from any pending SUBCONTRACTOR invoice for each security badge not returned. Refund of charges, previously collected for security badges subsequently found will not be made after the date of final payment to the SUBCONTRACTOR.

5.2 Prohibited Articles

- A. The SUBCONTRACTOR's employees shall not personally carry, or otherwise transport or transfer, certain items of personal property onto the Hanford site or any GOVERNMENT-owned or leased facility on which the SUBCONTRACTOR is performing Work under this Subcontract. The items considered to be prohibited are specified in this provision. This list is not intended to be comprehensive nor complete. For clarification of any questionable item, the SUBCONTRACTOR shall contact the [REDACTED] authorized procurement representative prior to carrying, or otherwise transporting or transferring such item onto the Hanford site or any Government-owned or leased facility.
1. The following categories of items are normally prohibited from work locations anywhere on the Hanford site or in site-associated facilities:
- Dangerous weapons, ammunition, explosives, incendiary devices, or similar devices, which could cause damage or personal injury.
 - Controlled substances, drug paraphernalia, and alcoholic beverages (including "near and non-alcoholic" beer).
 - Any items prohibited by law.

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2. In addition to the items listed above, the following items of privately owned property are prohibited within Limited, Protected, Material Access Areas:
 - a. Radio transmitters and cellular telephones.
 - b. Computers and associated media able to record, read, or transmit data as stand alone units including but not limited to MP3 players (Apple iPods or similar) and other personal electronic devices.
 - c. Recording equipment (audio, video, and data).
 - d. Cameras (still, motion picture, video).
 - e. Electronic equipment with a data exchange port capable of being connected to automated information system equipment.
 - f. Personal protective sprays.
- B. If the SUBCONTRACTOR needs any kind of prohibited item to meet a requirement of this Subcontract, the SUBCONTRACTOR shall contact the [REDACTED] authorized procurement representative five (5) working days prior to bringing any of the above items on the Hanford site for guidance in acquiring the necessary property pass.
- C. The SUBCONTRACTOR and their vehicles, packages, or other types of containers are subject to a search for prohibited articles at any time while performing Work on the Hanford site or any associated Government-facilities.

5.3 Personnel Security Qualifications

- A. If Work to be performed under this Subcontract requires SUBCONTRACTOR employees to acquire, or be granted, security clearances, certain information may be required to permit the Government to grant the clearance(s). Typical information includes, but may not be limited to, the following:
 1. Verification of United States citizenship.
 2. A credit check.
 3. Verification of high school degree/diploma or degree/diploma granted by an institution of higher learning within the last five (5) years.
 4. Personal references.
 5. Local law enforcement checks when state or local law, statute, or regulation does not prohibit such checks.
- B. When a security clearance will be required, the SUBCONTRACTOR's personnel job qualifications and suitability must be established before a request is made to the [REDACTED] authorized procurement representative for a security clearance. The SUBCONTRACTOR's employee that is selected will be subject to a Government background investigation and must meet eligibility requirements for access to classified matter.
- C. When SUBCONTRACTOR personnel are being hired specifically for a position, which shall require a Government security clearance, the employee shall not be placed in that position prior to the security clearance being granted by the Government.
- D. The SUBCONTRACTOR is responsible for maintaining satisfactory standards for worker qualifications, performance, conduct, and business ethics under its own personnel policies.

6.0 MEDICAL EVALUATIONS

- A. [REDACTED] may require SUBCONTRACTOR's employees to undergo medical evaluations, which may include medical qualification and medical monitoring, at [REDACTED] expense, excluding requirements contained in Article 12.0 (DEAR 970.5223-4 - Workplace Substance Abuse Programs at DOE Sites - DEC 2000). The medical evaluation requirements will be communicated to the SUBCONTRACTOR through the [REDACTED] authorized procurement representative specified in the Subcontract.
- B. The Site Occupational Medical Contractor (SOMC) shall perform all medical examinations required for performance of this Work.
- C. In the event that the SUBCONTRACTOR worker is determined medically unable to safely perform the assigned Work, the SUBCONTRACTOR shall be responsible for reassigning the worker, providing the appropriate accommodations, or providing qualified replacement workers as required by [REDACTED].
- D. The SUBCONTRACTOR shall be charged for any SUBCONTRACTOR employees that are no-shows at the scheduled medical evaluations, unless the [REDACTED] authorized procurement representative is notified three (3) working days in advance of the scheduled appointment. The no-show fee shall be \$500 for each occurrence and be offset from any pending SUBCONTRACTOR invoice.

7.0 RADIATION PROTECTION

- A. The SUBCONTRACTOR shall ensure that all workers and other persons under its control comply with the requirements of the [REDACTED] Radiation Protection Program, as implemented by the [REDACTED] Radiological Control Manual, and procedures pertaining to control of radiation and/or contamination as set forth herein. If the Subcontract involves Work in areas that are controlled for radiological purposes, the SUBCONTRACTOR workers shall undergo required [REDACTED] radiological training and/or orientation or be escorted by qualified personnel.
- B. SUBCONTRACTORs performing radiological work for [REDACTED], shall develop an As Low as Reasonably Achievable (ALARA) Policy statement endorsed by the SUBCONTRACTOR's Senior Executive(s). The ALARA Policy shall be issued in writing to the SUBCONTRACTOR's workers and the [REDACTED] authorized procurement representative. The SUBCONTRACTOR's line management

ON-SITE WORK PROVISIONS

shall be held responsible assuring strict adherence to the policy. This policy shall comply with all [REDACTED] ALARA policies and procedures.

- C. [REDACTED] requirement is to conduct worker surveys immediately upon exiting a contamination area, high contamination area, radiological buffer area established for contamination control, or airborne radioactivity area. The SUBCONTRACTOR's agree that its workers shall submit to such a survey and, if necessary, decontamination procedures.
- D. [REDACTED] shall conduct radiological surveys for the release of equipment, tools, or other personal property brought into areas controlled for radiological purposes. It shall be understood by the SUBCONTRACTOR that any material or equipment brought into [REDACTED] Contamination Areas without prior release methodology approved by [REDACTED] may not be released, depending on [REDACTED] determination of eligibility for release. [REDACTED] assumes no liability for such materials or equipment. [REDACTED] shall decontaminate, destroy or dispose of such unapproved contaminated property at the expense of the SUBCONTRACTOR.
- E. The SUBCONTRACTOR shall obtain [REDACTED] Radiological Control approval through the authorized procurement representative five (5) working days in advance to bringing a radioactive source, radiation generating device or radiation monitoring instrumentation that utilizes a radioactive source as a check source, "Keep Alive" source or stabilization seeds on the Hanford site. The approval request must contain the off-site company name, US NRC or agreement state license requirements including proof of training and training topics, copies of emergency and operating procedures, source isotope, source activity, physical nature of the source (liquid, gas or solid), radiation dose rates, whether the source is shielded or unshielded, the location of source while on the Hanford site, the custodian of the source (point of contact), and the expected arrival and departure dates. The SUBCONTRACTOR will notify the [REDACTED] authorized procurement representative in writing when the source has been removed from the Hanford Site.
- F. In the event that efforts under this Subcontract involve Work in areas controlled for radiological purposes or result in routine exposure to radioactive materials, in-vivo/in-vitro radiation bioassays may be required before, during and after the Work. The need for a radiation bioassay will be determined based on evaluations by [REDACTED] Radiation Control organization and cognizant [REDACTED] project management. These requirements will be controlled through the radiation work permit or work control process. The Pacific Northwest National Laboratory (PNNL) Dosimetry Services shall perform all in-vivo/in-vitro radiation bioassay required for performance of this Work. [REDACTED] shall provide in-vivo/in-vitro radiation bioassays at no cost to the SUBCONTRACTOR. Individual occupational exposure records generated in the performance of this Subcontract will be maintained by PNNL Dosimetry Services. The radiation doses received by the SUBCONTRACTOR's workers will be reported to the individual at the conclusion of the Subcontract or calendar year.

The SUBCONTRACTOR shall be charged for any workers that are no-shows at the scheduled in-vivo/in-vitro radiation bioassays, unless the [REDACTED] authorized procurement representative is notified three (3) working days in advance of the scheduled appointment. The no-show fee shall be \$500 for each occurrence and be offset from any pending SUBCONTRACTOR invoice for each deficient examination. Refund of charges, previously collected, will not be made after the date of final payment to the SUBCONTRACTOR.

- G. Each worker of the SUBCONTRACTOR may be issued a radiation dosimeter for performance of the Work under this Subcontract. Radiation dosimeters will be issued in accordance with [REDACTED] procedures. The following radiation dosimetry requirements apply to all SUBCONTRACTOR workers issued radiation dosimeters:
1. SUBCONTRACTOR agrees to comply with approved [REDACTED] procedures for assignment, wearing, and return of radiation dosimeters.
 2. If a Subcontract performance period extends beyond the last Friday of the current calendar year, arrangements for issuance of a new radiation dosimeter must be made through [REDACTED] before that date.
 3. Radiation dosimeters, which expire at the end of a calendar year, must be returned by January 15 of the next calendar year.
 4. All other issued radiation dosimeters must be returned within thirty (30) calendar days after the completion of the Work or prior to final payment under the Subcontract, whichever is earliest.

Upon completion of the SUBCONTRACTOR's Work, and before final payment shall be made, all dosimeters issued to the SUBCONTRACTOR shall be returned to the issuing office or as otherwise directed by the [REDACTED] authorized procurement representative. A fee of \$1,000 shall be charged and be offset from any pending SUBCONTRACTOR invoice for each dosimeter not returned during performance or completion of this Subcontract as prescribed in this provision. Refund of charges, previously collected for dosimeters subsequently found, will not be made after the date of final payment to the SUBCONTRACTOR.

- H. Instruments used by the SUBCONTRACTOR for radiological monitoring must be approved by the [REDACTED] RadCon organization. This approval shall be obtained by the SUBCONTRACTOR through the [REDACTED] authorized procurement representative.

8.0 SUBCONTRACTOR FURNISHED MATERIALS AND/OR TOOLS

A. If the SUBCONTRACTOR is required to furnish, and bring on the Hanford site, its own materials and tools, the SUBCONTRACTOR shall contact the [REDACTED] authorized procurement representative five (5) working days prior to bringing the items onto the Hanford site. The [REDACTED] authorized procurement representative shall arrange for a property pass to be issued by [REDACTED] to the SUBCONTRACTOR before the SUBCONTRACTOR may bring non-Government owned property onto the Hanford site or to take such property off the Hanford site.

- B. The SUBCONTRACTOR shall not bring to the [REDACTED] nor use beryllium alloy tools in the performance of the Work.

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9.0 INSURANCE

- A. The SUBCONTRACTOR, as required, shall procure and maintain at its own expense, the insurance policies and coverage limits described below unless waived in writing by the [REDACTED] authorized procurement representative. The SUBCONTRACTOR shall ensure that lower-tier Subcontractor agreements, at a minimum, duplicate the insurance policies and coverage limits required of the SUBCONTRACTOR, if lower-tier Subcontractors will perform Work at the Hanford site, unless waived by the [REDACTED] authorized procurement representative. The waiver shall not apply to insurance required by statute.
1. Workers Compensation, Occupational Disease, Disability Benefit, and other similar employee benefit insurance required under the laws of the State that apply to the Work to be performed under this Subcontract.
 2. Commercial General Liability Insurance, including Employers Liability and Owner's and SUBCONTRACTOR's Protective and Contractual Liability, with a combined single limit of at least \$1,000,000 per occurrence for bodily injury (including death), property damage, and any other covered loss.
 3. Automobile Liability Insurance for all motor vehicles, including owned, non-owned, and hired motor vehicles, used by or on behalf of The SUBCONTRACTOR in connection with Work to be performed under this Subcontract with a combined single limit of at least \$1,000,000 per occurrence for bodily injury (including death), property damage, and any other covered loss. If hazardous materials are to be transported, SUBCONTRACTOR shall maintain liability insurance evidenced by ISO Form CA001 with MCS-90 and CA9948 endorsements attached.
 4. Tool and Equipment Insurance for all tools and equipment, including rentals, used in connection with the Work to be performed under this Subcontract.
 5. The SUBCONTRACTOR shall furnish the [REDACTED] authorized procurement representative an insurance certificate with satisfactory evidence of SUBCONTRACTOR provided insurance, unless waived in writing by the [REDACTED] authorized procurement representative prior to commencing Work under this Subcontract. A provision shall be included in the insurance coverage that provides at least thirty (30) days prior written notice is given to the [REDACTED] authorized procurement representative in the event of cancellation or material change. In addition, the following requirements apply: (i) coverage evidenced by SUBCONTRACTOR provided insurance policies shall be primary; (ii) such policies shall contain a Separation of Insured clause and Waiver of Subrogation in favor of [REDACTED] and the Government; and (iii) the SUBCONTRACTOR shall name [REDACTED] and the Government as additional parties insured on all such policies.

10.0 EMERGENCY MANAGEMENT

- A. The SUBCONTRACTOR performing Work on the Hanford site shall comply with the portions of the Hanford Emergency Management Plan (DOE/RL-94-02 current revision) applicable to the Work being performed.
- B. The Manager, U.S. Department of Energy, Richland Operations Office (DOE-RL) or designee shall have sole discretion to determine when an emergency situation exists as a result of facility operations within the physical boundaries defined in this Subcontract affecting personnel, public health, safety, the environment, or security. The Manager, Richland Operations Office, or designee has the discretion to determine when an emergency condition exists elsewhere on the Hanford site that may affect DOE-RL employees. In the event the Manager, DOE-RL, or designee, determines such an emergency exists, the Manager, DOE-RL, or designee, will have the authority to direct any and all activities of the SUBCONTRACTOR and lower-tier Subcontractors necessary to resolve the emergency situation. The Manager, DOE-RL, or designee may direct the activities of the SUBCONTRACTOR and lower-tier Subcontractors throughout the duration of the emergency.
- C. The SUBCONTRACTOR shall include this clause in all lower-tier Subcontracts for Work performed at the Hanford site.

11.0 SHUTDOWN AUTHORIZATION

- A. In the event of a specific imminent environmental, health, or safety hazard, identified by facility line management, U.S. Department of Energy (DOE) Facility Representatives, operators, or facility health and safety personnel overseeing facility operations, the individual or group identifying the specific imminent hazard situation shall immediately take actions to eliminate or mitigate the hazard. This shall be accomplished by directing the operator/implementer of the activity or process causing the imminent hazard to shutdown the activity or the facility or by initiating emergency response actions or other actions to protect the health and safety of the workers and the public and to protect Government facilities and the environment. Government-designated Facility Representatives provide technical oversight of operations to help line management ensure that the facilities are operated in a safe, healthful, and environmentally acceptable manner in accordance with DOE Orders and other requirements. As such, these individuals have "Stop Work" and "Shutdown Authorization" authority.

In the event an imminent environmental, health, or safety hazard is identified, the individual or group that identified the hazard shall coordinate with an appropriate SUBCONTRACTOR official, who will direct as needed, broader shutdown actions or other actions, as required. Such mitigating actions shall be subsequently coordinated with the Manager, Office of River Protection, the facility/site DOE management, and the facility/site SUBCONTRACTOR management. The shutdown direction shall be promptly confirmed in writing from the cognizant [REDACTED] authorized procurement representative.

This authority is in addition to the provision entitled Integration of Environment, Safety, Health and Quality (ESH&Q) into Work Planning and Execution.

- B. In the event of a non-imminent environmental, health, or safety hazard identified by facility line managers, facility operators, health and safety personnel overseeing facility operations, or by independent oversight organizations, the individual or group identifying the potential environmental, health or safety hazard may recommend corrective action or facility shutdown. However, the recommendation must be coordinated with the SUBCONTRACTOR management at the facility, the responsible DOE Manager, and the Manager, Office of River

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Protection. Any written direction to shutdown operations will be issued in coordination with the [REDACTED] authorized procurement representative.

- C. After shutdown by DOE, an operation or facility may become operational only after receiving written authorization from the Manager, Office of River Protection, or his delegated authority, in coordination with the [REDACTED] authorized procurement representative.
- D. The SUBCONTRACTOR shall provide in its procurement system policies, practices, and procedures for the flow down of appropriate requirements of this provision to lower-tier Subcontractors performing Work on the Hanford site, or at a Government-owned or leased facility. Such lower-tier Subcontracts shall be provided the right to stop Work under the conditions described under this Article.

12.0 SUPPLEMENTAL TERMS & CONDITIONS

DEAR 970.5223-4 - WORKPLACE SUBSTANCE ABUSE PROGRAMS AT DOE SITES (DEC 2000) (Applicable only if invoked in the Subcontract's Statement of Work)

- A. The SUBCONTRACTOR shall, consistent with 10 CFR Part 707, Workplace Substance Abuse Programs at Government-sites, incorporated herein by reference with full force and effect, develop, implement, and maintain a workplace substance abuse program, as required. General requirements are for Subcontracts with a value of \$25,000 or more and work involves (1) access to or handling of classified information or special nuclear materials; (2) high risk of danger to life, the environment, public health and safety, or national security; or (3) transportation of hazardous materials to or from a Government-site. The SUBCONTRACTOR, prior to commencing work will submit its workplace substance abuse program to the [REDACTED] authorized procurement representative for approval.
- B. In addition to any other remedies available to [REDACTED] the SUBCONTRACTOR's failure to comply with the requirements of 10 CFR Part 707 or to perform in a manner consistent with its approved program may render the SUBCONTRACTOR subject to the suspension of Subcontract payments, or, where applicable, a reduction in award fee; termination for default; and suspension or debarment.
- C. The SUBCONTRACTOR agrees to notify the [REDACTED] authorized procurement representative reasonably in advance of, but not later than thirty (30) days prior to, the award of any lower-tier Subcontract the SUBCONTRACTOR believes may be subject to the requirements of 10 CFR Part 707.
- D. The SUBCONTRACTOR shall be subject to the provisions of 10 CFR Part 707 and agrees to develop and implement a Workplace Substance Abuse Program that complies with the requirements of 10 CFR Part 707, Workplace Substance Abuse Programs at Government-sites. [REDACTED] will review and approve each SUBCONTRACTOR's program, and shall periodically monitor the SUBCONTRACTOR's implementation of the program for effectiveness and compliance with 10 CFR Part 707.
- E. The SUBCONTRACTOR agrees to include, and require that the inclusion of, the requirements of this clause in all lower-tier Subcontracts, at any tier, that are subject to the provisions of 10 CFR Part 707.

DEAR 952.203-70 WHISTLEBLOWER PROTECTION FOR SUBCONTRACTOR EMPLOYEES (DEC 2000)

- A. The SUBCONTRACTOR shall comply with the requirements of the "DOE Contractor Employee Protection Program" at 10 CFR Part 708 for Work performed on behalf of the Government directly related to activities at Government-owned or leased sites.
- B. The SUBCONTRACTOR shall insert or have inserted the substance of this clause including this paragraph (B) in Subcontracts at all tiers, for lower-tier Subcontracts involving work performed on behalf of GOVERNMENT directly related to activities at Government-owned or leased sites.

DEAR 970.5222-1 COLLECTIVE BARGAINING AGREEMENTS-MANAGEMENT AND OPERATING CONTRACTS (DEC 2000)

- A. When negotiating collective bargaining agreements applicable to the work force under this Subcontract, the SUBCONTRACTOR shall use its best efforts to ensure such agreements contain provisions designed to assure continuity of services. All such agreements entered into during the Subcontract period of performance should provide that grievances and disputes involving the interpretation or application of the agreement will be settled without resorting to strike, lockout, or other interruption of normal operations. For this purpose, each collective bargaining agreement should provide an effective grievance procedure with arbitration as its final step, unless the parties mutually agree upon some other method of assuring continuity of operations. As part of such agreements, management and labor should agree to cooperate fully with the Federal Mediation and Conciliation Service. The SUBCONTRACTOR shall include the substance of this clause in any lower-tier Subcontracts for protective services or other services performed on a Government-owned site, which will affect the continuity of operation of the facility.

ON-SITE WORK PROVISIONS

NON-DISCLOSURE AGREEMENT

In anticipation of being provided access to documentation, information and business related strategies related to the prime contract between [REDACTED] and the U. S. Department of Energy (DOE), hereinafter known as the [REDACTED] Contract, [REDACTED] (Individual Name) (herein after Subcontractor's Employee) recognizes that the work is particularly sensitive and that Subcontractor's Employee may be provided access to information of a sensitive business nature to [REDACTED]

Subcontractor's Employee is also aware that other information that Subcontractor's Employee may have access to during the Project may or may not be proprietary to [REDACTED] but because of the nature of the information (e.g. financial data, strategies, contract information marked competition or procurement sensitive etc.) remains business sensitive.

Therefore, Subcontractor's Employee agrees to keep confidential and not disclose during the term of the Project, all information (whether technical, financial, contractual, or otherwise) received from [REDACTED] or generated for [REDACTED] related to the Project, unless authorized to do otherwise. The obligation of non-disclosure includes but is not limited to, the discussion with other authorized persons outside of facilities set aside for the conduct of the work related to the Project.

Subcontractor's Employee recognizes and agrees that damages associated with the breach of this Non-Disclosure agreement are difficult and impractical to calculate and therefore [REDACTED] may seek among other legal remedies, injunctive relief in a court of competent jurisdiction, to prevent breach of this agreement.

Subcontractor's Employee agrees to be bound to the terms of this Non-Disclosure agreement whether or not Subcontractor's Employee remains employed with Subcontractor and whether or not the Project has been completed.

Signature

Print Name

Date

EXHIBIT 31.1

CERTIFICATIONS

I, Louis F. Centofanti, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: August 8, 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 quarterly report on Form 10-Q 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: August 8, 2008

/s/ Steven T. Baughman

Steven T. Baughman
Vice President and

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 Quarterly Report of Perma-Fix Environmental Services, Inc. ("PESI") on Form 10-Q for the quarter ended June 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), 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-Q 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 8, 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. (“PEST”) on Form 10-Q for the quarter ended June 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), 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-Q 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 8, 2008

/s/ Steven T. Baughman
Steven T. Baughman
Vice President and 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.
