PERMA FIX ENVIRONMENTAL SERVICES INC
Form 10-K
March 11, 2011

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

FORM 10-K

xANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010
or
oTRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File No. 1-11596

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

Delaware State or other jurisdiction of incorporation or organization		58-1954497 (IRS Employer Identification Number)
8302 Dunwoody Place, #250, Atlanta, GA (Address of principal executive offices)		30350 (Zip Code)
(Registrant's telephone number)	(770) 587-9898	

Securities registered pursuant to Section 12(b) of the Act: Title of each class	Name of each exchange on which registered
Common Stock, $.001 Par Value	NASDAQ Capital Markets

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Sec.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).
Yes o No o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. 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 o Accelerated Filer x Non-accelerated Filer o Smaller reporting company o

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

The aggregate market value of the Registrant's voting and non-voting common equity held by nonaffiliates of the Registrant computed by reference to the closing sale price of such stock as reported by NASDAQ as of the last business day of the most recently completed second fiscal quarter (June 30, 2010), was approximately $83,306,000. For the purposes of this calculation, all executive officers and directors of the Registrant (as indicated in Item 12) are deemed to be affiliates. Such determination should not be deemed an admission that such directors or officers, are, in fact, affiliates of the Registrant. The Company's Common Stock is listed on the NASDAQ Capital Markets.

As of February 25, 2011, there were 55,100,732 shares of the registrant's Common Stock, $.001 par value, outstanding.

Documents incorporated by reference: none

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PART I

ITEM 1. BUSINESS

Company Overview and Principal Products and Services

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

Nuclear Waste Management Services ("Nuclear Segment"), which includes:

- Treatment, storage, processing and disposal of mixed waste (which is waste that contains both low-level radioactive and hazardous waste) including on and off-site waste remediation and processing;
- Nuclear, low-level radioactive, and mixed waste treatment, processing and disposal; and
- Research and development of innovative ways to process low-level radioactive and mixed waste.

Consulting Engineering Services ("Engineering Segment"), which includes:

- Consulting services regarding broad-scope environmental issues, including air, water, and hazardous waste permitting, air, soil, and water sampling, compliance reporting, emission reduction strategies, compliance auditing, and various compliance and training activities to industrial and government customers, as well as engineering and compliance support needed by our other segments.

During October 2010, our Board of Directors authorized the divestiture of our three remaining operations within our Industrial Segment, Perma-Fix of Fort Lauderdale, Inc. ("PFFL"), Perma-Fix of South Georgia, Inc. ("PFSG"), and Perma-Fix of Orlando, Inc. ("PFO"). The decision to sell these remaining three operations within our Industrial Segment is based on our belief that our Nuclear Segment represents a sustainable long-term growth driver of our business. During February 2011, we entered into two separate letters of intent ("LOIs") with a hazardous waste management company to sell our PFFL and PFO operations. Both of the LOIs are subject to numerous conditions, including, but not limited to, completion of due diligence by the buyer, negotiation and execution of definitive agreements, and approval by the Board of Directors of both companies. See "Discontinued Operations and Divestitures" under "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion of these LOIs and proposed transactions. We are actively marketing the sale of PFSG.

On October 6, 2010, PFFL, PFSG, and PFO met the held for sale criteria under ASC 360, "Property, Plant, and Equipment", and therefore, certain assets and liabilities of these facilities have been reclassified as discontinued operations in the Consolidated Balance Sheet, and we have ceased depreciation of these facilities' long-lived assets classified as held for sale. The results of operations and cash flows of these three operations have been reported in the Consolidated Financial Statements as discontinued operations for all periods presented.

We have grown through acquisitions and internal growth. Our goal is to continue focus on the efficient operation of our facilities within our Nuclear and Engineering Segments, evaluate strategic acquisitions primarily within the Nuclear Segments, and to continue the research and development of innovative technologies to treat nuclear waste, mixed waste, and industrial waste. Our Nuclear Segment represents our core business segment.

We service research institutions, commercial companies, public utilities, and governmental agencies nationwide, including the Department of Energy ("DOE") and Department of Defense ("DOD"). The distribution channels for our services are through direct sales to customers or via intermediaries.

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

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Website access to Company's reports

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

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

Segment Information and Foreign and Domestic Operations and Export Sales

During 2010, we were engaged in two operating segments. In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 280, "Segment Reporting", 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 Chief Executive Officer to make decisions about resources to be allocated and assess its performance; and
- for which discrete financial information is available.

We therefore define our operating segments as each business line that we operate. These segments, however, exclude the Corporate and Operation Headquarters, which do not generate revenue, and our discontinued operations that constitute our Industrial Segment: Perma-Fix of Michigan Inc. ("PFMI"), Perma-Fix of Pittsburgh, Inc. ("PFP"), and Perma-Fix of Memphis, Inc. ("PFM"), three non-operational facilities within our Industrial Segment which were approved as discontinued operations by our Board of Director effective November 8, 2005, October 4, 2004, and March 12, 1998, respectively; Perma-Fix of Maryland, Inc. ("PFMD"), Perma-Fix of Dayton, Inc. ("PFD"), and Perma-Fix Treatment Services, Inc. ("PFTS"), three Industrial Segment facilities which were divested in January 2008, March 2008, and May 2008, respectively; and PFFL, PFO, and PFSG, which were reclassified as discontinued operations in October 2010, as discussed previously.

Most of our activities are conducted nationwide. We do not own any foreign operations and we had no export sales during 2010.

Operating Segments

We have two operating segments, which represent each business line that we operate. The Nuclear Segment, which operates four facilities and the Engineering Segment, as described below:

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

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

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Diversified Scientific Services, Inc. ("DSSI"), located in Kingston, Tennessee, specializes in the processing and destruction of liquids, sludges, and certain solid forms of mixed waste. DSSI, like PFF, is one of only a few facilities nationally to operate under both a hazardous waste permit and a radioactive materials license. Additionally, DSSI is the only commercial facility of its kind in the U.S. that is currently operating and licensed to destroy liquid organic mixed waste in a permitted combustion treatment unit. DSSI provides mixed waste disposal services for nuclear utilities, commercial generators, prominent pharmaceutical companies, and agencies and contractors of the U.S. government, including the DOE and the DOD. On November 26, 2008, the U.S. EPA Region 4 issued an authorization to DSSI to commercially store and dispose of radioactive Polychlorinated Biphenyls ("PCBs").

East Tennessee Materials & Energy Corporation ("M&EC"), located in Oak Ridge, Tennessee, is a mixed waste treatment facility. M&EC operates under both a hazardous waste permit and radioactive materials license. M&EC represents the largest of our four mixed waste facilities, covering 150,000 sq. ft., and is located in leased facilities at the DOE East Tennessee Technology Park. In the second quarter of 2008, M&EC was awarded a subcontract by CH Plateau Remediation Company ("CHPRC") to perform a portion of facility operations and waste management activities for the DOE Hanford, Washington site. The general contract awarded by the DOE to CHPRC and our subcontract ("CHPRC subcontract") 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. On October 1, 2008, operations of this subcontract commenced at the DOE Hanford Site.

Perma-Fix Northwest Richland, Inc. ("PFNWR"), located in Richland, Washington, is a permitted low level radioactive and mixed waste treatment, storage and disposal facility located adjacent to the Hanford Site in the eastern part of the state of Washington. The DOE's Hanford Site is subject to one of the largest, most complex, and costliest DOE clean up plans. The strategic addition of PFNWR facility in 2007 provides the Company with immediate access to treat some of the most complex nuclear waste streams in the nation. PFNWR predominately provides waste treatment services to contractors of government agencies, in addition to commercial generators.

For 2010, the Nuclear Segment accounted for $95,332,000 or 97.5% of total revenue from continuing operations, as compared to $89,011,000 or 96.3% of total revenue from continuing operations for 2009. See " – Dependence Upon a Single or Few Customers" and "Financial Statements and Supplementary Data" for further details and a discussion as to our Nuclear Segment's contracts with the federal government or with others as a subcontractor to the federal government.

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

Schreiber, Yonley & Associates ("SYA") is located in Ellisville, Missouri. SYA specializes in air, water, and hazardous waste permitting, air, soil, and water sampling, compliance reporting, emission reduction strategies, compliance auditing, and various compliance and training activities to industrial, education, healthcare, and service organizations, as well as, engineering and compliance support needed by our other segments.

During 2010, environmental engineering and regulatory compliance consulting services accounted for approximately $2,458,000 or 2.5% of our total revenue from continuing operations, as compared to approximately $3,382,000 or 3.7% in 2009. See "Financial Statements and Supplementary Data" for further details.

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Discontinued Operations

Our discontinued operations includes the following facilities within our Industrial Segment: PFMI, PFP, and PFM, three non-operational facilities; PFMD, PFD, and PFTS, three Industrial Segment facilities which were divested in January 2008, March 2008, and May 2008, respectively; and PFFL, PFO, and PFSG, which were reclassified as discontinued operations in October 2010, as discussed previously.

Our discontinued operations generated $9,248,000 and $8,283,000 of revenue in 2010 and 2009, respectively.

Acquisition – Letter of Intent ("LOI")

During February 2011, the Company entered into a LOI to acquire a company which provides environmental and nuclear waste management services similar to our business ("potential company"). We believe that this acquisition, if completed, would help us to leverage our on-site nuclear waste management to broader customers and markets with a more comprehensive nuclear service offering complementing our unique facilities-based treatment. During 2010, our Nuclear Segment expanded its field services initiative in the form of an On-Site Service business group. This expanded initiative was primarily the effort to leverage the experience gained from the facilities-based treatment and operational management at the Hanford Site resulting from the subcontract awarded by CHPRC, a general contractor to the DOE, to our M&EC facility during the second quarter of 2008. See "Acquisition – Letter of Intent ("LOI") under "Management Discussion and Analysis of Financial Condition and Results of Operations" for further discussion of this proposed transaction.

Importance of Patents, Trademarks and Proprietary Technology

We do not believe we are dependent on any particular trademark in order to operate our business or any significant segment thereof. We have received registration to May 2012, for the service mark "Perma-Fix Environmental Services" and an application for renewing the "Perma-Fix" service mark registration is pending with the U.S. Patent and Trademark Office.

We are active in the research and development ("R&D") of technologies that allow us to address certain of our customers' environmental needs. To date, our R&D efforts have resulted in the granting of eight active patents and the filing of several pending patent applications. These eight active patents have remaining life ranging from approximately nine to twenty four years. Our flagship technology, the Perma-Fix Process, is a proprietary, cost effective, treatment technology that converts hazardous waste into non-hazardous material. Subsequently, we developed the Perma-Fix II process, a multi-step treatment process that converts hazardous organic components into non-hazardous material. The Perma-Fix II process is particularly important to our mixed waste strategy.

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

Permits and Licenses

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

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Nuclear Segment:
PFF operates its hazardous, mixed and low-level radioactive waste activities under a RCRA ("Resource Conservation and Recovery Act") Part B permit, Toxic Substances Control Act ("TSCA") authorization, and a radioactive materials license issued by the State of Florida.

DSSI operates hazardous, mixed and low-level radioactive waste activities under a RCRA Part B permit and a radioactive materials license issued by the State of Tennessee. On November 26, 2008, the U.S. EPA Region 4 issued an authorization to DSSI to commercially store and dispose of radioactive PCBs. DSSI began the permitting process to add TSCA regulated wastes, namely PCBs, containing radioactive constituents to its authorization in 2004 in order to meet the demand for the treatment of government and commercially generated radioactive PCB wastes.

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

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

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

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 generally slows down, as the government budgets are still being finalized, planning for the new year is occurring, and we enter the holiday season. This trend generally continues into the first quarter of the new year as government entities evaluate their spending priorities. Because government spending is contingent upon its annual budget and allocation of funding, we cannot provide assurance that we will not have large fluctuations in the quarters in the near future. In addition, higher government (specifically DOE) funding made available through the economic stimulus package (American Recovery and Reinvestment Act) enacted by Congress in February 2009, could result in large fluctuations in 2011.

Backlog
The Nuclear Segment of our Company maintains a backlog of stored waste, which represents waste that has not been processed. The backlog is principally a result of the timing and complexity of the waste being brought into the facilities and the selling price per container. As of December 31, 2010, our Nuclear Segment had a backlog of approximately $6,876,000, as compared to approximately $16,898,000 as of December 31, 2009. Additionally, the time it takes to process mixed waste from the time it arrives may increase due to the types and complexities of the waste we are currently receiving. We typically process our backlog during periods of low waste receipts, which historically has been in the first or fourth quarter.

Dependence Upon a Single or Few Customers
Our Nuclear Segment has a significant relationship with the federal government, and continues to enter into, contracts with (directly or indirectly as a subcontractor) the federal government. The contracts that we are a party to with the federal government or with others as a subcontractor to the federal government generally provide that the government may terminate or renegotiate the contracts on 30 days notice, 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.

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We performed services relating to waste generated by the federal government, either directly or indirectly as a subcontractor (including Fluor Hanford and CHPRC as discussed below) to the federal government, representing approximately $80,275,000 or 82.1% of our total revenue from continuing operations during 2010, as compared to $75,013,000 or 81.2% of our total revenue from continuing operations during 2009, and $43,464,000 or 67.3% of our total revenue from continuing operations during 2008.

As previously discussed, in the second quarter of 2008, our M&EC facility was awarded a subcontract by CHPRC, a general contractor to the DOE, to participate in the cleanup of the central portion of the Hanford Site, which once housed certain chemical separation building and other facilities that separated and recovered plutonium and other materials for use in nuclear weapons. This subcontract is a cost plus award fee contract and provides 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. On October 1, 2008, operations of this subcontract commenced at the DOE Hanford Site. We believe full operations under this subcontract will result in revenues for on-site and off-site work of approximately $200,000,000 to $250,000,000 over the five year base period. As provided above, M&EC's subcontract is terminable or subject to renegotiation, at the option of the government, on 30 days notice. Effective October 1, 2008, CHPRC also began management of waste activities previously managed by Fluor Hanford, DOE's general contractor prior to CHPRC. Our Nuclear Segment had three previous subcontracts with Fluor Hanford which have been renegotiated by CHPRC to September 30, 2013. Revenues from CHPRC totaled $51,929,000 or 53.1%, $45,169,000 or 48.8%, and $8,120,000 or 12.6% of our total revenue from continuing operations for twelve months ended December 31, 2010, 2009, and 2008, respectively. As revenue from Fluor Hanford had been transitioned to CHPRC in 2008, revenue from Fluor Hanford totaled $0 or 0%, $0 or 0%, and $7,974,000 or 12.3%, of our consolidated revenue from continuing operations for the twelve months ended December 31, 2010, 2009, and 2008, respectively.

Competitive Conditions

The Nuclear Segment's largest competitor is EnergySolutions, which provides treatment and disposal capabilities at its Oak Ridge, Tennessee and Clive, Utah facilities. EnergySolutions presents the largest competitive challenge in the market. At present, EnergySolutions' Clive, Utah facility is one of the few radioactive disposal sites for commercially generated wastes in the country in which our Nuclear Segment can dispose of its nuclear waste. If EnergySolutions should refuse to accept our waste or cease operations at its Clive, Utah facility, such would have a material adverse effect on us for commercial wastes. However, with the recent radioactive disposal license granted to Waste Control Specialists ("WCS") located in Andrews, Texas, this risk could be reduced as WCS brings its disposal site online later in 2011 or early 2012. The Nuclear Segment treats and disposes of DOE generated wastes largely at DOE owned sites. Smaller competitors are also present in the market place; however, they do not present a significant challenge at this time. Our Nuclear Segment solicits business on a nationwide basis with both government and commercial clients.

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

Engineering Segment consulting services provided by us through SYA involve competition with larger engineering and consulting firms. We believe that we are able to compete with these firms based on our established reputation in these market areas and our expertise in several specific elements of environmental engineering and consulting such as environmental applications in the cement industry, emission reduction strategies, and Maximum Available Control Technology ("MACT") compliance.

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Capital Spending, Certain Environmental Expenditures and Potential Environmental Liabilities

Capital Spending

During 2010, our purchases of capital equipment totaled approximately $2,580,000, of which $1,642,000 and $938,000 was for our continuing and discontinued operations, respectively. Of the total capital spending, $71,000 and $358,000 was financed for our continuing and discontinued operations, respectively, resulting in total net purchases of $2,151,000 funded out of cash flow. These expenditures were for improvements to operations primarily within the Nuclear Segment and those facilities within the Industrial Segments which were reclassified as discontinued operations in October 2010. These capital expenditures were funded by the cash provided by operations and financing activities. We have budgeted approximately $2,600,000 for 2011 capital expenditures for our segments to expand our operations into new markets, reduce the cost of waste processing and handling, expand the range of wastes that can be accepted for treatment and processing, and to maintain permit compliance requirements. Certain of these budgeted projects are discretionary and may either be delayed until later in the year or deferred altogether. We have traditionally incurred actual capital spending totals for a given year less than the initial budget amount. The initiation and timing of projects are also determined by financing alternatives or funds available for such capital projects.

Environmental Liabilities

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

In June 1994, we acquired PFD, which we divested in March 2008. Prior to our acquisition of PFD in 1994, the former owners of PFD had merged Environmental Processing Services, Inc. ("EPS") with PFD. In acquiring PFD in 1994, we were indemnified by the seller for costs associated with remediating the property leased by EPS ("Leased Property"). Such remediation involves soil and/or groundwater restoration. The Leased Property used by EPS to operate its facility was separate and apart from the property on which PFD's facility was located. Upon the sale of PFD in March 2008 by Perma-Fix, we retained the environmental liability of PFD as it related only to the remediation of the EPS site. In 2010, a Revised Closure Plan was submitted to Ohio Environmental Protection Agency. In response to comments, the Plan is currently under final revision and will be submitted in 2011. Final remediation is also expected to begin in 2011. We have accrued approximately $448,000, at December 31, 2010, for the estimated, remaining costs of remediating the Leased Property, which will extend over the next six years.

In conjunction with our acquisition of Perma-Fix of Memphis, Inc. ("PFM"), we assumed and recorded certain liabilities to remediate gasoline contaminated groundwater and investigate potential areas of soil contamination on PFM's property. Prior to our ownership of PFM, the owners installed monitoring and treatment equipment to restore the groundwater to acceptable standards in accordance with federal, state and local authorities. In 2008, we completed all soil remediation with the exception of that associated with the groundwater contamination. In addition, we installed wells and equipment associated with groundwater remediation. We have accrued approximately $281,000 at December 31, 2010, for closure which we anticipate spending over the next five years.

In conjunction with the acquisition of PFSG, we initially recognized an environmental accrual of $2,200,000 for estimated long-term costs to remove contaminated soil and to undergo groundwater remediation activities at the acquired facility in Valdosta, Georgia. The remedial activities began in 2003. We have accrued approximately $1,500,000 at December 31, 2010, to complete remediation of the facility, which included an addition to the reserve of approximately $844,000 made in 2010 due to a change in scope of the remediation requirements mandated by the Georgia Environment Protection Division ("GEPD"). We anticipate spending the reserve over the next eight years.

As a result of the discontinued operations at the PFMI facility in 2004, we were required to complete certain closure and remediation activities pursuant to our RCRA permit, which were completed in January 2006. During 2006, based on state-mandated criteria, we began implementing a modified methodology to remediate the facility. In 2010, as required under a Consent Order, a closure plan was submitted, which is currently under revision to reflect comments from the regulators, and will be resubmitted in 2011. As of December 31, 2010, we have $27,000 accrued for the closure, and it is anticipated that closure activities, with the exception of post-closure monitoring, will be completed in 2011.

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

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

Research and Development

Innovation and technical know-how by our operations is very important to the success of our business. Our goal is to discover, develop and bring to market innovative ways to process waste that address unmet environmental needs. We conduct research internally, and also through collaborations with other third parties. The majority of our research activities are performed as we receive new and unique waste to treat. We feel that our investments in research have been rewarded by the discovery of the Perma-Fix Process and the Perma-Fix II process. Our competitors also devote resources to research and development and many such competitors have greater resources at their disposal than we do. We have estimated that during 2010, 2009, and 2008, we spent approximately $921,000, $609,000 and $1,020,000, respectively, in Company-sponsored research and development activities.

Number of Employees

In our service-driven business, our employees are vital to our success. We believe we have good relationships with our employees. As of December 31, 2010, we employed 667 full time persons, of whom 21 were assigned to our corporate office, 21 were assigned to our Operations Headquarters, 24 were assigned to our Engineering Segment, 41 were assigned to our discontinued operations within our Industrial Segment, and 560 were assigned to our Nuclear Segment. Of the 560 employees at our Nuclear Segment, 259 employees are hired to work under the CHPRC subcontract. Of the 259 employees, 114 employees (representing approximately 17.1% of the Company's total number of employees) are unionized and are covered by a collective bargaining agreement. The current bargaining agreement became effective April 1, 2007 and expires on March 31, 2012 (see "- Operating Segments – Nuclear Waste Management Services" in this section regarding our CHPRC subcontract).

Governmental Regulation

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

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

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

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA," also referred to as the "Superfund Act")

CERCLA governs the cleanup of sites at which hazardous substances are located or at which hazardous substances have been released or are threatened to be released into the environment. CERCLA authorizes the EPA to compel responsible parties to clean up sites and provides for punitive damages for noncompliance. CERCLA imposes joint and several liabilities for the costs of clean up and damages to natural resources.

Health and Safety Regulations

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

Atomic Energy Act

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

Other Laws

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

Insurance

We believe we maintain insurance coverage adequate for our needs and similar to, or greater than, the coverage maintained by other companies of our size in the industry. There can be no assurances, however, that liabilities, which we may incur will be covered by our insurance or that the dollar amount of such liabilities, which are covered will not exceed our policy limits. Under our insurance contracts, we usually accept self-insured retentions, which we believe is appropriate for our specific business risks. We are required by EPA regulations to carry environmental impairment liability insurance providing coverage for damages on a claims-made basis in amounts of at least $1,000,000 per occurrence and $2,000,000 per year in the aggregate. To meet the requirements of customers, we have exceeded these coverage amounts.

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In June 2003, we entered into a 25-year finite risk insurance policy with Chartis, a subsidiary of AIG (see "Part I, Item 1A. - Risk Factors" for certain potential risk related to AIG), 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 $39,000,000 of financial assurance coverage. As of December 31, 2010, our total financial coverage under our finite risk policy totals approximately $36,431,000.

In August 2007, we entered into a second finite risk insurance policy for our PFNWR facility, which we acquired in June 2007, with Chartis, a subsidiary of AIG (see "Part I, Item 1A. - Risk Factors" for certain potential risk related to AIG). The policy provides an initial $7,800,000 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 $8,200,000. We will have the option to renew this policy at the end of the four year term.

ITEM 1A. RISK FACTORS

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

Risks Relating to our Operations

Our insurer that provides our financial assurance that we are required to have in order to operate our permitted treatment, storage and disposal facility has experienced financial difficulties.
It has been publicly reported in the past that American International Group, Inc. ("AIG"), had experienced significant financial difficulties. A subsidiary of AIG, Chartis, provides our finite risk insurance policies which provide financial assurance to the applicable states for our permitted facilities in the event of unforeseen closure. We are required to provide and to maintain financial assurance that guarantees to the state that in the event of closure, our permitted facilities will be closed in accordance with the regulations. Our initial policy provides a maximum of $39,000,000 of financial assurance coverage of which the coverage amount totals $36,431,000 at December 31, 2010. We also maintain a financial assurance policy for our PFNWR facility entered into in June 2007 which will provide maximum coverage of $8,200,000 at the end of the four year term policy. Chartis also provides other operating insurance policies for the Company and our subsidiaries. In the event of a failure of AIG, this could materially impact our operations and our permits which we are required to have in order to operate our treatment, storage, and disposal facilities.

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

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The inability to maintain existing government contracts or win new government contracts over an extended period could have a material adverse effect on our operations and adversely affect our future revenues.
A material amount of our Nuclear Segment's revenues are generated through various U.S. government contracts or subcontracts involving the U.S. government. Our revenues from governmental contracts and subcontracts relating to governmental facilities within our Nuclear Segment were approximately $80,275,000 or 82.1% and $75,013,000 or 81.2%, of our consolidated operating revenues from continuing operations for 2010 and 2009, respectively. Most of our government contracts or our subcontracts granted under government contracts are awarded through a regulated competitive bidding process. Some government contracts are awarded to multiple competitors, which increase overall competition and pricing pressure and may require us to make sustained post-award efforts to realize revenues under these government contracts. All contracts with, or subcontracts involving, the federal government are terminable, or subject to renegotiation, by the applicable governmental agency on 30 days notice, at the option of the governmental agency. If we fail to maintain or replace these relationships, or if a material contract is terminated or renegotiated in a manner that is materially adverse to us, our revenues and future operations could be materially adversely affected.

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

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

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

These events could result in or cause the federal government to terminate or cancel its existing contracts involving us to treat, store or dispose of contaminated waste at one or more of the federal sites since all contracts with, or subcontracts involving, the federal government are terminable upon or subject to renegotiation at the option of the government on 30 days notice. These events also could adversely affect us to the extent that they result in the reduction or elimination of contractual requirements, lower demand for nuclear services, burdensome regulation, disruptions of shipments or production, increased operational costs or difficulties or increased liability for actual or threatened property damage or personal injury.

Economic downturns (i.e.: the current economic environment) and/or reductions in government funding could have a material negative impact on our businesses.
Demand for our services has been, and we expect that demand will continue to be, subject to significant fluctuations due to a variety of factors beyond our control, including the current economic conditions, inability of the federal government to adopt its budget or reductions in the budget for spending to remediate federal sites due to numerous reasons, including, without limitation, the substantial deficits that the federal government has and is continuing to incur. During economic downturns, such as the current economic condition, and large budget deficits that the federal government and many states are experiencing, the ability of private and government entities to spend on nuclear

services may decline significantly. Although the economic stimulus package (American Recovery and Reinvestment Act) enacted by Congress in February 2009 provides for substantial funds to remediate federal nuclear sites, we cannot be certain that economic or political conditions will be generally favorable or that there will not be significant fluctuations adversely affecting our industry as a whole. In addition, our operations depend, in large part, upon governmental funding, particularly funding levels at the DOE. Significant reductions in the level of governmental funding (for example, the annual budget of the DOE) or specifically mandated levels for different programs that are important to our business could have a material adverse impact on our business, financial position, results of operations and cash flows.

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

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

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

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

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

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The refusal to accept our waste for disposal by, or a closure of, the end disposal site that our Nuclear Segment utilizes to dispose of its waste could subject us to significant risk and limit our operations.
Our Nuclear Segment has limited options available for disposal of its waste. There is only one disposal site for our low level radioactive waste we receive from non-governmental sites. If this disposal site ceases to accept waste or closes for any reason or refuses to accept the waste of our Nuclear Segment, for any reason, we could have nowhere to dispose of our nuclear waste or have significantly increased costs from disposal alternatives. With nowhere to dispose of our nuclear waste, we would be subject to significant risk from the implications of storing the waste on our site, and we would have to limit our operations to accept only waste that we can dispose of. A second low-level radioactive disposal site is scheduled to be operational during the later part of 2011 or early 2012; and when this new disposal site becomes operational, we do not believe that we will be as dependent on the current disposal site.

Our businesses subject us to substantial potential environmental liability.
Our business of rendering services in connection with management of waste, including certain types of hazardous waste, low-level radioactive waste, and mixed waste (waste containing both hazardous and low-level radioactive waste), subjects us to risks of liability for damages. Such liability could involve, without limitation:

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

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

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

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

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

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

We may be exposed to certain regulatory and financial risks related to climate change.
Climate change is receiving ever increasing attention from scientists and legislators alike. The debate is ongoing as to the extent to which our climate is changing, the potential causes of this change and its potential impacts. Some attribute global warming to increased levels of greenhouse gases, including carbon dioxide, which has led to significant legislative and regulatory efforts to limit greenhouse gas emissions.

Presently there are no federally mandated greenhouse gas reduction requirements in the United States. However, there are a number of legislative and regulatory proposals to address greenhouse gas emissions, which are in various phases of discussion or implementation. The outcome of federal and state actions to address global climate change could result in a variety of regulatory programs including potential new regulations. Any adoption by federal or state governments mandating a substantial reduction in greenhouse gas emissions could increase costs associated with our operations. Until the timing, scope and extent of any future regulation becomes known, we cannot predict the effect on our financial position, operating results and cash flows.

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

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

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

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

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

We may be unable to utilize loss carryforwards in the future.
We have approximately $9,569,000 and $25,795,000 in net operating loss carryforwards which will expire from 2010 to 2021 if not used against future federal and state income tax liabilities, respectively. Our net loss carryforwards are subject to various limitations. Our ability to use the net loss carryforwards depends on whether we are able to generate sufficient income in the future years. Further, our net loss carryforwards have not been audited or approved by the Internal Revenue Service.

Risks Relating to our Intellectual Property

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

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

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Risks Relating to our Financial Position and Need for Financing

Breach of financial covenants in existing credit facility could result in a default, triggering repayment of outstanding debt under the credit facility.
Our credit facility with our bank contains financial covenants. A breach of any of these covenants could result in a default under our credit facility triggering our lender to immediately require the repayment of all outstanding debt under our credit facility and terminate all commitments to extend further credit. In the past, none of our covenants have been restrictive to our operations. If we fail to meet our loan covenants in the future and our lender does not waive the non-compliance or revise our covenant so that we are in compliance, our lender could accelerate the repayment of borrowings under our credit facility. In the event that our lender accelerates the payment of our borrowings, we may not have sufficient liquidity to repay our debt under our credit facility and other indebtedness.

Our amount of debt could adversely affect our operations.
At December 31, 2010, our aggregate consolidated debt was approximately $10,656,000. Our secured revolving credit facility (the "Credit Facility") provides for an aggregate commitment of $25,000,000, consisting of an $18,000,000 revolving line of credit and a term loan of $7,000,000. The maximum we can borrow under the revolving part of the Credit Facility is based on a percentage of the amount of our eligible receivables outstanding at any one time. As of December 31, 2010, we had borrowings under the revolving part of our Credit Facility of $2,019,000 and borrowing availability of up to an additional $9,747,000 based on our outstanding eligible receivables. A lack of operating results could have material adverse consequences on our ability to operate our business. Our ability to make principal and interest payments, or to refinance indebtedness, will depend on both our and our subsidiaries' future operating performance and cash flow. Prevailing economic conditions, interest rate levels, and financial, competitive, business, and other factors affect us. Many of these factors are beyond our control.

Risks Relating to our Common Stock

Issuance of substantial amounts of our Common Stock could depress our stock price.
Any sales of substantial amounts of our Common Stock in the public market could cause an adverse effect on the market price of our Common Stock and could impair our ability to raise capital through the sale of additional equity securities. The issuance of our Common Stock will result in the dilution in the percentage membership interest of our stockholders and the dilution in ownership value. As of December 31, 2010, we had 55,067,970 shares of Common Stock outstanding (which excludes 38,210 treasury shares).

In addition, as of December 31, 2010, we had outstanding options to purchase 2,755,525 shares of Common Stock at exercise prices from $1.42 to $2.98 per share. Further, our preferred share rights plan and the shelf registration statement, if either is triggered, could result in the issuance of a substantial amount of our Common Stock. The existence of this quantity of rights to purchase our Common Stock under the preferred share rights plan and/or the shelf registration could result in a significant dilution in the percentage ownership interest of our stockholders and the dilution in ownership value. Future sales of the shares issuable could also depress the market price of our Common Stock.

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

The price of our Common Stock may fluctuate significantly, which may make it difficult for our stockholders to resell our Common Stock when a stockholder wants or at prices a stockholder finds attractive.

The price of our Common Stock on the Nasdaq Capital Markets constantly changes. We expect that the market price of our Common Stock will continue to fluctuate. This may make it difficult for our stockholders to resell the Common Stock when a stockholder wants or at prices a stockholder finds attractive.

Future issuance or potential issuance of our Common Stock could adversely affect the price of our Common Stock, our ability to raise funds in new stock offerings, and dilute our shareholders percentage interest in our Common Stock.

Future sales of substantial amounts of our Common Stock in the public market, or the perception that such sales could occur, could adversely affect prevailing trading prices of our Common Stock, and impair our ability to raise capital through future offerings of equity. No prediction can be made as to the effect, if any, that future issuances or sales of shares of Common Stock or the availability of shares of Common Stock for future issuance, will have on the trading price of our Common Stock. Such future issuances could also significantly reduce the percentage ownership and dilute the ownership value of our existing common stockholders.

Delaware law, certain of our charter provisions, our stock option plans, outstanding warrants and our Preferred Stock may inhibit a change of control under circumstances that could give you an opportunity to realize a premium over prevailing market prices.

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

We have authorized and unissued 12,026,505 (which include outstanding options to purchase 2,755,525 shares of our Common Stock, outstanding warrants to purchase 150,000 shares of our Common Stock, and up to 5,000,000 shares authorized for resale under the shelf registration statement) shares of Common Stock and 2,000,000 shares of Preferred Stock as of December 31, 2010 (which includes 600,000 shares of our Preferred Stock reserved for issuance under our preferred share rights plan). These unissued shares could be used by our management to make it more difficult, and thereby discourage an attempt to acquire control of us.

Our Preferred Share Rights Plan may adversely affect our stockholders.

In May 2008, we adopted a preferred share rights plan (the "Rights Plan"), designed to ensure that all of our stockholders receive fair and equal treatment in the event of a proposed takeover or abusive tender offer. However, the Rights Plan may also have the effect of deterring, delaying, or preventing a change in control that might otherwise be in the best interests of our stockholders.

In general, under the terms of the Rights Plan, subject to certain limited exceptions, if a person or group acquires 20% or more of our Common Stock or a tender offer or exchange offer for 20% or more of our Common Stock is announced or commenced, our other stockholders may receive upon exercise of the rights (the "Rights") issued under the Rights Plan the number of shares our Common Stock or of one-one hundredths of a share of our Series A Junior Participating Preferred Stock, par value $.001 per share, having a value equal to two times the purchase price of the Right. In addition, if we are acquired in a merger or other business combination transaction in which we are not the survivor or more than 50% of our assets or earning power is sold or transferred, then each holder of a Right (other than the acquirer) will thereafter have the right to receive, upon exercise, common stock of the acquiring company having a value equal to two times the purchase price of the Right. The purchase price of each Right is $13, subject to adjustment.

The Rights will cause substantial dilution to a person or group that attempts to acquire us on terms not approved by our board of directors. The Rights may be redeemed by us at $0.001 per Right at any time before any person or group acquires 20% or more of our outstanding common stock. The rights should not interfere with any merger or other business combination approved by our board of directors. The Rights expire on May 2, 2018.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Our principal executive office is in Atlanta, Georgia. Our Operations Headquarters is located in Oak Ridge, Tennessee. Our Nuclear Segment facilities are located in Gainesville, Florida; Kingston, Tennessee; Oak Ridge, Tennessee, and Richland, Washington. Our Consulting Engineering Services is located in Ellisville, Missouri. Our discontinued operations within the Industrial Segment are located in Orlando and Ft. Lauderdale, Florida; and Valdosta, Georgia. Our Industrial Segment also has three non-operational facilities: Brownstown, Michigan and Memphis, Tennessee, where we still maintain the properties; and Pittsburgh, Pennsylvania, for which the leased property was released back to the owner in 2006 upon final remediation of the leased property.

We operate eight facilities, five within our continuing operations and three within our discontinued operations. All of the facilities are in the United States. Five of our facilities are subject to mortgages as granted to our senior lender (Kingston, Tennessee; Gainesville, Florida; Richland, Washington; Fort Lauderdale, Florida; and Orlando, Florida).

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

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

ITEM 3. LEGAL PROCEEDINGS

Certain Legal Matters:
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 Potentially 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, we have reasonably concluded that our obligation in this matter will not result in fines or sanctions, exclusive of interest and costs, of more than $100,000, and as a result, will no longer be reporting on this matter.

Perma-Fix of Northwest Richland, Inc. ("PFNWR")
PFNWR has filed a complaint alleging breach of contract and seeking the Court to direct specific performance of the "return-of-waste clause" contained in the brokerage contract between a previous owner of the facility now owned by PFNWR and Philotechnics, Ltd. ("Philo"), with regard to a quantity of non-conforming waste Philo delivered to the PFNWR facility prior to the acquisition of the facility by PFNWR for treatment on behalf of Philo's customer El du Pont de Nemours and Company ("DuPont"). In the complaint, we asked the Court to either: (A) order Philo to specifically perform its obligations under the "return-of-waste" clause of the Contract by physically taking custody of and by removing the nonconforming waste, and order that Philo pay PFNWR the additional costs of maintaining and managing the waste or, (B) order Philo to pay PFNWR the cost to treat and dispose of the nonconforming waste so as

to allow PFNWR to compliantly dispose of that waste offsite.

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ITEM 4. REMOVED AND RESERVED

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth, as of the date hereof, information concerning our executive officers (1):

NAME (1)	AGE	POSITION
Dr. Louis F. Centofanti	67	Chairman of the Board, President and Chief Executive Officer
Mr. Ben Naccarato	48	Chief Financial Officer, Vice President, and Secretary
Mr. Robert Schreiber, Jr.	60	President of SYA, Schreiber, Yonley & Associates, a subsidiary of the Company, and Principal Engineer

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

Mr. Ben Naccarato
Mr. Naccarato has served as the Chief Financial Officer since February 26, 2009. Mr. Naccarato was appointed on October 24, 2008 by the Company's Board of Directors as the Interim Chief Financial Officer, effective November 1, 2008. Mr. Naccarato joined the Company in September 2004 and served as Vice President, Finance of the Company's Industrial Segment until May 2006, when he was named Vice President, Corporate Controller/Treasurer. Prior to joining the Company in September 2004, Mr. Naccarato was the Chief Financial Officer of Culp Petroleum Company, Inc., a privately held company in the fuel distribution and used waste oil industry from December 2002 to September 2004. Mr. Naccarato is a graduate of University of Toronto having received a Bachelor of Commerce and Finance Degree and is a Certified Management Accountant.

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

(1) During February, 2011, we entered into an agreement with Mr. James A. Blankenhorn, age 46, to be our Chief Operating Officer. It is anticipated that Mr. Blankenhorn will begin employment with us in the later part of May 2011. Mr. Blankenhorn has 24 years experience in the nuclear industry supporting the DOE's environmental management, the National Nuclear Security Administration programs, and the DOD programs. Prior to joining our Company, Mr. Blankenhorn served in a variety of senior management positions at URS Corporation, a publicly traded Company which provides engineering, construction, and technical services for public agencies and private sectors. Most recently, he served as the deputy project manager for the West Valley Environmental Services, LLC, in western New York where he directed a staff of 360 in the deactivation, decommissioning and clean up of facilities at

West Valley. From 2008 to early 2010, Mr. Blankenhorn was program director with Los Alamos National Security, LLC, responsible for the Waste Disposition Project at the Los Alamos National Laboratory where he supervised 440 people and was responsible for improving performance and achieving cost savings while developing a long term strategy for legacy wastes. Mr. Blankenhorn spent 18 years at the Westinghouse Savannah River Company. Since 1986, Mr. Blankenhorn has been an officer (recently promoted to a Colonel) in the U.S. Army and Army Reserves serving in leadership positions within the U.S. Army Nuclear, Biological and Chemical program. Mr. Blankenhorn holds a Master of Science degree – Strategic Studies from the U.S. Army War College, a Master of Science degree – Environmental/Hazardous Waste Management from National Technology University and a Bachelor of Science degree – Chemistry from the Florida Institute of Technology. See "Part III, Item 11 – Executive Compensation – Mr. James Blankenhorn – Chief Operating Officer" for the term of Mr. Blankenhorn's compensation, which are to become effective, upon his beginning of employment with the Company.

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Certain Relationships

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

PART II

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

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

		2010		2009	
		Low	High	Low	High
Common Stock	1st Quarter	$ 1.72	$ 2.51	$ 1.15	$ 1.95
	2nd Quarter	1.51	2.38	1.64	2.72
	3rd Quarter	1.43	1.92	2.24	2.72
	4th Quarter	1.24	1.86	2.05	2.51

As of February 25, 2011, there were approximately 248 stockholders of record of our Common Stock, including brokerage firms and/or clearing houses holding shares of our Common Stock for their clientele (with each brokerage house and/or clearing house being considered as one holder). However, the total number of beneficial stockholders as of February 25, 2011, was approximately 4,072.

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

No sales of unregistered securities occurred during 2010. There were no purchases made by us or on behalf of us or any of our affiliated members of shares of our Common Stock during the last quarter of 2010.

We have adopted a preferred share rights plan, which is designed to protect us against certain creeping acquisitions, open market purchases, and certain mergers and other combinations with acquiring companies. See "Item 1A. - Risk Factors – Our Preferred Share Rights Plan" as to further discussion relating to the terms of our preferred share rights plan.

Common Stock Price Performance Graph

The following Common Stock price performance graph compares the yearly change in the Company's cumulative total stockholders' returns on the Common Stock during the years 2006 through 2010, with the cumulative total return of the NASDAQ Market Index and the published industry index prepared by Morningstar and known as Morningstar Waste Management Industry Group ("Industry Index") assuming the investment of $100 on January 1, 2006.

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

Assumes $100 invested in the Company on January 1, 2006, the Industry Index and the NASDAQ Market Index, and the reinvestment of dividends. The above five-year Cumulative Total Return Graph shall not be deemed to be "soliciting material" or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference by any general statement incorporating by reference this Form 10-K into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934 (collectively, the "Acts") or be subject to the liabilities under Section 18 of the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates this information by reference, and shall not be deemed to be soliciting material or to be filed under such Acts.

ITEM 6.SELECTED FINANCIAL DATA

The financial data included in this table has been derived from our audited consolidated financial statements, which have been audited by BDO USA, LLP. As a result of PFFL, PFSG, and PFO meeting the held for sale criteria in accordance with ASC 360, "Property, Plant, and Equipment" in October 2010, the Company's previously reported consolidated statement of operations data for the years noted below for these three facilities have been reclassified as discontinued operations. In addition, certain prior year amounts have been reclassified to conform with current year presentations. Amounts are in thousands, except for per share amounts. The information set forth below should be read in conjunction with "Management's Discussion Analysis of Financial Condition and Results of Operations" and the consolidated financial statements of the Company and the notes thereto included elsewhere herein.

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Statement of Operations Data:

	2010	2009	2008	2007(1)	2006
Revenues	$97,790	$92,393	$64,553	$54,102	$52,781
Income (loss) from continuing operations	3,271	9,687	(818)	517	5,644
(Loss) income from discontinued operations, net of taxes	(663)	(65)	406	(9,727)	(933)
Gain on disposal of discontinued operations, net of taxes	-	-	2,323	-	-
Net income (loss)	2,608	9,622	1,911	(9,210)	4,711
Income (loss) per common share - Basic					
Continuing operations	.06	.18	(.01)	.01	.12
Discontinued operations	(.01)	-	.01	(.19)	(.02)
Disposal of discontinued operations	-	-	.04	-	-
Net income (loss) per share	.05	.18	.04	(.18)	.10
Income (loss) per common share - Diluted					
Continuing operations	.06	.18	(.01)	.01	.12
Discontinued operations	(.01)	-	.01	(.18)	(.02)
Disposal of discontinued operations	-	-	.04	-	-
Net income (loss) per share	.05	.18	.04	(.17)	.10
Number of shares used in computing net income (loss) per share - Basic	54,947	54,238	53,803	52,549	48,157
Number of shares and potential common shares used in computing net income (loss) per share - Diluted	55,030	54,526	53,803	53,294	48,768

Balance Sheet Data:

			December 31,		
	2010	2009	2008	2007	2006
Working capital (deficit)	$2,329	$1,490	$(3,886)	$(17,154)	$12,810
Total assets	125,315	126,000	123,690	126,031	106,662
Current and long-term debt	10,656	12,381	16,203	18,836	8,329
Total liabilities	46,811	51,196	60,769	66,018	40,924
Preferred Stock of subsidiary	1,285	1,285	1,285	1,285	1,285
Stockholders' equity	77,219	73,519	61,636	58,728	64,453

(1) Includes financial data of PFNWR acquired during 2007 and accounted for using the purchase method of accounting in which the results of operations are reported from the date of acquisition, June 13, 2007.

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

Certain statements contained within this "Management's Discussion and Analysis of Financial Condition and Results of Operations" may be deemed "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (collectively, the "Private Securities Litigation Reform Act of 1995"). See "Special Note regarding Forward-Looking Statements" contained in this report.

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

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

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Review

The Company experienced a modest improvement in 2010 as compared to 2009. Revenue increased $5,397,000 or 5.8% in 2010 to $97,790,000 as compared to revenue of $92,393,000 for 2009. The improvement in revenue in 2010 was primarily attributed to the subcontract that we received from CH Plateau Remediation Company ("CHPRC"), a general contractor to the Department of Energy ("DOE"), in the second quarter of 2008 by our East Tennessee Materials and Energy Corporation ("M&EC") facility. Under this subcontract ("CHPRC subcontract"), M&EC is performing a portion of facility operations and waste management activities for the DOE Hanford, Washington Site. On October 1, 2008, operation under this subcontract commenced at the DOE Hanford Site. We continued to benefit from the economic stimulus package (American Recovery and Reinvestment Act) enacted by Congress in February 2009, which provided additional funding for nuclear waste clean-up throughout the DOE complex. This benefit was reflective of the increased revenue generated from the CHPRC subcontract from increased headcount. Our Engineering Segment's year end result was negatively impacted by the decrease in revenue as customers put work on hold due to the continued economic uncertainty.

In 2010, our Nuclear Segment generated revenue of $95,332,000, an increase of $6,321,000 or 7.1% over the revenue of $89,011,000 in 2009. The increase in revenue was primarily due to the increase in revenue of $7,743,000 from the CHPRC subcontract mentioned above. An offsetting decrease in revenue in our Nuclear Segment of $1,422,000 was primarily due to reduced treatment waste volume, which was partially offset by higher average priced waste. Revenue for 2010 from the Engineering Segment decreased $924,000 or 27.3% to $2,458,000 from $3,382,000 for the same period of 2009.

Gross profit decreased $3,866,000 or 15.8% in 2010 from 2009 primarily due to reduced treatment waste volume in the Nuclear Segment and decreased billable hours in our Engineering Segment. The gross profit in 2009 included a reduction of approximately $787,000 in costs of goods sold in our Nuclear Segment resulting from a change in the estimate related to accrued costs to dispose of legacy waste that were assumed as part of the acquisition of our Perma-Fix Northwest Richland, Inc. ("PFNWR") facility in June 2007 (see "Cost of Goods Sold" in this section for further information regarding this reduction). Selling, General, and Administrative (SG&A) expenses were down $1,061,000 due to the reduction in income and our continued efforts in cutting costs.

We improved our working capital in 2010. Our working capital position at December 31, 2010 was $2,329,000, which includes working capital of our discontinued operations, as compared to working capital of $1,490,000 as of December 31, 2009. The improvement in our working capital was primarily the result of cash collected from the reduction in account receivables and unearned revenue. This improvement in our working capital was reduced by the payment of our finite risk obligations and our revolver which are both classified as long term.

Outlook

We believe that government funding made available for DOE projects under the government stimulus plan in February 2009 should continue to positively impact our existing government contracts within our Nuclear Segment since the stimulus plan provides for a substantial amount for remediation of DOE sites. However, we expect that demand for our services will be subject to fluctuations due to a variety of factors beyond our control, including the current economic conditions, and the manner in which the government will be required to spend funding to remediate federal sites. Our operations depend, in large part, upon governmental funding, particularly funding levels at the DOE. In addition, our governmental contracts and subcontracts relating to activities at governmental sites are subject to termination or renegotiation on 30 days notice at the government's option. Significant reductions in the level of governmental funding or specifically mandated levels for different programs that are important to our business could have a material adverse impact on our business, financial position, results of operations and cash flows.

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Results of Operations

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

Below are the results of continuing operations for our years ended December 31, 2010, 2009, and 2008 (amounts in thousands):

(Consolidated)	2010	%	2009	%	2008	%
Net Revenues	$97,790	100.0	$92,393	100.0	$64,553	100.0
Cost of goods sold	77,175	78.9	67,912	73.5	48,466	75.1
Gross Profit	20,615	21.1	24,481	26.5	16,087	24.9
Selling, general and administrative	13,361	13.7	14,422	15.6	14,243	22.1
Research and development	921	.9	609	.7	1,020	1.6
Loss (gain) on disposal of property and equipment	138	.2	(7)	-	192	.2
Income from operations	6,195	6.3	9,457	10.2	632	1.0
Interest income	65	.1	145	.2	226	.3
Interest expense	(755)	(.8)	(1,639)	(1.8)	(1,522)	(2.4)
Interest expense – financing fees	(412)	(.4)	(283)	(.3)	(137)	(.2)
Other	24	-	21	-	(6)	-
Income (loss) from continuing operations before taxes	5,117	5.2	7,701	8.3	(807)	(1.3)
Income tax (benefit) expense	1,846	1.9	(1,986)	(2.2)	11	-
Income (loss) from continuing operations	3,271	3.3	9,687	10.5	(818)	(1.3)

Summary - Years Ended December 31, 2010 and 2009

Net Revenue

Consolidated revenues from continuing operations increased $5,397,000 for the year ended December 31, 2010, compared to the year ended December 31, 2009, as follows:

(In thousands)	2010	% Revenue	2009	% Revenue	Change	% Change
Nuclear						
Government waste	$28,346	29.0	$29,844	32.3	$(1,498)	(5.0)
CHPRC	51,929	53.1	45,169	48.8	6,760	15.0
Hazardous/non-hazardous	3,473	3.6	3,583	3.9	(110)	(3.1)
Other nuclear waste	11,584	11.8	10,415	11.3	1,169	11.2
Total	95,332	97.5	89,011	96.3	6,321	7.1
Engineering	2,458	2.5	3,382	3.7	(924)	(27.3)
Total	$97,790	100.0	$92,393	100.0	$5,397	5.8

The Nuclear Segment realized revenue growth of $6,321,000 or 7.1% for the year ended December 31, 2010, over the same period in 2009. Revenue from CHPRC totaled $51,929,000 or 53.1% and $45,169,000 or 48.8% of our total revenue from continuing operations for the years ended December 31, 2010, and 2009, respectively. Revenue from CHPRC included approximately $41,969,000 and $34,226,000 generated for the twelve months ended December 31, 2010, and the corresponding period of 2009, respectively, from the CHPRC subcontract which is a cost plus award fee subcontract. The increase of $7,743,000 or 22.6% from this subcontract was primarily due to increase in labor hours from increased headcount under this subcontract. Remaining revenue generated from CHPRC of approximately $9,960,000 and $10,943,000 for the year ended December 31, 2010, and the corresponding period of 2009, respectively, was from three existing waste processing contracts we have with CHPRC. Revenue from government generators (which includes revenue generated from the three waste processing contracts from CHPRC noted above) decreased by approximately $2,481,000 or 6.1% primarily due to reduced waste volume, which was partially offset by higher average priced waste. Revenue from hazardous and non-hazardous waste was down slightly by $110,000 or 3.1% primarily due to reduced volume of approximately 34.8% which was partially offset by higher average pricing increase of 32.8%. Higher field service revenue from higher average pricing also reduced the impact of reduced volume. Other nuclear waste revenue increased approximately $1,169,000 or 11.2% primarily due to increased waste volume from two customers, who accounted for approximately $900,000 of the $1,169,000 increase. Revenue in our Engineering Segment decreased approximately $924,000 or 27.3% primarily due to decreased billable hours of 21.4% and decreased average billing rate of 4.3%.

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Cost of Goods Sold

Cost of goods sold increased $9,263,000 for the year ended December 31, 2010, as compared to the year ended December 31, 2009, as follows:

(In thousands)	2010	% Revenue	2009	% Revenue	Change
Nuclear	$74,924	78.6	$65,417	73.5	$9,507
Engineering	2,251	91.6	2,495	73.8	(244)
Total	$77,175	78.9	$67,912	73.5	$9,263

Cost of goods sold for the Nuclear Segment increased $9,507,000 or 14.5%, which included the cost of goods sold of approximately $34,294,000 related to the CHPRC subcontract. Cost of goods sold for the CHPRC subcontract was approximately $27,302,000 for the twelve months ended December 31, 2009. The increase in cost of goods sold for the CHPRC subcontract of $6,992,000 or 25.6% was consistent with the increase in revenue for the CHPRC subcontract. The cost of goods sold for our Nuclear Segment in 2009 included a reduction of approximately $787,000 recorded in the third quarter of 2009 in disposal/transportation costs resulting from a change in estimate related to accrued costs to dispose of legacy waste that were assumed as part of the acquisition of our PFNWR facility in June 2007. The change in estimate was necessary due to our accumulation of new information that resulted in our identifying more efficient and cost effective ways to dispose of this waste. Excluding the cost of goods sold of the CHPRC subcontract and the legacy waste adjustment in 2009, the remaining Nuclear Segment costs increased approximately $1,728,000 or 4.4%. We saw increases in transportation/disposal costs, payroll and healthcare related costs, depreciation expense, regulatory costs, and outside service expense. Cost as a percentage of revenue increased by 5.1% which reflected revenue mix. The Engineering Segment cost of goods sold decreased approximately $244,000 or 9.8% due to lower revenue resulting from reduced billing hours and average billing rate. We saw reduction in material and supplies, general expense, and significant reduction in bonus/commission expense primarily due to reduced revenue. Included within cost of goods sold is depreciation and amortization expense of $4,438,000 and $4,181,000 for the years ended December 31, 2010 and 2009, respectively.

Gross Profit

Gross profit for the year ended December 31, 2010, was $3,866,000 lower than 2009, as follows:

(In thousands)	2010	% Revenue	2009	% Revenue	Change
Nuclear	$20,408	21.4	$23,594	26.5	$(3,186)
Engineering	207	8.4	887	26.2	(680)
Total	$20,615	21.1	$24,481	26.5	$(3,866)

The Nuclear Segment gross profit decreased $3,186,000 or 13.5%, which included gross profit of approximately $7,675,000 and $6,924,000 in gross profit for the year 2010 and 2009, respectively, for the CHPRC subcontract. Gross margin on the CHPRC subcontract of approximately 18.3% and 20.2% for the twelve months ended December 31, 2010, and the corresponding period of 2009, respectively, was in accordance with the contract fee provisions. Excluding the CHPRC subcontract and the $787,000 legacy disposal adjustment recorded in the third quarter of 2009 mentioned above, remaining Nuclear Segment gross profit decreased $3,150,000 or 19.8% primarily due to the revenue decrease from reduced treatment waste volume. The decrease in gross margin of 5.1% from 29.0% to 23.9% was primarily due to revenue mix. In the prior year, we saw higher volume of high activity waste. The reduction in overall Nuclear Segment's gross margin from 26.5% to 21.4% was impacted by a larger mix of the revenue generated by the CHPRC subcontract, which carries a lower gross margin than our treatment revenue. The Engineering Segment gross profit decreased approximately $680,000 or 76.7% primarily due to reduction in external labor hours. The reduction in gross profit and margin throughout the segments was also impacted by certain fixed costs that remain fairly consistent despite changes in revenue and revenue mix.

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Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses decreased $1,061,000 for the year ended December 31, 2010, as compared to the corresponding period for 2009, as follows:

(In thousands)	2010	% Revenue	2009	% Revenue	Change
Administrative	$6,106	-	$6,318	-	$(212)
Nuclear	6,830	7.2	7,663	8.6	(833)
Engineering	425	17.3	441	13.0	(16)
Total	$13,361	13.7	$14,422	15.6	$(1,061)

Our SG&A for the twelve months ended December 31, 2010, decreased approximately $1,061,000 or 7.4% over the corresponding period of 2009. The decrease in administrative SG&A was primarily the result of lower Management Incentive Plan ("MIP") compensation based on year end financial results, lower stock compensation expense as we incurred approximately $144,000 in stock compensation expense in 2009 from the extension of 270,000 fully vested non-qualified stock options to the former Chief Operating Officer, who resigned effective September 1, 2009, and lower healthcare costs. This decrease was reduced by higher outside service expense relating to corporate business and legal matters, business development initiatives, and information technology issues. We also saw higher travel costs. Nuclear Segment SG&A was down approximately $833,000 or 10.9% due mainly to reduction in bad debt expense of approximately $289,000, lower bonus/commission of approximately $446,000, lower payroll and healthcare related expenses, and lower general expenses in various categories as we continue our effort to reduce costs. The decrease was partially offset by higher outside services related to business development/consulting. The Engineering Segment's SG&A expense decreased approximately $16,000 or 3.6% primarily due to lower tradeshow expense and general expenses in various categories. This reduction was reduced by higher bad debt expense. Included in SG&A expenses is depreciation and amortization expense of $92,000 and $140,000 for the years ended December 31, 2010, and 2009, respectively.

Research and Development

Research and development costs increased $312,000 for the year ended December 31, 2010, as compared to the corresponding period of 2009.

(In thousands)	2010	% Revenue	2009	% Revenue	Change
Research and Development	$ 921	0.9	$ 609	0.7	$ 312

Research and development costs consist primarily of employee salaries and benefits, laboratory costs, third party fees, and other related costs associated with the development and enhancement of new potential waste treatment processes. The increase for the year ended December 31, 2010, as compared to the corresponding period of 2009, was primarily due to contracted services we engaged in to perform research and development on behalf of the Company. In addition, higher salaries and benefit costs for increased R&D initiatives accounted for this increase.

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Loss (gain) on Disposal of Property and Equipment

The loss on disposal of fixed assets for 2010 was primarily due to disposal of equipment replaced at our M&EC facility.

Interest Income

Interest income decreased $80,000 for the year ended December 31, 2010, as compared to 2009. The decrease was primarily the result of lower interest earned on the finite risk sinking fund due to lower interest rates.

Interest Expense

Interest expense decreased $884,000 for the year ended December 31, 2010, as compared to the corresponding period of 2009.

(In thousands)	2010	2009	Change	%
PNC interest	$428	$820	$(392)	(47.8)
Other	327	819	(492)	(60.1)
Total	$755	$1,639	$(884)	(53.9)

The decrease in interest expense for 2010 was primarily due to lower interest on our revolver and term note resulting from lower average balances and lower interest rate from an amendment entered into with PNC on January 25, 2010 (see "Liquidity and Capital Resources of the Company - Financing Activities" for information regarding this Amendment). In addition, we incurred lower interest expense resulting from reduced loan balance from continuing principal pay down on the shareholder note in connection with the acquisition of Perma-Fix of Northwest, Inc. ("PFNW") and its wholly owned subsidiary, Perma-Fix Northwest Richland, Inc. ("PFNWR") and the promissory note dated May 8, 2009 entered into with Mr. William Lampson and Mr. Diehl Rettig. Also, interest expense related to certain vendor invoices was lower throughout 2010 as compared to the corresponding period of 2009.

Interest Expense - Financing Fees

Interest expense-financing fees increased approximately $129,000 from 2009 to 2010 primarily due to debt discount amortized as financing fees in connection with the issuance of 200,000 shares of the Company's Common Stock and two Warrants for purchase up to 150,000 shares of the Company's Common Stock as consideration for the Company receiving a $3,000,000 loan from Mr. William Lampson and Mr. Diehl Rettig in May 2009.

Income Taxes- Valuation Allowance

The provision for income taxes was $1,846,000 for 2010, compared to tax benefit of $1,986,000 for 2009. Our effective tax rate was 36.1% in 2010, compared to negative 25.8% in 2009. The higher income tax expense for 2010 was the result of the partial release of our valuation allowance in 2009 related to federal net operating loss (NOL) carryforwards. For 2010 and 2009, we released $312,000 and $2,490,000 of valuation allowance, respectively.

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Summary - Years Ended December 31, 2009 and 2008

Net Revenue

Consolidated revenues from continuing operations increased $27,840,000 for the year ended December 31, 2009, compared to the year ended December 31, 2008, as follows:

(In thousands)	2009	% Revenue	2008	% Revenue	Change	% Change
Nuclear						
Government waste	$29,844	32.3	$27,370	42.4	$2,474	9.0
Fluor Hanford	—	—	7,974	12.3	(7,974)	(100.0)
CHPRC	45,169	48.8	8,120	12.6	37,049	456.3
Hazardous/non-hazardous	3,583	3.9	3,973	6.2	(390)	(9.8)
Other nuclear waste	10,415	11.3	13,922	21.6	(3,507)	(25.2)
Total	89,011	96.3	61,359	95.1	27,652	45.1
Engineering	3,382	3.7	3,194	4.9	188	5.9
Total	$92,393	100.0	$64,553	100.0	$27,840	43.1

The Nuclear Segment realized revenue growth of $27,652,000 or 45.1% for the year ended December 31, 2009 over the same period in 2008, primarily due to the increase in revenue as a result of the CHPRC subcontract awarded to M&EC during the second quarter of 2008. Revenue from CHPRC totaled $45,169,000 or 48.8% of our total revenue from continuing operations for the year ended December 31, 2009, which included approximately $34,226,000 of revenue under the CHPRC subcontract at M&EC. We had revenue of approximately $8,120,000 or 12.6% of our total revenue from CHPRC for the year ended December 31, 2008, which included approximately $7,095,000 of revenue under the CHPRC subcontract at M&EC. Effective October 1, 2008, CHPRC also began management of waste activities under previous subcontracts with Fluor Hanford, DOE's general contractor at the Hanford Site prior to CHPRC. Our Nuclear Segment had three previous subcontracts with Fluor Hanford. These three subcontracts have since been renegotiated by CHPRC to September 30, 2013. Revenue from government generators, excluding CHPRC and Fluor Hanford as discussed above, increased $2,474,000 or 9.0% primarily due to higher priced waste, which was partially offset by volume reduction. We saw significantly higher priced waste received starting in the third quarter of 2009. Revenue from hazardous and non-hazardous waste was down $390,000 or 9.8% primarily due to a reduction in volume of 4.2% and a reduction in average pricing of 8.0%. Other revenue decreased $3,507,000 or approximately 25.2% primarily due to a shipment of high activity and high margin waste of approximately $2,700,000 received in the first quarter of 2008 which did not repeat in 2009. In addition, reduced volume contributed to this decrease in revenue. Revenue in our Engineering Segment increased approximately $188,000 or 5.9% due to an increase in average billing rate of 8.2%, with billable hours remaining constant.

Cost of Goods Sold

Cost of goods sold increased $19,446,000 for the year ended December 31, 2009, as compared to the year ended December 31, 2008, as follows:

(In thousands)	2009	% Revenue	2008	% Revenue	Change
Nuclear	$65,417	73.5	$46,279	75.4	$19,138
Engineering	2,495	73.8	2,187	68.5	308
Total	$67,912	73.5	$48,466	75.1	$19,446

The Nuclear Segment's cost of goods sold for the twelve months ended December 31, 2009 increased $19,138,000 or 41.4%, which included the cost of goods sold of approximately $27,302,000 related to the CHPRC subcontract. Cost of goods sold related to the CHPRC subcontract for the corresponding period of 2008 was approximately $5,584,000 since the subcontract did not officially commence until October 1, 2008. The cost of goods sold for our Nuclear Segment included a reduction of approximately $787,000 recorded in the third quarter of 2009 in disposal/transportation costs resulting from a change in estimate related to accrued costs to dispose of legacy waste that were assumed as part of the acquisition of our PFNWR facility in June 2007, as previous discussed. Excluding the cost of goods sold of the CHPRC subcontract and the legacy waste adjustment, the Nuclear Segment costs decreased approximately $1,793,000 or 4.4% primarily in material and supplies, lab, and disposal/transportation expenses due to revenue mix. In addition, salaries and payroll related expenses were also down due to the segment's continued efforts to reduce costs. The decrease was partially offset by higher bonus/incentive due to higher revenue. The Engineering Segment cost of goods sold increased approximately $308,000 or 14.1% primarily due to reduced allocation of internal labor hours to the Company's Nuclear Segment. In 2008, the Engineering Segment had two large projects for our PFNWR facility, in addition to projects on the divestitures of certain of our Industrial Segment during the first half of 2008, which did not exist in 2009. Included within cost of goods sold is depreciation and amortization expense of $4,181,000 and $4,298,000 for the years ended December 31, 2009 and 2008, respectively.

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Gross Profit

Gross profit for the year ended December 31, 2009, was $8,394,000 higher than 2008, as follows:

(In thousands)	2009	% Revenue	2008	% Revenue	Change
Nuclear	$23,594	26.5	$15,080	24.6	$8,514
Engineering	887	26.2	1,007	31.5	(120)
Total	$24,481	26.5	$16,087	24.9	$8,394

The Nuclear Segment gross profit increased $8,514,000, which included gross profit of approximately $6,924,000 on the CHPRC subcontract at our M&EC facility in addition to a reduction of approximately $787,000 in disposal/transportation costs recorded in the third quarter of 2009 resulting from a change in estimate related to accrued costs to dispose of legacy waste that were assumed as part of the acquisition of our PFNWR facility in June 2007 as mentioned above. Gross profit related to the CHPRC subcontract for the corresponding period of 2008 was approximately $1,511,000 since the subcontract did not officially commence until October 1, 2008. Excluding the gross profit from the CHPRC subcontract and the legacy disposal adjustment, Nuclear Segment gross profit increased approximately $2,314,000 or approximately 17.1%. Gross margin also increased approximately 4.0% to 29.0% from 25.0% primarily due to revenue mix resulting from receipt of higher margin wastes. The decrease in gross profit in the Engineering Segment was primarily due to reduced allocation of internal labor hours to our Nuclear Segment facilities as discussed above.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses increased $179,000 for the year ended December 31, 2009, as compared to the corresponding period for 2008, as follows:

(In thousands)	2009	% Revenue	2008	% Revenue	Change
Administrative	$6,318	-	$5,603	-	$715
Nuclear	7,663	8.6	8,043	13.1	(380)
Engineering	441	13.0	597	18.7	(156)
Total	$14,422	15.6	$14,243	22.1	$179

Our SG&A for the twelve months ended December 31, 2009, increased approximately $179,000 or 1.3% over the corresponding period of 2008. The increase in administrative SG&A was primarily the result of higher outside service expense resulting from business development and corporate consulting matters, audit and legal fees in connection with various company filings, subcontract services for information technology matters, higher Management Incentive Plan ("MIP") compensation due to higher revenue and earnings, and higher stock compensation expense in connection with the extension of 270,000 fully vested non-qualified stock options to our Chief Operating Officer, who resigned from the position effective September 1, 2009. Also, administrative SG&A was higher due to higher salaries and other payroll related expenses resulting from additional headcount at our corporate office as we centralized certain accounting functions to our corporate office in 2009. The increase in salaries at our corporate office was offset by decrease in payroll expenses in certain of our other segments. Nuclear Segment SG&A was down approximately $380,000 due mainly to lower salaries and payroll related expenses, travel expenses, outside service expenses for legal and consulting, and lower overall general expenses as the Segment continued its effort to reduce costs. The decrease was partially offset by higher bad debt expense. The Engineering Segment's SG&A expense decreased approximately $156,000 primarily due to decrease in salaries and payroll related expenses, travel, and outside service expenses. Included in SG&A expenses is depreciation and amortization expense of $140,000 and $105,000 for the years ended December 31, 2009, and 2008, respectively.

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Research and Development

Research and development costs decreased $411,000 for the year ended December 31, 2009, as compared to the corresponding period of 2008.

(In thousands)	2009	% Revenue	2008	% Revenue	Change
Research and Development	$ 609	0.7	$ 1,020	1.6	$ (411)

The decrease for the year ended December 31, 2009, as compared to the corresponding period of 2008, was primarily due to reduced payroll and lab costs from fewer research and development projects.

Gain (loss) on Disposal of Property and Equipment

The gain on disposal of property and equipment in 2009 of $7,000 was primarily related to the sale of idle equipment at our DSSI and M&EC facilities. The loss on disposal of property and equipment in 2008 was primarily due to disposal of idle equipment at our DSSI and M&EC facilities.

Interest Income

Interest income decreased $81,000 for the year ended December 31, 2009, as compared to 2008. The decrease was primarily the result of lower interest earned on the finite risk sinking fund due to lower interest rates.

Interest Expense

Interest expense increased $117,000 for the year ended December 31, 2009, as compared to the corresponding period of 2008.

(In thousands)	2009	2008	Change	%
PNC interest	$820	$508	$312	61.4
Other	819	1,014	(195)	(19.2)
Total	$1,639	$1,522	$117	7.7

The increase in interest expense for 2009 was due primarily to higher interest on our revolver and term note resulting from higher balances in addition to interest incurred on the $3,000,000 loan we entered into in May 2009 with Mr. Lampson and Mr. Rettig. Our monthly average term loan balance was higher in 2009 resulting from the reload of our term note in August 2008 to $7,000,000. In 2008, our average monthly term loan balance was significantly lower resulting from payments against the term note from proceeds received from the sale of certain of our Industrial Segment facilities. Our average monthly revolver balance was higher in 2009 as compared to 2008 from funding of our finite insurance policy for the PCB permit for our DSSI facility. Interest expense was also higher in 2009 due to interest expense incurred on certain vendor invoices. The increase in interest expense was partially offset by lower interest resulting from payoff of the KeyBank note in December 2008 at our PFNWR facility and payoff of our PDC note in May 2009 at our M&EC facility.

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Interest Expense - Financing Fees

Interest expense-financing fees increased approximately $146,000 from 2008 to 2009 due primarily to debt discount amortized as financing fees in connection with the issuance of 200,000 shares of the Company's Common Stock and two Warrants for purchase up to 150,000 shares of the Company's Common Stock as consideration for the Company receiving a $3,000,000 loan from Mr. William Lampson and Mr. Diehl Rettig in May 2009. The increase was partially offset by the reduction of monthly amortized financing fees associated with our original credit facility and subsequent amendments which became fully amortized in May 2008.

Income Taxes- Valuation Allowance

In accordance with ASC 740, "Income Taxes", a valuation allowance is established against a deferred tax asset if, based on the available evidence, it is more likely than not that such assets will not be realized. The realization of a deferred tax asset ultimately depends on the existence of sufficient taxable income in either the carryback or carryforward periods under the law. We periodically assess the need for valuation allowances for deferred tax assets based on the ASC 740 more-likely than not realization threshold criterion. In our assessment, we consider a number of factors including whether there is a historical pattern of consistent and significant profitability in combination with our assessment of forecasted profitability in the future periods. Such patterns and forecasts allow us to determine whether our most significant deferred income tax assets, such as net operating losses, will be realizable in future years, in whole or in part. These deferred income tax assets in particular will require us to generate taxable income in the applicable jurisdictions in future years in order to recognize their economic benefits. As of December 31, 2008, we had concluded that insufficient evidence existed to support the recognition of any of our deferred income tax assets and, as such, a full valuation allowance was applied against our net deferred income tax asset. As of December 31, 2009, however, facts and circumstances have changed to alter our conclusions and we have determined that it is more likely than not that approximately $2,192,000 of deferred income tax asset will be realized based, primarily, on profitable historic results and projections of future taxable income. For the years ended December 31, 2009 and 2008, we had ($1,986,000) and $11,000, respectively, in income tax (benefit) expense, as a result of a release in the valuation allowance against the deferred income tax asset and our alternative minimum tax liability at December 31, 2009. Our net operating loss carryforwards have not been audited or approved by the Internal Revenue Service.

Discontinued Operations and Divestitures

Our discontinued operations encompass our Perma-Fix of Maryland, Inc. ("PFMD"), Perma-Fix of Dayton, Inc. ("PFD"), and Perma-Fix Treatment Services, Inc. ("PFTS") facilities within our Industrial Segment, which we completed the sale of substantially all of the assets of these three facilities on January 8, 2008, March 14, 2008, and May 30, 2008, respectively. Our discontinued operations also include three previously shut down locations, Perma-Fix of Pittsburgh, Inc. ("PFP"), Perma-Fix of Michigan, Inc. ("PFMI"), and Perma-Fix of Memphis, Inc. ("PFM"), which were approved as discontinued operations by our Board of Directors effective November 8, 2005, October 4, 2004, and March 12, 1998, respectively,

On October 6, 2010, our Board of Directors authorized the divestitures of our three remaining operations within our Industrial Segment, Perma-Fix of Fort Lauderdale, Inc. ("PFFL"), Perma-Fix of South Georgia, Inc. ("PFSG"), and Perma-Fix of Orlando, Inc. ("PFO"). The decision to sell these remaining three operations within our Industrial Segment is based on our belief that our Nuclear Segment represents a sustainable long-term growth driver of our business. On October 6, 2010, we entered into two separate letters of intent ("LOIs") with a hazardous waste management company to sell our PFFL and PFO operations. Both LOIs were subsequently terminated. On February 25, 2011, we entered into two separate LOIs with a hazardous waste management company to sell our PFFL and PFO operations. One of the LOIs covers the sale of assets of PFO for approximately $2,000,000, plus assumption by the purchaser of certain liabilities. The second LOI covers the acquisition of all outstanding stock of PFFL, for approximately $5,500,000. The purchase price of both LOIs is subject to adjustment under certain conditions. Both of the LOIs are subject to numerous conditions, including, but not limited to, completion of due diligence by the buyer, negotiation and execution of definitive agreements, and approval by the Board of Directors of both companies. For year 2010, these two operations had total revenue of approximately $6,925,000 and net income of approximately $804,000. We are actively marketing the sale of PFSG.

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On October 6, 2010, PFFL, PFSG, and PFO met the held for sale criteria under ASC 360, "Property, Plant, and Equipment", and therefore, these facilities were reclassified as discontinued operations. The long-lived assets of these facilities have been classified as held for sale and the financial results of these for these operations have been included in discontinued operations for all periods presented.

Our discontinued Industrial Segment facilities generated revenues of $9,248,000, $8,283,000, and $14,146,000, for the years ended December 31, 2010, 2009, and 2008, respectively, and had net loss of $663,000 and $65,000 for years ended December 31, 2010 and 2009, respectively, and net income of $2,729,000 for the year ended December 31, 2008. Our loss from discontinued operations for the twelve months ended December 31, 2010, included an increase to our environmental reserve of $844,000 and $261,000 at our PFSG and PFD facility, respectively (see below "Environmental Liabilities" in this section for further details), and a $167,000 final settlement we received from a lawsuit that we filed against the buyer of substantially all of the assets of PFTS, A Clean Environment, Inc. ("ACE"), regarding certain liabilities which we believed ACE assumed and agreed to pay under the Purchase Agreement but which ACE had refused to pay. Loss from discontinued operations in 2009 included an increase to environmental reserve of $281,000 at our PFSG facility due to reassessment of our remediation estimates. It also included a recovery of approximately $400,000 in closure cost after the buyer of PFTS's asset obtained its own financial assurance bond. Net income from discontinued operations in 2008 included a recovery of previous impairment charges for PFO of $507,000. The asset impairment recovery resulted from the reevaluation of the fair value of PFO's assets in connection with the sale of one of the two properties at PFO in December 2008, which resulted in gain of $483,000. We had recorded the $507,000 in impairment loss in 2007 when our Board of Directors approved the divestiture our Industrial Segment in 2007. In September 2008, our Board of Directors approved retaining our Industrial Segment operations at PFFL, PFSG, and PFO. Our net income for 2008 also included a gain on disposal of discontinued operations, net of taxes, of $2,323,000 from the divestiture of PFMD, PFD, and PFTS.

Assets related to discontinued operations total $7,433,000 and $6,352,000 as of December 31, 2010, and 2009, respectively, and liabilities related to discontinued operations total $5,747,000 and $4,840,000 as of December 31, 2010 and 2009, respectively.

Liabilities within our discontinued operations include a pension payable of $748,000 as of December 31, 2010. 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, including interest at 8% per annum, over an eight year period. This obligation is recorded as a long-term liability, with a current portion of $215,000 that we expect to pay over the next year.

Liquidity and Capital Resources

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

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At December 31, 2010, we had cash of $101,000. The following table reflects the cash flow activities during 2010.

(In thousands)	2010
Cash provided by operating activities of continuing operations	$8,074
Cash used in operating activities of discontinued operations	(344)
Cash used in investing activities of continuing operations	(4,504)
Cash used in investing activities of discontinued operations	(544)
Cash used in financing activities of continuing operations	(2,595)
Principal repayment of long-term debt for discontinued operations	(52)
Increase in cash	$35

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 a remittance lock box and is structured to accelerate collection activities and reduce cash balances, as idle cash is moved without delay to the revolving credit facility or the Money Market account, if applicable. The cash balance at December 31, 2010, 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 $8,541,000, a decrease of $3,274,000 over the December 31, 2009, balance of $11,815,000. The Nuclear Segment experienced a decrease of approximately $3,096,000 due primarily to improved collection efforts. The Engineering Segment experienced a decrease of approximately $178,000 due mainly to reduction in revenue.

Unbilled receivables are generated by differences between invoicing timing and our performance based 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 tasks relating to these delays usually take several months to complete. As of December 31, 2010, unbilled receivables totaled $11,992,000, a decrease of $279,000 from the December 31, 2009, balance of $12,271,000, which reflects our continued efforts to reduce this balance. The delays in processing invoices, as mentioned above, usually take several months to complete and the related receivables 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 extend collection of some of these receivables greater than twelve months. Therefore, we have segregated the unbilled receivables between current and long term. The current portion of the unbilled receivables as of December 31, 2010 is $9,436,000, a decrease of $333,000 from the balance of $9,769,000 as of December 31, 2009. The long term portion as of December 31, 2010 is $2,556,000, an increase of $54,000 from the balance of $2,502,000 as of December 31, 2009.

As of December 31, 2010, total consolidated accounts payable was $4,891,000, an increase of $545,000 from the December 31, 2009, balance of $4,346,000. The increase was the result of our continued efforts to manage payment terms with our vendors to maximize our cash position throughout all segments.

Accrued Expenses as of December 31, 2010, totaled $5,996,000, an increase of $81,000 over the December 31, 2009, balance of $5,915,000. Accrued expenses are made up of accrued compensation, interest payable, insurance payable, certain tax accruals, and other miscellaneous accruals. The increase was primarily due to the difference between the accrued earn-out amount recorded in the second quarter for earn-out measurement year ending June 30, 2010, in connection with the acquisition of our PFNWR facility in June 2007 and the amount paid in cash and in a note payable in the third quarter for this earn-out amount. The difference of $593,000 represents an anticipated offset amount representing indemnification obligations payable to the Company by Nuvotec, PEcoS, and the former shareholders which we identified in the third quarter (see "Liquidity and Capital Resources of the Company – Financing Activities" for further information regarding this earn-out and offset amount). This increase was offset by the final installment payment for our PFNWR closure policy in 2010 which we financed in the 2009.

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Disposal/transportation accrual as of December 31, 2010, totaled $2,188,000, a decrease of $467,000 over the December 31, 2009 balance of $2,655,000. The decrease was attributed to the processing of legacy waste at PFNWR facility. In addition, disposal accrual can vary based on revenue mix and the timing of waste shipment for final disposal. In the fourth quarter of 2010, more waste was shipped for disposal as compared to the corresponding period of 2009 which reduced the amount of waste on site or in-transit that needed to be accrued.

Our working capital was $2,329,000 (which includes working capital of our discontinued operations) as of December 31, 2010, as compared to a working capital of $1,490,000 as of December 31, 2009. The improvement in our working capital was primarily the result of cash collected from the reduction in trade receivables and unearned revenue. However, the improvement in our working capital was reduced by the payment of our finite risk obligations and our revolver which are both classified as long term. Our working capital was also impacted by the increase in our current debt and accounts payable.

Investing Activities

During 2010, our purchases of capital equipment totaled approximately $2,580,000 of which $1,642,000 and $938,000 was for our continuing and discontinued operations, respectively. Of the total capital spending, $71,000 and $358,000 was financed for our continuing and discontinued operations, respectively, resulting in total net purchases of $2,151,000 ($1,571,000 and $580,000 for our continuing and discontinued operations, respectively) funded out of cash flow. These expenditures were for improvements to operations primarily within the Nuclear Segment and those facilities within the Industrial Segments which were reclassified as discontinued operations in October 2010. These capital expenditures were funded by the cash provided by both operations and financing activities. We have budgeted approximately $2,600,000 for 2011 capital expenditures for our segments to expand our operations into new markets, reduce the cost of waste processing and handling, expand the range of wastes that can be accepted for treatment and processing, and to maintain permit compliance requirements. Certain of these budgeted projects are discretionary and may either be delayed until later in the year or deferred altogether. We have traditionally incurred actual capital spending totals for a given year less than the initial budget amount. The initiation and timing of projects are also determined by financing alternatives or funds available for such capital projects.

In June 2003, we entered into a 25-year finite risk insurance policy with Chartis, a subsidiary of American International Group, Inc. ("AIG") (see "Part I, Item 1A. – Risk Factors" for certain potential risk related to AIG), 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 provided an initial maximum $35,000,000 of financial assurance coverage and has available capacity to allow for annual inflation and other performance and surety bond requirements. Our initial finite risk insurance policy required an upfront payment of $4,000,000, 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. We are required to make seven annual installments, as amended, of $1,004,000, of which $991,000 is to be deposited in the sinking fund account, with the remaining $13,000 represents a terrorism premium. In addition, we are required to make a final payment of $2,008,000 (payable in February 2011), of which $1,982,000 is to be deposited in the sinking fund account, with the remaining $26,000 represents a terrorism premium. In February 2010, we paid our seventh of the eight required remaining payments. In March 2009, we increased our maximum allowable policy coverage from $35,000,000 to $39,000,000 in order for our DSSI facility to receive and process PCBs wastes. Payment for this policy increase requires a total payment of approximately $5,219,000, consisting of an upfront payment of $2,000,000 made on March 6, 2009, of which approximately $1,655,000 was deposited into a sinking fund account, with the remaining representing fee payable to Chartis. In addition, we are required to make three yearly payments of approximately $1,073,000 payable starting December 31, 2009, of which $888,000 is be deposited into a sinking fund account, with the remaining to represent fee payable to Chartis. In February 2010, we paid our first of the three $1,073,000 required payments. The second of the three required payments was made in January 2011.

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As of December 31, 2010, our total financial coverage amount under this policy totaled $36,431,000. We have recorded $11,560,000 in our sinking fund related to the policy noted above on the balance sheet, which includes interest earned of $847,000 on the sinking fund as of December 31, 2010. Interest income for the twelve months ended December 31, 2010, was approximately $42,000. On the fourth and subsequent anniversaries of the contract inception, we may elect to terminate this contract. If we so elect, Chartis is obligated to 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.

During February 2011, the remaining payments due on the above closure policy was amended, subject to finalization of the closure policy modification, whereby $1,003,000 is to be paid by February 2011, of which $991,000 is to be deposited into a sinking fund, with the remaining $13,000 represents a terrorism premium; $1,073,000 is due December 2011, of which $888,000 will be deposited into the sinking fund account, with the remaining representing a fee paid to Chartis, and a final payment of $1,054,000 due February 2012, of which $991,000 is to be deposited into a sinking fund, with the remaining $63,000 representing a terrorism premium payments. In February 2011, we paid the $1,003,000. As result of the revision to the payment terms, the maximum allowable coverage under this closure policy was revised to $36,431,000 as of February 2011, with such maximum coverage to be increased to approximately $37,300,000 in March 2011. The maximum allowable coverage will be increased to $39,000,000 upon upon final payment of the $1,054,000.

In August 2007, we entered into a second finite risk insurance policy for our PFNWR facility with Chartis. The policy provides an initial $7,800,000 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 $8,200,000. We will have the option to renew this policy at the end of the four year term. The policy requires total payments of $7,158,000, consisting of an initial payment of $1,363,000 ($1,106,000 represented premium on the policy and the remaining was deposited into a sinking fund account), two annual payments of $1,520,000 ($1,344,000 was deposited into a sinking fund and the remaining represented premium), and an additional $2,755,000 payment (paid quarterly and all deposited into a sinking fund). We have made all of the payments. As of December 31, 2010, we have recorded $5,864,000 in our sinking fund related to this policy on the balance sheet, which includes interest earned of $164,000 on the sinking fund as of December 31, 2010. Interest income for the twelve months ended December 31, 2010 totaled approximately $23,000.

Financing Activities

We entered into a Revolving Credit, Term Loan and Security Agreement ("Agreement") with PNC Bank, National Association, a national banking association ("PNC") acting as agent ("Agent") for lenders, and as issuing bank. The Agreement provided for a term loan ("Term Loan") in the amount of $7,000,000, which requires principal repayments based upon a seven-year amortization, payable over five years, with monthly installments of $83,000 and the remaining unpaid principal balance due on November 27, 2008, as amended. The Agreement also provided for a revolving line of credit ("Revolving Credit") with a maximum principal amount outstanding at any one time of $18,000,000. The Revolving Credit advances are subject to limitations of an amount up to the sum of (a) up to 85% of Commercial Receivables aged 90 days or less from invoice date, (b) up to 85% of Commercial Broker Receivables aged up to 120 days from invoice date, (c) up to 85% of acceptable Government Agency Receivables aged up to 150 days from invoice date, and (d) up to 50% of acceptable unbilled amounts aged up to 60 days, less (e) reserves the Agent reasonably deems proper and necessary. As of December 31, 2010, the excess availability under our revolving credit was $9,747,000 based on our eligible receivables.

The Agreement has been amended on numerous occasions since it was originally executed. On March 5, 2009, we entered into another Amendment with PNC Bank to our Agreement. This Amendment increased our borrowing availability by approximately an additional $2,200,000. In addition, pursuant to the Amendment, monthly interest due on our Revolving Credit was amended from prime plus 1/2% to prime plus 2.0% and monthly interest due on our

Term Loan was amended from prime plus 1.0% to prime plus 2.5%. The Company also has the option to pay monthly interest due on the Revolving Credit by using the London Interbank Offer Rate ("LIBOR"), with the minimum floor base LIBOR rate of 2.5%, plus 3.0% and to pay monthly interest due on the Term Loan using the minimum floor base LIBOR rate of 2.5%, plus 3.5%. In addition, the Amendment also allowed us to retain funds received from the sale of our PFO property. All other terms and conditions to the credit facility remain principally unchanged. Funds made available under this Amendment were used to secure the additional financial assurance coverage needed by our DSSI subsidiary to operate under an authorization issued by the EPA on November 26, 2008 to treat and dispose of PCBs as discussed previously.

Additionally, on January 25, 2010, we entered into another Amendment with PNC Bank, which amends the interest rate to be paid under the LIBOR option. Under this Amendment, we and PNC agreed to lower the floor on the LIBOR interest rate option by 150 basis points to 1.0% from 2.5%, allowing for minimum interest rate floor under the LIBOR option on the outstanding balances of our Term Loan and Revolving Credit of 4.5% and 4.0%, respectively. The prime rate option of prime plus 2.5% and 2.0% in connection with our Term Loan and Revolving Credit, respectively, was not changed under the Amendment. All other terms of the Loan Agreement, as amended prior to the Amendment, remain principally unchanged.

Our credit facility with PNC Bank contains certain financial covenants, along with customary representations and warranties. A breach of any of these financial covenants, unless waived by PNC, could result in a default under our credit facility triggering our lender to immediately require the repayment of all outstanding debt under our credit facility and terminate all commitments to extend further credit. We have met our financial covenants in each of the quarters in 2010 and we expect to meet our financial covenants in 2011. The following table illustrates the most significant financial covenants under our credit facility and reflects the quarterly compliance required by the terms of our senior credit facility as of December 31, 2010:

(Dollars in thousands)	Quarterly Requirement	1st Quarter Actual	2nd Quarter Actual	3rd Quarter Actual	4th Quarter Actual
Senior Credit Facility					
Fixed charge coverage ratio	1:25:1	2:87:1	2.72:1	1.92:1	1:77:1
Minimum tangible adjusted net worth	$ 30,000	$61,900	$61,067	$60,133	$61,889

In conjunction with our acquisition of Perma-Fix Northwest, Inc. ("PFNW") and its wholly owned subsidiary, Perma-Fix Northwest Richland, Inc. ("PFNWR"), we agreed to pay shareholders of Nuvotec (n/k/a PFNW) that qualified as accredited investors, pursuant to Rule 501 of Regulation D promulgated under the Securities Act of 1933, including Robert Ferguson, who resigned as a member of our Board of Directors effective February 27, 2010, $2,500,000, with principal payable in equal installment of $833,333 on June 30, 2009, June 30, 2010, and June 30, 2011. Interest accrued on the outstanding principal balance at 8.25% starting in June 2007 and is payable on June 30, 2008, June 30, 2009, June 30, 2010, and June 30, 2011. As of December 31, 2010, we have paid two of the three principal installments of $833,333, along with accrued interest. Interest paid as of December 31, 2010 totaled approximately $560,000, which represents interest from June 2007 to June 2010. See "Related Party Transactions" in this Management and Discussion Analysis of Financial Condition and Results of Operations" regarding Mr. Robert Ferguson.

On May 8, 2009, the Company entered into a promissory note with William N. Lampson and Diehl Rettig (collectively, the "Lenders") for $3,000,000. The Lenders were formerly shareholders of PFNW prior to our acquisition of PFNW and PFNWR and are also stockholders of the Company having received shares of our Common Stock in connection with our acquisition of PFNW and PFNWR. We used the proceeds of the loan primarily to pay off a promissory note entered into by our M&EC subsidiary with PDC in June 2001, with the remaining funds used for working capital purposes. The promissory note provides for monthly principal repayment of approximately $87,000 plus accrued interest, starting June 8, 2009, and on the 8th day of each month thereafter, with interest payable at LIBOR plus 4.5%, with LIBOR at least 1.5%. Any unpaid principal balance along with accrued interest is due May 8, 2011. We paid approximately $22,000 in closing costs for the promissory note which is being amortized over the term of the note. The promissory note may be prepaid at anytime by the Company without penalty. As consideration of the Company receiving this loan, we issued a Warrant to Mr. Lampson and a Warrant to Mr. Diehl to purchase up to 135,000 and 15,000 shares, respectively, of the Company's Common Stock at an exercise price of $1.50 per share. The Warrants are exercisable six months from May 8, 2009 and expire on May 8, 2011. We also issued an aggregate of 200,000 shares of the Company's Common Stock, with Mr. Lampson receiving 180,000 shares and Mr. Rettig receiving 20,000 shares of the Company's Common Stock. The fair value of the Common Stock and Warrants on the date of issuance was estimated to be approximately $666,000 and was recorded as a debt discount and is being amortized over the term of the loan as interest expense – financing fees. Debt discount amortized as of December 31, 2010 totaled approximately $549,000. Mr. Rettig is now deceased; accordingly, the remaining portion of the note payable to Mr. Rettig and the Warrants and Stock issued to him is now payable to and held by his personal representative or estate.

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In connection with the acquisition of PFNW and PFNWR in June 2007, we are required to pay to those former shareholders of Nuvotec (n/k/a PFNW) immediately prior to our acquisition, which includes Robert L. Ferguson, who resigned as a member of our Board of Directors effective February 27, 2010, an earn-out amount upon meeting certain conditions for each measurement year ending June 30, 2008, to June 30, 2011, with the aggregate of the full earn-out amount not to exceed $4,552,000, pursuant to the Merger Agreement, as amended ("Agreement") (See "Related Party Transaction" in this section for information regarding Mr. Ferguson). Under the Agreement, the earn-out amount to be paid for any particular measurement year is to be an amount equal to 10% of the amount that the revenues for our nuclear business (as defined) for such measurement year exceeds the budgeted amount of revenues for our nuclear business for that particular period. No earn-out was required to be paid for measurement year 2008, and we paid $734,000 in earn out for measurement year 2009 in 2009. We were required to pay $2,978,000 in earn-out prior to the Offset Amounts as discussed below for measurement year ending June 30, 2010. Pursuant to the Agreement, any indemnification obligations payable to the Company by the former shareholders of Nuvotec will be deducted ("Offset Amount") from any earn-out amounts payable by the Company for the measurement year ending June 30, 2010, and June 30, 2011. Pursuant to the Agreement, the aggregate amount of any Offset Amount may total up to $1,000,000, except an Offset Amount is unlimited as to indemnification relating to liabilities for taxes, misrepresentation or inaccuracies with respect to the capitalization of Nuvotec or PEcoS or for willful or reckless misrepresentation of any representation, warranty or covenant. For the $2,978,000 in earn-out for measurement year ended June 30, 2010, we identified an Offset Amount of approximately $93,000 relating to an excise tax issue and a refund request from a PEcoS customer in connection with services for waste treatment prior to our acquisition of PFNWR and PFNW. We also identified an anticipated Offset Amount of $563,000 in connection with the receipt of nonconforming waste at the PFNWR facility prior to our acquisition of PFNWR and PFNW. We are currently involved in litigation with the party that delivered the nonconforming waste to the facility prior to our acquisition of PFNWR and PFNW. After the Offset Amount of $93,000 and the anticipated Offset Amount of $563,000, we were required to pay $2,322,000 in earn-out amount for measurement year ended June 30, 2010. In September 2010, we paid $1,000,000 of the $2,322,000 in earn-out amount, with the remaining $1,322,000 payable in a promissory note at an annual interest rate of 6.0%, as permitted under the Agreement, as amended. The promissory note provides for thirty six equal monthly payments of approximately $40,000, consisting of interest and principal, starting October 15, 2010. The promissory note may be prepaid at any time without penalty.

On July 28, 2006, our Board of Directors 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.

In order to complete the acquisition of a potential company which provides environmental and nuclear waste management similar to our business, as discussed below under "Acquisition–Letter of Intent ("LOI")", we will be required to increase our credit facilities. In connection therewith, we are reviewing various options which will provide for this increase to our credit facilities in order to complete this potential acquisition.

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On April 8, 2009, the Company filed a shelf registration statement on Form S-3 with the U.S. Securities and Exchange Commission ("SEC"), which was declared effective by the SEC on June 26, 2009 and is effective for three years. The shelf registration statement gives the Company the ability to sell up to 5,000,000 shares of its Common Stock from time to time and through one or more methods of distribution, subject to market conditions and the Company's capital needs at that time. The terms of any offering under the registration statement will be established at the time of the offering. The Company does not have any immediate plans or current commitments to issue shares under the registration statement.

On April 28, 2010, the Company adopted the 2010 Stock Option Plan (the "2010 Plan"), which was approved by our shareholders at the Company's Annual Meeting of Stockholders held on September 29, 2010. The 2010 Plan authorizes an aggregate grant of 1,000,000 non-qualified and incentive stock options to officers and employees (including an employee who is a member of the Board of Directors) of the Company for the purchase of up to 1,000,000 shares of the Company's Common Stock. The term of each stock option granted will be fixed by the Compensation Committee, but no stock option will be exercisable more than ten years after the grant date, or in the case of an incentive stock option granted to a 10% stockholder, five years after the grant date. The exercise price of any incentive stock option granted under the 2010 Option Plan to an individual who is not a 10% stockholder at the time of the grant will not be less than the fair market value of the shares at the time of the grant, and the exercise price of any incentive stock option granted to a 10% stockholder shall not be less than 110% of the fair market value at the time of grant. The exercise price of any non-qualified stock options granted under the 2010 Stock Plan will not be less than the fair market value of the shares at the time of grant.

During the twelve months ended December 31, 2010, we issued an aggregate of 350,000 shares of our Common Stock upon exercise of 350,000 employee stock options, at exercise prices ranging from $1.25 to $2.19. An employee used 38,210 shares of personally held Company Common Stock as payment for the exercise of 70,000 options to purchase 70,000 shares of the Company's Common Stock at $1.25 per share, as permitted under the 1993 Non-Qualified Stock Option Plan. The 38,210 shares are held as treasury stock. We received $509,000 in total proceeds from stock option exercises.

In summary, we continue to take steps to improve our operations and liquidity and to invest working capital into our facilities to fund capital additions in our Segments. Cash to be received subject from the sale of PFFL, PFO, and PFSG (net of the collateralized portion held by our credit facility) will be used to reduce our term note, with any remaining cash used to reduce our revolver. Although there are no assurances, 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.

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Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2010, and the effect such obligations are expected to have on our liquidity and cash flow in future periods, (in thousands):

			Payments due by period		
Contractual Obligations	Total	2011	2012-2013	2014 - 2015	After 2015
Long-term debt (1)	$10,366	$3,729	$6,600	$37	$-
Interest on fixed rate long-term debt (2)	177	131	46	-	—
Interest on variable rate debt (3)	610	429	181	-	-
Operating leases	1,663	490	547	318	308
Finite risk policy (4)	4,154	4,154	-	-	-
Pension withdrawal liability (5)	748	215	483	50	-
Environmental contingencies (6)	2,256	615	1,100	163	378
Earn Out Amount - PFNWR (7)	840	-	840	—	—
Purchase obligations (8)	—	—	—	—	—
Total contractual obligations	$20,814	$9,763	$9,797	$568	$686

(1) Amount excludes debt discount of approximately $33,000 for the two Warrants and $84,000 for the 200,000 shares of the Company Stock issued in connection with the $3,000,000 loan between the Company and Mr. William Lampson and Mr. Diehl Rettig. See "Liquidity and Capital Resources of the Company – Financing Activities" earlier in this Management's Discussion and Analysis for further discussion on the debt discount.

(2) In conjunction with our acquisition of PFNWR and PFNW, 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, $2,500,000, 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. Also, on September 28, 2010, the Company entered into a promissory note in the principal amount of $1,322,000 at annual interest rate of 6.0%, with the former shareholders of Nuvotec (n/k/a PFNW) in connection with an earn-out amount that we are required to pay upon meeting certain conditions for each fiscal year between June 30, 2008 to June 30, 2011, as result of our acquisition of PFNW and PFNWR. The promissory note provides for thirty six equal monthly payments of approximately $40,000 consisting of interest and principal starting October 15, 2010.

(3) We have variable interest rates on our Term Loan and Revolving Credit of 2.5% and 2.0% over the prime rate of interest, respectively, or variable interest rates on our Term Loan and Revolving Credit of 3.5% and 3.0%, respectively, over the minimum floor base LIBOR of 1.0%, as amended. Our calculation of interest on our Term Loan and Revolving Credit was estimated using the more favorable LIBOR option of approximately 4.5% and 4.0%, respectively, in years 2011 through July 2012. In addition, we have a $3,000,000 promissory note with Mr. William Lampson and Mr. Diehl Rettig which pays interest at LIBOR plus 4.5%, with LIBOR of at least 1.5%.

(4) 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 and the change in payment terms on this policy made in February 2011.

(5)

The pension withdrawal liability is the estimated liability to us upon termination of our union employees at our discontinued operation, PFMI and remains the financial obligations of the Company. See Discontinued Operations earlier in this section for discussion on our discontinued operation.

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(6) 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 PFMI, PFM, PFSG, and PFD, which are the financial obligations of the Company. The environmental liability, 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.

(7) In connection with the acquisition of PFNW and PFNWR in June 2007, we are required to pay to those former shareholders of PFNW immediately prior to our acquisition, if certain revenue targets are met, an earn-out amount for each measurement year ending June 30, 2008, to June 30, 2011, with the aggregate of the full earn-out amount not to exceed $4,552,000, pursuant to the Merger Agreement, as amended. No earn-out amount was required to be paid for measurement year 2008 and we paid $734,000 in earn-out amount for the measurement year 2009 during the third quarter of 2009. For measurement year ended June 30, 2010, $2,978,000 in earn-out amount was earned; however, we were required to pay $2,322,000 in earn-out amount, which was net of an aggregate $656,000 Offset Amount. The Offset Amounts represent indemnification obligations payable to the Company by Nuvotec, PEcoS, and the former shareholders. As of the date of this report, $840,000 remains available to be earned for measurement year ended June 30, 2011, which excludes any future Offset Amount which we may identify at a later time. See "Liquidity and Capital Resources of the Company - Financing Activities" in this "Management and Discussion and Analysis of Financial Condition and Results of Operations" for further information on the earn-out amount and the Offset Amount.

(8) 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 performance based 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 become 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 using a proportional performance model. The major processing phases are receipt, treatment/processing and shipment/final disposition. Upon receiving mixed waste we recognize a certain percentage (ranging from 14% to 33%) of revenue as we incur costs for transportation, analytical and labor associated with the receipt of mixed waste. As the waste is processed, shipped and disposed of we recognize the remaining revenue and the associated costs of transportation and burial. We review and evaluate our revenue recognition estimates and policies on a quarterly basis. Under our subcontract awarded by CHPRC in 2008, we are reimbursed for costs incurred plus a certain percentage markup for indirect costs, in accordance with contract provision. Costs incurred on excess of contract funding may be renegotiated for reimbursement. We also earn a fee based on the approved costs to complete the contract. We recognize this fee using the proportion of costs incurred to total estimated contract costs.

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 0.2% of revenue for 2010 and 2.5%, of accounts receivable as of December 31, 2010. Additionally, this allowance was approximately 0.2% of revenue for 2009 and 1.9% of accounts receivable as of December 31, 2009.

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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 or goodwill and the recognized value of the permits required to operate 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 each Segment's (or Reporting Unit's) goodwill and permits, separately, for impairment, annually as of October 1. Our annual impairment test as of October 1, 2010 and 2009 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. Those cash flow estimates incorporate assumptions that marketplace participants would use in their estimates of fair value. The most significant assumptions used in the discounted cash flow valuation regarding each of the Segment's fair value in connection with goodwill valuations are: (1) detailed five year cash flow projections, (2) the risk adjusted discount rate, and (3) the expected long-term growth rate. The primary drivers of the cash flow projection in 2010 include sales revenue and projected margin which are based on our current revenue, projected government funding as it relates to our existing government contracts and future revenue expected as part of the government stimulus plan. The risk adjusted discount rate represents the weighted average cost of capital and is established based on (1) the 20 year risk-free rate, which is impacted by events external to our business, such as investor expectation regarding economic activity, (2) our required rate of return on equity, and (3) the current after tax rate of return on debt. In valuing our goodwill for 2010, risk adjusted discount rate of 17% was used for the Nuclear and Industrial Segment and 15% for our Engineering Segment. As of October 1, 2010, the fair value of our reporting units exceeds carrying value by approximately $9,531,000, $1,030,000, and $4,272,000 for the Nuclear, Engineering, and Industrial Segment, respectively.

As a result of reclassifying PFFL, PFSG, and PFO as discontinued operations in October 2010, we performed internal financial valuations on the intangible assets of these three operations based on the LOIs to test for asset impairment as required by ASC 350, "Intangibles-Goodwill and Other". We concluded that no intangible asset impairments existed as of December 31, 2010.

Intangible assets that have definite useful lives are amortized using the straight-line method over the estimated useful lives and are excluded from our annual intangible asset valuation review conducted as of October 1. However, these intangible assets are tested for impairment whenever events or changes in circumstances suggest impairment might exist. The Company has only one definite-lived permit which was excluded from the impairment review as noted above. This permit of approximately $545,000 was capitalized in 2009 in connection with the authorization issued by the U.S. EPA to our DSSI facility to commercially store and dispose of radioactive PCBs. This permit is being amortized over a ten year period in accordance with its estimated useful life.

Property and Equipment

Property and equipment expenditures are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets for financial statement purposes, while accelerated depreciation methods are principally used for income tax purposes. Generally, annual depreciation rates range from ten to forty years for buildings (including improvements and asset retirement costs) and three to seven years for office furniture and equipment, vehicles, and decontamination and processing equipment. Leasehold improvements are capitalized and amortized over the lesser of the term of the lease or the life of the asset. Maintenance and repairs are charged directly to expense as incurred. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts, and any gain or loss from sale or retirement is recognized in the accompanying consolidated statements of operations. Renewals and improvement, which extend the useful lives of the assets, are capitalized. We include within buildings, asset retirement obligations, which represents our best estimates of the cost to close, at some undetermined future date, our permitted and/or licensed facilities. In 2008 to 2010, we increased our asset retirement obligations for various facilities as follows due to changes in estimates of the costs to close these facilities based on federal/state regulatory guidelines: $726,000 and $373,000 for DSSI and PFNWR, respectively in 2008; $1,980,000 for DSSI (due to authorization for PCB storage and treatment) and $158,000 for PFSG in 2009; and $499,000 in the fourth quarter of

2010 for PFNWR. Adjustments to the asset retirement obligations for these facilities are being depreciated prospectively over the remaining estimated life of the asset, in accordance with Accounting Standards Codification ("ASC") 410, "Asset Retirement and Environmental Obligations".

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In accordance with ASC 360, "Property, Plant, and Equipment", long-lived assets, such as property, plant and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

As a result of the approved divesture of the PFFL, PFSG, and PFO operations by our Board of Directors in October 2010 and the subsequent letter of intents entered into and prospective interest received, we performed updated financial valuations on the tangible assets of these three operations as required by ASC 360. Our analysis included the comparison of the offered sale price less cost to sell to the carrying value of the investment under each letter of intent separately. Based on our analysis, we concluded that no tangible asset impairment existed as of December 31, 2010.

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 (for 2010, the average inflationary factor was approximately 1.02%) and for approved changes or expansion to the facilities. 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.

Accrued Environmental Liabilities. We have four remediation projects currently in progress. 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. In connection with the sale of our PFD facility in March 2008, the Company 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. The environmental liabilities of PFM, PFMI, PFSG, and PFD remain the financial obligations of the Company.

Disposal/Transportation Costs. We accrue for waste disposal based upon a physical count of the 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.

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Stock-Based Compensation. We account for stock-based compensation in accordance with ASC 718, "Compensation – Stock Compensation". ASC 718 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. ASC 718 requires all stock-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. The Company uses the Black-Scholes option-pricing model to determine the fair-value of stock-based awards which requires subjective assumptions. Assumptions used to estimate the fair value of stock options granted include the exercise price of the award, the expected term, the expected volatility of the Company's stock over the option's expected term, the risk-free interest rate over the option's expected term, and the expected annual dividend yield. The Company's expected term represents the period that stock-based awards are expected to be outstanding and is determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules, and post-vesting data. Our computation of expected volatility is based on the Company's historical volatility from our traded Common Stock over the expected term of the option grants. The interest rate for periods within the expected term of the award is based on the U.S. Treasury yield curve in effect at the time of grant.

We recognize stock-based compensation expense using a straight-line amortization method over the requisite period, which is the vesting period of the stock option grant. ASC 718 requires that stock-based compensation expense be based on options that are ultimately expected to vest. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. We have generally estimated forfeiture rate based on historical trends of actual forfeiture. When actual forfeitures vary from our estimates, we recognize the difference in compensation expense in the period the actual forfeitures occur or when options vest. Forfeiture rates are evaluated, and revised as necessary.

Income Taxes. The provision for income tax is determined in accordance with ASC 740, "Income Taxes". As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. We record this amount as a provision or benefit for taxes. This process involves estimating our actual current tax exposure, including assessing the risks associated with tax audits, and assessing temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. We assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent that we believe recovery is not likely, we establish a valuation allowance. As of December 31, 2010, we had deferred tax assets of approximately $19,427,000, which were primarily related to federal and state net operating loss carryforwards, impairment charges, and closure costs. In 2008, we had concluded that insufficient evidence existed to support the recognition of any of our deferred income tax assets and, as such, a full valuation allowance was applied against our net deferred income tax asset. In 2010 and 2009, based on facts and circumstances, we determined that it was more likely than not that approximately $554,000 and $2,192,000 of deferred income tax asset will be realized based, primarily, on profitable historic results and projections of future taxable income. Our net operating losses are subject to being audited by the Internal Revenue Services, and, as a result, the amounts could be reduced.

Known Trends and Uncertainties

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 generally slows down, as the government budgets are still being finalized, planning for the new year is occurring, and we enter the holiday season. This trend generally continues into the first quarter of the new year as government entities evaluate their spending priorities. Because government spending is contingent upon its annual budget and allocation of funding, we cannot provide assurance that we will not have large fluctuations in the quarters in the near future. In addition, higher government (specifically DOE) funding made available through the economic stimulus package (American Recovery and Reinvestment Act) enacted by Congress in February 2009, could result in large fluctuations in 2011.

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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.

We believe that the higher government funding made available to remediate DOE sites under the economic stimulus package (American Recovery and Reinvestment Act), enacted by the Congress in February 2009, should continue to positively impact our existing government contracts within our Nuclear Segment. However, we expect that demand for our services will be subject to fluctuations due to a variety of factors beyond our control, including the current economic conditions, and the manner in which the government will be required to spend funding to remediate federal sites. Our operations depend, in large part, upon governmental funding, particularly funding levels at the DOE. In addition, our governmental contracts and subcontracts relating to activities at governmental sites are subject to termination or renegotiation on 30 days notice at the government's option. Significant reductions in the level of governmental funding or specifically mandated levels for different programs that are important to our business could have a material adverse impact on our business, financial position, results of operations and cash flows.

Legal Matter:
Perma-Fix of Northwest Richland, Inc. ("PFNWR")
PFNWR has filed a complaint alleging breach of contract and seeking the Court to direct specific performance of the "return-of-waste clause" contained in the brokerage contract between a previous owner of the facility now owned by PFNWR and Philotechnics, Ltd. ("Philo"), with regard to a quantity of non-conforming waste Philo delivered to the PFNWR facility prior to the acquisition of the facility by PFNWR for treatment on behalf of Philo's customer El du Pont de Nemours and Company ("DuPont"). In the complaint, we asked the Court to either: (A) order Philo to specifically perform its obligations under the "return-of-waste" clause of the Contract by physically taking custody of and by removing the nonconforming waste, and order that Philo pay PFNWR the additional costs of maintaining and managing the waste or, (B) order Philo to pay PFNWR the cost to treat and dispose of the nonconforming waste so as to allow PFNWR to compliantly dispose of that waste offsite. See "Liquidity and Capital Resources of the Company – Financing Activities" of the "Management's Discussion and Analysis of Financial Condition and Results of Operations", for a discussion of an Offset Amount offsetting against the earn-out amount relating to the claims contained in this lawsuit.

Significant Customers. Our revenues are principally derived from numerous and varied customers. However, our Nuclear Segment has a significant relationship with the federal government and has 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 Fluor Hanford and CHPRC as discussed below) to the federal government, representing approximately $80,275,000 or 82.1% (within our Nuclear Segment) of our total revenue from continuing operations during 2010, as compared to $75,013,000 or 81.2% of our total revenue from continuing operations during 2009, and $43,464,000 or 67.3% of our total revenue from continuing operations during 2008.

As previously discussed, during the second quarter of 2008, our M&EC facility was awarded a subcontract by CHPRC, a general contractor to the DOE, to participate in the cleanup of the central portion of the Hanford Site. On October 1, 2008, operations of this subcontract commenced at the DOE Hanford Site. We believe full operations under this subcontract will result in revenues for on-site and off-site work of approximately $200,000,000 to

$250,000,000 over the five year base period. As provided above, M&EC's subcontract is terminable or subject to renegotiation, at the option of the government, on 30 days notice. Effective October 1, 2008, CHPRC also began management of waste activities previously managed by Fluor Hanford, DOE's general contractor prior to CHPRC. Our Nuclear Segment had three previous subcontracts with Fluor Hanford which have been renegotiated by CHPRC to September 30, 2013. Revenues from CHPRC totaled $51,929,000 or 53.1%, $45,169,000 or 48.8%, and $8,120,000 or 12.6% of our total revenue from continuing operations for twelve months ended December 31, 2010, 2009, and 2008, respectively. As revenue from Fluor Hanford was transitioned to CHPRC in 2008, revenue from Fluor Hanford totaled $0 or 0%, $0 or 0%, and $7,974,000 or 12.3%, of our consolidated revenue from continuing operations for the twelve months ended December 31, 2010, 2009, and 2008, respectively.

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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 continued uncertainty in the economy, changes within the environmental insurance market, and the past financial difficulties of AIG, the parent company of Chartis, the provider of our financial assurance policies, we have no guarantees as to continued coverage by Chartis, that we will be able to obtain similar insurance in future years, or that the cost of such insurance will not increase materially.

Climate Change. Climate change is receiving ever increasing attention from scientists and legislators alike. The debate is ongoing as to the extent to which our climate is changing, the potential causes of this change and its potential impacts. Some attribute global warming to increased levels of greenhouse gases, including carbon dioxide, which has led to significant legislative and regulatory efforts to limit greenhouse gas emissions.

Presently there are no federally mandated greenhouse gas reduction requirements in the United States. However, there are a number of legislative and regulatory proposals to address greenhouse gas emissions, which are in various phases of discussion or implementation. The outcome of federal and state actions to address global climate change could result in a variety of regulatory programs including potential new regulations. Any adoption by federal or state governments mandating a substantial reduction in greenhouse gas emissions could increase costs associated with our operations. Until the timing, scope and extent of any future regulation becomes known, we cannot predict the effect on our financial position, operating results and cash flows.

Acquisition – Letter of Intent ("LOI")

During February 2011, the Company entered into a LOI to acquire a company which provides environmental and nuclear waste management services similar to our business ("potential company"). We believe this acquisition, if completed, would help us to leverage our on-site nuclear waste management to broader customers and markets with a more comprehensive nuclear service offering complementing our unique facilities-based treatment. If this transaction is closed, we would pay for this potential company a combination of cash (which shall represent a majority of the purchase price) and a limited amount of our restricted common stock, together with an earn-out under certain conditions payable over a three (3) year period. If this transaction is consummated, it would roughly double the size of our Company in terms of our 2010 revenue and net income. The acquisition is subject to, among other things, approval by each company's Board of Directors, execution of definitive agreements, completion of due diligence, approval by the shareholders of this potential company, approval of lenders, and execution of an employment agreement with the President of the potential company. If the transaction is completed, we intend to fund any consideration consisting of cash payments to be paid at closing from our working capital and/or borrowings under our credit facilities.

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.

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We routinely use third party disposal companies, who ultimately destroy or secure landfill residual materials generated at our facilities or at a client's site. We, compared to certain of our competitors, dispose of significantly less hazardous or industrial by-products from our operations due to rendering material non-hazardous, discharging treated wastewaters to publicly-owned treatment works and/or processing wastes into saleable products. In the past, numerous third party disposal sites have improperly managed waste and consequently require remedial action; consequently, any party utilizing these sites may be liable for some or all of the remedial costs. Despite our aggressive compliance and auditing procedures for disposal of wastes, we could further be notified, in the future, that we are a PRP at a remedial action site, which could have a material adverse effect.

We have budgeted for 2011, $615,000 in environmental remediation expenditures to comply with federal, state and local regulations in connection with remediation of certain contaminates 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. All of the reserves are within our discontinued operations. 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 December 31, 2010, we had total accrued environmental remediation liabilities of $2,256,000 of which $615,000 is recorded as a current liability, which reflects an increase of $529,000 from the December 31, 2009, balance of $1,727,000. The net increase represents an increase in reserve of approximately $844,000 at PFSG due to change in scope of the remediation requirements mandated by the Georgia Environmental Protection Division ("GEPD"), an increase in reserve of $261,000 at PFD due to reassessment of our remediation estimates, reduced by payment of approximately $576,000 on remediation projects. The December 31, 2010, current and long-term accrued environmental balance is recorded as follows (in thousands):

	Current Accrual	Long-term Accrual	Total
PFD	$ 289	$ 159	$ 448
PFM	171	110	281
PFSG	128	1,372	1,500
PFMI	27	-	27
Total Liability	$ 615	$ 1,641	$ 2,256

Related Party Transactions

Mr. Robert L. 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. ("PFNW")) and its wholly owned subsidiary, Pacific EcoSolutions, Inc. ("PEcoS") (n/k/a Perma-Fix Northwest Richland, Inc. ("PFNWR")) in June 2007 and subsequently elected as a Director at our Annual Meeting of Shareholders held in August 2007 and each Annual Meeting of Shareholders since 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. See discussion under "Liquidity and Capital Resources of the Company – Financing Activities", of this "Management Discussion and Analysis of Financial Condition and Results of Operations" as to payments that have been made or are required to be made as a result of the acquisition to the former shareholders of PFNWR and PFNW. Effective February 27, 2010, Mr. Ferguson resigned as a member of our Board of Directors.

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Lawrence Properties LLC

During February 2006, our Board of Directors approved and we entered into a lease agreement, whereby we lease property from Lawrence Properties LLC, a company jointly owned by the president of Schreiber, Yonley and Associates, Robert Schreiber, Jr. and his spouse. Mr. Schreiber is a member of our executive management team. The lease is for a term of five years from June 1, 2006. We pay monthly rent expense of $10,000. In November 2010, the monthly rent expense increased by $1,250 due to expansion of the office space. We will pay monthly rent expense of $11,250 until the expiration term of June 1, 2011, which we believe is lower than costs charged by unrelated third party landlords. Additional rent will be assessed for any increases over the initial lease commencement year for property taxes or assessments and property and casualty insurance premiums.

Mr. David Centofanti

Mr. David Centofanti serves as our Director of Information Services. For such services, he received total compensation in 2010 of approximately $185,000. Mr. David Centofanti is the son of our Chief Executive Officer and Chairman of our Board, Dr. Louis F. Centofanti. We believe the compensation received by Mr. Centofanti for his technical expertise which he provides to the Company is competitive and comparable to compensation we would have to pay to an unaffiliated third party with the same technical expertise.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is 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 with Mr. William Lampson and Mr. Diehl Rettig (who is now deceased and the loan is payable to his representative or estate). The interest rates payable to PNC are based on a spread over prime rate or a spread over a minimum floor base LIBOR of 1.0% and the interest rates payable on the promissory note to Mr. Lampson and Mr. Rettig is based on a spread over a minimum floor base LIBOR of 1.5%. As of December 31, 2010, the Company had approximately $8,025,000 in variable rate borrowing. Assuming a 1% change in the average interest rate as of December 31, 2010, our interest cost would change by approximately $80,250. As of December 31, 2010, we had no interest swap agreement outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

Ÿability or inability to continue and improve operations and achieve profitability on an annualized basis;
Ÿability to comply with our general working capital requirements;
Ÿability to retain or receive certain permits, licenses, or patents;
Ÿability to renew permits and licenses with minimal effort and costs;
Ÿability to be able to continue to borrow under our revolving line of credit;
Ÿability to meet our fixed charge coverage ratio in the future;
Ÿwe anticipate meeting our financial covenants in 2011;
Ÿability to generate sufficient cash flow from operations to fund all costs of operations;
Ÿability to close and remediate certain contaminated sites for projected amounts over the projected periods;
Ÿability to fund expenses to remediate sites from funds generated internally;
Ÿour ability to develop or adopt new and existing technologies in the conduct of our operations;
Ÿability to fund budgeted capital expenditures during 2011 through our operations and lease financing;
Ÿwe believe that there are no formidable barriers to entry into certain of the on-site treatment businesses, and certain of the non-hazardous waste operations, which do not require such permits;
Ÿwe 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;
Ÿwe believe that we are able to compete in the market based on our established reputation in these market areas and our expertise in several specific elements of environmental engineering and consulting such as environmental applications in the cement industry, emission reduction strategies, and MACT compliance;
Ÿwe believe we maintain insurance coverage adequate for our needs and similar to, or greater than the coverage maintained by other companies of our size in the industry;
Ÿunder our insurance contracts, we usually accept self-insured retentions, which we believe is appropriate for our specific business risks;
Ÿdue to the continued uncertainty 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;
Ÿalthough we believe that we are currently in substantial compliance with applicable laws and regulations, we could be subject to fines, penalties or other liabilities or could be adversely affected by existing or subsequently enacted laws or regulations;
Ÿwe believe that, as our operations and activities expand, there could be similar increase in the potential for litigation alleging that we have violated environmental laws or regulations or are responsible for contamination or pollution caused by our normal operations, negligence or other misconduct, or for accidents, which occur in the course of our business activities which could adversely affect our financial condition and our ability to fund our operations;
Ÿour 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;
Ÿwe believe full operations under the CHPRC subcontract will result in revenues for on-site and off-site work of approximately $200,000,000 to $250,000,000 over the five year base period;

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Ÿwe believe that government funding made available for DOE remediation projects under the government stimulus plan in February 2009 should continue to positively impact our existing government contracts within our Nuclear Segment;
Ÿwe expect that demand for our services will be subject to fluctuations due to a variety of factors beyond our control, including the current economic conditions, and the manner in which the government will be required to spend funding to remediate federal sites;
Ÿsignificant reductions in the level of governmental funding or specifically mandated levels for different programs that are important to our business could have a material adverse impact on our business, financial position, results of operations and cash flows;
Ÿbecause 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;
Ÿif EnergySolutions should refuse to accept our waste or cease operations at its Clive, Utah facility, such would have a material adverse effect on us. However, with the recent radioactive disposal license granted to Waste Control Specialists ("WCS") located in Andrews, Texas, this risk could be reduced as WCS brings its disposal site online later in 2011 or early 2012;
Ÿwe believe that the range of waste management and environmental consulting, treatment, processing, and remediation services we provide affords us a competitive advantage with respect to certain of our more specialized competitors;
Ÿwe believe that the treatment processes we utilize offer a cost saving alternative to more traditional remediation and disposal methods offered by certain of our competitors;
Ÿno further impairment to intangible assets;
Ÿno expectation of material future inflationary changes;
Ÿwe do not believe we are dependent on any particular trademark in order to operate our business or any significant segment thereof;
Ÿit is anticipated that closure activities, with the exception of post-closure monitoring, will be completed in 2011;
Ÿdespite our aggressive compliance and auditing procedure for disposal of wastes, we could further be notified, in the future, that we are a PRP at a remedial action site, which could have a material adverse effect;
Ÿwe could also be subject to fines and civil penalties in connection with violations of regulatory requirements;
Ÿno immediate plans or current commitments to issue shares under the shelf registration statement;
Ÿwe plan to fund any repurchases under our common stock repurchase plan through our internal cash flow and/or borrowing under our line of credit;
Ÿwe believe that this acquisition, if completed, would better position us to leverage our on-site nuclear waste management to broader customers and markets with a more comprehensive nuclear service offering complementing our unique facilities-based treatment;
Ÿif the transaction is completed, we intend to fund any consideration consisting of cash payments to be paid at closing from our working capital and/or borrowings under our credit facilities;
Ÿwe do not expect ASU 2010-28 will have a material impact on our consolidated financial statements; and
Ÿwe expect that ASU 2010-29 may impact our disclosures for any future business combinations, but the effect will depend on acquisitions that may be made in the future.

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

Ÿ general economic conditions;
Ÿ material reduction in revenues;
Ÿ ability to meet PNC covenant requirements;
Ÿ inability to collect in a timely manner a material amount of receivables;
Ÿ increased competitive pressures;
Ÿ the ability to maintain and obtain required permits and approvals to conduct operations;
Ÿ the ability to develop new and existing technologies in the conduct of operations;
Ÿ ability to retain or renew certain required permits;
Ÿ 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;
Ÿ changes in federal, state and local laws and regulations, especially environmental laws and regulations, or in interpretation of such;
Ÿ potential increases in equipment, maintenance, operating or labor costs;
Ÿ management retention and development;
Ÿ financial valuation of intangible assets is substantially more/less than expected;
Ÿ the requirement to use internally generated funds for purposes not presently anticipated;
Ÿ inability to continue to be profitable on an annualized basis;
Ÿ the inability to maintain the listing of our Common Stock on the NASDAQ;
Ÿ terminations of contracts with federal agencies or subcontracts involving federal agencies, or reduction in amount of waste delivered to us under these contracts or subcontracts;
Ÿ renegotiation of contracts involving the federal government;
Ÿ disposal expense accrual could prove to be inadequate in the event the waste requires retreatment; and
Ÿ Risk Factors contained in Item 1A of this report.

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

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

Schedules Omitted

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

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Perma-Fix Environmental Services, Inc. and subsidiaries as of December 31, 2010 and 2009 and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. In connection with our audits of the financial statements, we have also audited the financial statement schedule listed in the accompanying index. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Perma-Fix Environmental Services, Inc. and subsidiaries at December 31, 2010 and 2009, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Perma-Fix Environmental Services, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 11, 2011 expressed an unqualified opinion thereon.

/s/BDO USA, LLP

Atlanta, Georgia
March 11, 2011

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

(Amount in Thousands, Except for Share and per Share Amounts)	2010	2009
ASSETS		
Current assets:		
Cash	$ 101	$ 66
Restricted cash	35	35
Accounts receivable, net of allowance for doubtful accounts of $215 and $226, respectively	8,541	11,815
Unbilled receivables - current	9,436	9,769
Inventories	465	239
Prepaid and other assets	2,870	3,051
Deferred tax assets -current	1,734	1,920
Current assets related to discontinued operations	2,034	1,702
Total current assets	25,216	28,597
Property and equipment:		
Buildings and land	24,693	24,575
Equipment	33,279	31,506
Vehicles	235	164
Leasehold improvements	11,506	11,455
Office furniture and equipment	1,890	1,914
Construction-in-progress	593	1,178
	72,196	70,792
Less accumulated depreciation and amortization	(31,753)	(27,874)
Net property and equipment	40,443	42,918
Property and equipment related to discontinued operations	4,209	3,460
Intangibles and other long term assets:		
Permits	16,863	16,889
Goodwill	15,330	12,352
Unbilled receivables – non-current	2,556	2,502
Finite Risk Sinking Fund	17,424	15,480
Deferred tax asset, net of liabilities	-	272
Other assets	2,084	2,340
Intangible and other assets related to discontinued operations	1,190	1,190
Total assets	$ 125,315	$ 126,000

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

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

(Amount in Thousands, Except for Share and per Share Amounts)	2010	2009
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$4,891	$4,346
Accrued expenses	5,996	5,915
Disposal/transportation accrual	2,188	2,655
Unearned revenue	3,527	8,949
Current liabilities related to discontinued operations	2,673	2,230
Current portion of long-term debt	3,612	3,012
Total current liabilities	22,887	27,107
Accrued closure costs	12,362	11,703
Other long-term liabilities	671	508
Deferred tax liability	1,180	-
Long-term liabilities related to discontinued operations	3,074	2,610
Long-term debt, less current portion	6,637	9,268
Total long-term liabilities	23,924	24,089
Total liabilities	46,811	51,196
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, 55,106,180 and 54,628,904 shares issued, respectively; 55,067,970 and 54,628,904 shares outstanding, respectively	55	55
Additional paid-in capital	100,821	99,641
Accumulated deficit	(23,569)	(26,177)
Less Common Stock in treasury at cost; 38,210 and 0 shares, respectively	(88)	-
Total stockholders' equity	77,219	73,519
Total liabilities and stockholders' equity	$125,315	$126,000

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

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

(Amounts in Thousands, Except for per Share Amounts)	2010	2009	2008
Net revenues	$97,790	$92,393	$64,553
Cost of goods sold	77,175	67,912	48,466
Gross profit	20,615	24,481	16,087
Selling, general and administrative expenses	13,361	14,422	14,243
Research and development	921	609	1,020
Loss (gain) on disposal of property and equipment	138	(7)	192
Income from operations	6,195	9,457	632
Other income (expense):			
Interest income	65	145	226
Interest expense	(755)	(1,639)	(1,522)
Interest expense – financing fees	(412)	(283)	(137)
Other	24	21	(6)
Income (loss) from continuing operations before income taxes	5,117	7,701	(807)
Income tax expense (benefit)	1,846	(1,986)	11
Income (loss) from continuing operations	3,271	9,687	(818)
(Loss) income from discontinued operations, net of taxes	(663)	(65)	406
Gain on disposal of discontinued operations, net of taxes	—	—	2,323
Net income	$2,608	$9,622	$1,911
Net income (loss) per common share – basic:			
Continuing operations	$.06	$.18	$(.01)
Discontinued operations	(.01)	—	.01
Disposal of discontinued operations	—	—	.04
Net income per common share	$.05	$.18	$.04
Net income (loss) per common share – diluted:			
Continuing operations	$.06	$.18	$(.01)
Discontinued operations	(.01)	—	.01
Disposal of discontinued operations	—	—	.04
Net income per common share	$.05	$.18	$.04
Number of common shares used in computing net income (loss) per share:			
Basic	54,947	54,238	53,803
Diluted	55,030	54,526	53,803

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

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

(Amounts in Thousands)	2010	2009	2008
Cash flows from operating activities:			
Net income	$2,608	$9,622	$1,911
Less: (loss) income on discontinued operations	(663)	(65)	2,729
Income (loss) from continuing operations	3,271	9,687	(818)
Adjustments to reconcile net income (loss) from continuing operations to cash provided by operations:			
Depreciation and amortization	4,530	4,321	4,403
Amortization of debt discount	333	216	
Deferred tax expense (benefit)	1,819	(2,490)	
Provision for bad debt and other reserves	59	343	163
Loss (gain) on disposal of plant, property and equipment	138	(7)	192
Issuance of common stock for services	240	251	257
Stock-based compensation	343	713	531
Changes in operating assets and liabilities of continuing operations, net of effect from business acquisitions:			
Accounts receivable	3,215	(683)	1,899
Unbilled receivables	279	4,623	(3,298)
Prepaid expenses, inventories and other assets	1,844	1,352	3,044
Accounts payable, accrued expenses and unearned revenue	(7,997)	(10,035)	(2,541)
Cash provided by continuing operations	8,074	8,291	3,832
Cash (used in) provided by discontinued operations	(344)	154	(3,385)
Cash provided by operating activities	7,730	8,445	447
Cash flows from investing activities:			
Purchases of property and equipment, net	(1,571)	(1,308)	(905)
Proceeds from sale of plant, property and equipment	11	7	14
Payments to finite risk sinking fund	(1,944)	(4,135)	(5,311)
Payment of earn-out to Nuvotec shareholders	(1,000)	(734)	
Cash used for acquisition consideration, net of cash acquired			(14)
Cash used in investing activities of continuing operations	(4,504)	(6,170)	(6,216)
Proceeds from sale of discontinued operations			6,734
Cash (used in) provided by investing activities of discontinued operations	(544)	(186)	878
Net cash (used in) provided by investing activities	(5,048)	(6,356)	1,396
Cash flows from financing activities:			
Net repayments of revolving credit	(640)	(3,857)	(335)
Principal repayments of long term debt	(3,117)	(2,584)	(8,782)
Proceeds from issuance of long-term debt		2,982	7,000
Proceeds from issuance of stock	509	631	184
Proceeds from finite risk financing	653	753	368
Repayment of stock subscription receivable			25
Cash used in financing activities of continuing operations	(2,595)	(2,075)	(1,540)
Principal repayment of long-term debt for discontinued operations	(52)	(55)	(298)

Cash used in financing activities	(2,647)	(2,130)	(1,838)
Increase (decrease) in cash	35	(41)	5
Cash at beginning of period	66	107	102
Cash at end of period	$101	$66	$107
Supplemental disclosure:			
Interest paid	$893	$4,188	$1,712
Income taxes paid	492	349	3
Non-cash investing and financing activities:			
Long-term debt incurred for purchase of property and equipment	429	125	148
Note issued for earn-out to Nuvotec shareholders	1,322		
Issuance of Common Stock for debt		476	
Issuance of Warrants for debt		190	

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

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

	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Common Stock Held In Treasury	Stock Subscription Receivable	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2007	53,704,516	$ 54	$ 96,409	$ -	$ (25)	$ (37,710)	$ 58,728
Net loss	-	-	-	-	-	1,911	1,911
Issuance of Common Stock for services	118,865	-	257	-	-	-	257
Repayment of Stock Subscription Receivable	-	-	-	-	25	-	25
Issuance of Common Stock upon exercise of Options	111,179	-	184	-	-	-	184
Stock-Based Compensation	-	-	531	-	-	-	531
Balance at December 31, 2008	53,934,560	$ 54	$ 97,381	$ -	$ -	$ (35,799)	$ 61,636
Net income	-	-	-	-	-	9,622	9,622
Issuance of Common Stock for services	136,522	-	251	-	-	-	251
Issuance of Common Stock upon exercise of Options	357,822	1	630	-	-	-	631
Issuance of Common Stock for debt	200,000	-	476	-	-	-	476
Issuance of Warrants for debt	-	-	190	-	-	-	190
Stock-Based Compensation	-	-	713	-	-	-	713
Balance at December 31, 2009	54,628,904	$ 55	$ 99,641	$ -	$ -	$ (26,177)	$ 73,519
Net income	-	-	-	-	-	2,608	2,608
Issuance of Common Stock for services	127,276	-	240	-	-	-	240
Issuance of Common Stock upon exercise of Options	350,000	-	597	-	-	-	597
Payment of Option exercise by Common Stock shares	-	-	-	(88)	-	-	(88)

Stock-Based Compensation	-	-	343	-	-	-	343
Balance at December 31, 2010	55,106,180	$ 55	$ 100,821	$ (88)	$ -	$ (23,569)	$ 77,219

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

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
Notes to Consolidated Financial Statements
December 31, 2010, 2009, and 2008

NOTE 1
DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

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

Ÿ Nuclear Waste Management Services ("Nuclear Segment"), which includes:
- o Treatment, storage, processing and disposal of mixed waste (which is waste that contains both low-level radioactive and hazardous waste) including on and off-site waste remediation and processing;
- o Nuclear, low-level radioactive, and mixed waste treatment, processing and disposal; and
- o Research and development of innovative ways to process low-level radioactive and mixed waste.

Ÿ Consulting Engineering Services ("Engineering Segment"), which includes:
- o Consulting services regarding broad-scope environmental issues, including air, water, and hazardous waste permitting, air, soil, and water sampling, compliance reporting, emission reduction strategies, compliance auditing, and various compliance and training activities to industrial and government customers, as well as engineering and compliance support needed by our other segments.

On October 6, 2010, our Board of Directors authorized the divestiture of our three remaining operations within our Industrial Segment, Perma-Fix of Fort Lauderdale, Inc. ("PFFL"), Perma-Fix of South Georgia, Inc. ("PFSG"), and Perma-Fix of Orlando, Inc. ("PFO"). The decision to sell these remaining three operations within our Industrial Segment is based on our belief that our Nuclear Segment represents a sustainable long-term growth driver of our business. During October 2010, we entered into two separate letters of intent ("LOIs") with a hazardous waste management company to sell our PFFL and PFO operations. Both LOIs were subsequently terminated. See "Note 18 – Subsequent Events – Divestitures - LOIs" for LOIs entered into by the Company during February 2011 to sell PFFL and PFO.

On October 6, 2010, PFFL, PFSG, and PFO met the held for sale criteria under ASC 360, "Property, Plant, and Equipment", and therefore, certain assets and liabilities of these facilities have been reclassified as discontinued operations in the Consolidated Balance Sheet, and we have ceased depreciation of these facilities' long-lived assets classified as held for sale. The results of operations and cash flows of these three operations have been reported in the Consolidated Financial Statements as discontinued operations for all periods presented.

We have grown through acquisitions and internal growth. Our goal is to continue focus on the efficient operation of our existing facilities within our Nuclear and Engineering Segments, evaluate strategic acquisitions primarily within the Nuclear Segments, and to continue the research and development of innovative technologies to treat nuclear waste, mixed waste, and industrial waste. Our Nuclear Segment represents our core business segment.

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

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

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

Discontinued Operations (See "Note 8"): Perma-Fix of Fort Lauderdale, Inc. ("PFFL"), Perma-Fix of South Georgia, Inc. ("PFSG"), and Perma-Fix of Orlando ("PFO"); Perma-Fix of Maryland ("PFMD"), Perma-Fix of Dayton, Inc. ("PFD"), and Perma-Fix Treatment Services, Inc. ("PFTS"), which were sold in January 2008, March 2008, and May 2008, respectively; and Perma-Fix of Michigan, Inc. ("PFMI"), Perma-Fix of Pittsburgh, Inc. ("PFP"), and Perma-Fix of Memphis, Inc. ("PFM"), three non-operational facilities.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Use of Estimates
When we prepare financial statements in conformity with generally accepted accounting principles in the United States of America, we make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as, the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. See Notes 8, 11, and 13 for estimates of discontinued operations and environmental liabilities, closure costs, and contingencies for details on significant estimates.

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

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

Unbilled Receivables
Unbilled receivables are generated by differences between invoicing timing and our performance based 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 tasks relating to these delays usually take several months to complete and the related receivables are normally considered collectible within twelve months. As we now have historical data to

review the timing of these delays, we realize that certain issues, including but not limited to delays at our third party disposal site, can extend collection of some of these receivables greater than twelve months. However, our historical experience suggests that a significant part of unbilled receivables are ultimately collectible with minimal concession on our part. We therefore, segregate the unbilled receivables between current and long term.

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Inventories

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

Property and Equipment

Property and equipment expenditures are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets for financial statement purposes, while accelerated depreciation methods are principally used for income tax purposes. Generally, annual depreciation rates range from ten to forty years for buildings (including improvements and asset retirement costs) and three to seven years for office furniture and equipment, vehicles, and decontamination and processing equipment. Leasehold improvements are capitalized and amortized over the lesser of the term of the lease or the life of the asset. Maintenance and repairs are charged directly to expense as incurred. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts, and any gain or loss from sale or retirement is recognized in the accompanying consolidated statements of operations. Renewals and improvement, which extend the useful lives of the assets, are capitalized. We include within buildings, asset retirement obligations, which represents our best estimates of the cost to close, at some undetermined future date, our permitted and/or licensed facilities. The asset retirement cost was originally recorded at $4,559,000 and depreciates over the estimated useful life of the property. In 2007, we recorded an additional asset retirement obligation cost of $3,768,000 from the acquisition of PFNWR. In 2008 to 2010, we increased our asset retirement obligations for various facilities as follows due to changes in estimates of the costs to close these facilities based on federal/state regulatory guidelines: $726,000 and $373,000 for DSSI and PFNWR, respectively in 2008; $1,980,000 for DSSI (due to authorization for PCB storage and treatment) and $158,000 for PFSG in 2009; and $499,000 in the fourth quarter of 2010 for PFNWR. Adjustments to the asset retirement obligations for these facilities are being depreciated prospectively over the remaining estimated life of the asset, in accordance with Accounting Standards Codification ("ASC") 410, "Asset Retirement and Environmental Obligations".

In accordance with ASC 360, "Property, Plant, and Equipment", 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 2008, we recorded a recovery of previous impairment charges for PFO of $507,000 within our discontinued operations. The asset impairment recovery resulted from the reevaluation of the fair value of PFO's assets in connection with the sale of one of the two properties at PFO in December 2008, which resulted in gain of $483,000. We had recorded the $507,000 in impairment loss in 2007 for PFO when our Board of Directors approved the divestiture our Industrial Segment in 2007. In September 2008, our Board of Directors approved retaining our Industrial Segment operations at PFFL, PFSG, and PFO.

As a result of the approved divesture of the PFFL, PFSG, and PFO operations by our Board of Directors in October 2010 and the subsequent letter of intents entered into and prospective interests received, we performed updated financial valuations on the tangible assets of these three operations as required by ASC 360. Our analysis included the comparison of the offered sale price less cost to sell to the carrying value of the investment under each letter of intent separately. Based on our analysis, we concluded that no tangible asset impairment existed as of December 31, 2010.

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Capitalized Interest
The Company's policy is to capitalize interest cost incurred on debt during the construction of major projects exceeding one year; however, no interest was required to be capitalized for each of the years 2008 to 2010.

Goodwill and Other Intangible Assets
Intangible assets relating to acquired businesses consist primarily of the cost of purchased businesses in excess of the estimated fair value of net identifiable assets acquired ("goodwill") and the recognized permit value of the business. Goodwill and intangible assets that have indefinite useful lives are tested annually for impairment, or more frequently if triggering events occur or other impairment indicators arise which might impair recoverability. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. For goodwill, the impairment determination is made at the reporting unit level and consists of two steps. First, the Company determines the fair value of a reporting unit and compares it to its carrying amount. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of the goodwill. The implied value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with ASC 805, "Business Combinations". Our annual financial valuations performed as of October 1, 2010, 2009, and 2008, indicated no impairments. The Company estimates the fair value of our reporting units using a discounted cash flow valuation approach. This approach is dependent on estimates for future sales, operating income, working capital changes, and capital expenditures, as well as, expected growth rates for cash flows and long-term interest rates, all of which are impacted by economic conditions related to our industry as well as conditions in the U.S. capital markets.

As a result of reclassifying PFFL, PFSG, and PFO as discontinued operations in October 2010, we performed internal financial valuations on the intangible assets of these three operations based on the LOIs to test for asset impairment as required by ASC 350, "Intangibles-Goodwill and Other". We concluded that no intangible asset impairments existed as of December 31, 2010.

Intangible assets that have definite useful lives are amortized using the straight-line method over the estimated useful lives and are excluded from our annual intangible asset valuation review conducted as of October 1. However, these intangible assets are tested for impairment whenever events or changes in circumstances suggest impairment might exist. The Company currently has only one definite-lived permit which was excluded from the impairment review as noted above. This permit of approximately $545,000 was capitalized in 2009 in connection with the authorization issued by the U.S. EPA to our DSSI facility to commercially store and dispose of radioactive PCBs. This permit is being amortized over a ten year period in accordance with its estimated useful life (see "Note 6 – Goodwill and Other Intangible Assets" for further discussion on goodwill and other intangible assets).

Research and Development
Innovation and technical know-how by our operations is very important to the success of our business. Our goal is to discover, develop, and bring to market innovative ways to process waste that address unmet environmental needs. We conduct research internally and also through collaborations with other third parties. Research and development costs consist primarily of employee salaries and benefits, laboratory costs, third party fees, and other related costs associated with the development and enhancement of new potential waste treatment processes and are charged to expense when incurred in accordance with Accounting Standards Codification ("ASC") Topic 730, "Research and Development".

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

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ASC 410, "Asset Retirement and Environmental Obligations", requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made, and that the associated asset retirement costs be capitalized as part of the carrying amount of the long-lived asset. In conjunction with the state mandated permit and licensing requirements, we are obligated to determine our best estimate of the cost to close, at some undetermined future date, our permitted and/or licensed facilities. We subsequently increase this liability as a result of changes to the facility, changes in estimated cost for closure, and/or for inflation. The associated asset retirement cost is recorded as property and equipment (buildings). We depreciate the asset retirement cost on a straight-line basis over its estimated useful life in accordance with our depreciation policy.

Income Taxes

Income taxes are accounted for in accordance with ASC 740, "Income Taxes". Under ASC 740, the provision for income taxes is comprised of taxes that are currently payable and deferred taxes that relate to the temporary differences between financial reporting carrying values and tax bases of assets and liabilities. 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.

ASC 740 requires that deferred income tax assets be reduced by a valuation allowance if it is more likely than 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 or reverse the related valuation allowance we have recorded on these deferred tax assets, 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.

ASC 740 sets out a consistent framework for preparers to use to determine the appropriate recognition and measurement of uncertain tax positions. ASC 740 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. ASC 740 also sets out disclosure requirements to enhance transparency of an entity's tax reserves.

We reassess the validity of our conclusions regarding uncertain income tax positions on a quarterly basis to determine if facts or circumstances have arisen that might cause us to change our judgment regarding the likelihood of a tax position's sustainability under audit. 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 ASC 740.

Concentration Risk

Approximately 114 or 17.1% of the Company's employees are unionized and are covered by a collective bargaining agreement. All of these employees were hired as a result of the subcontract awarded to us by CHPRC in the second quarter of 2008. The current bargaining agreement became effective April 1, 2007 and expires on March 31, 2012.

Gross Receipts Taxes and Other Charges

ASC 605-45, "Revenue Recognition – Principal Agent Consideration" provides guidance regarding the accounting and financial statement presentation for certain taxes assessed by a governmental authority. These taxes and surcharges include, among others, universal service fund charges, sales, use, waste, and some excise taxes. In determining whether to include such taxes in our revenue and expenses, we assess, among other things, whether we are the primary obligor or principal taxpayer for the taxes assessed in each jurisdiction where we do business. As we are merely a collection agent for the government authority in certain of our facilities, we record the taxes on a net method and do not include them in our revenue and cost of services.

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Revenue Recognition
Nuclear revenues. The processing of mixed waste is complex and may take several months or more to complete, as such we recognize revenues using a performance based methodology basis with our measure of progress towards completion determined based on output measures consisting of milestones achieved and completed. We have waste tracking capabilities, which we continue to enhance, to allow us to better match the revenues earned to the processing phases achieved. The revenues are recognized as each of the following three processing phases are completed: receipt, treatment/processing and shipment/final disposal. However, based on the processing of certain waste streams, the treatment/processing and shipment/final disposal phases may be combined as sometimes they are completed concurrently. As major processing phases are completed and the costs incurred, we recognize the corresponding percentage of revenue utilizing a proportional performance model. 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. As the waste moves through these processing phases and revenues are recognized, the correlating costs are expensed as incurred. Although we use our best estimates and all available information to accurately determine these disposal expenses, the risk does exist that these estimates could prove to be inadequate in the event the waste requires retreatment. Furthermore, should the waste be returned to the generator, the related receivables could be uncollectible; however, historical experience has not indicated this to be a material uncertainty. Under our subcontract awarded by CH Plateau Remediation Company ("CHPRC") in 2008, we are reimbursed for costs incurred plus a certain percentage markup for indirect costs, in accordance with contract provision. Costs incurred in excess of contract funding may be renegotiated for reimbursement. We also earn a fee based on the approved costs to complete the contract. We recognize this fee using the proportion of costs incurred to total estimated contract costs. We include in revenues the amount of the reimbursement for costs incurred plus the markup for indirect costs as well as the fee that we have earned. Cost of revenue under this subcontract consists of direct and indirect costs. Our revenue under this subcontract is recorded gross versus net in accordance with ASC 605-45, "Revenue Recognition – Principal Agent Consideration".

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

Self-Insurance
We are self-insured for a significant portion of our group health. The Company estimates expected losses based on statistical analyses of historical industry data, as well as our own estimates based on the Company's actual historical data to determine required self-insurance reserves. The assumptions are closely reviewed, monitored, and adjusted when warranted by changing circumstances. The estimated accruals for these liabilities could be affected if actual experience related to the number of claims and cost per claim differs from these assumptions and historical trends. Based on the information known on December 31, 2010, we believe we have provided adequate reserves for our self-insurance exposure. As of December 31, 2010 and 2009, self-insurance reserves were $499,000 and $485,000, respectively, and were included in accrued expenses in the accompanying consolidated balance sheets. The total amounts expensed for self-insurance during 2010, 2009, and 2008 were $2,896,000, $2,440,000, and $2,461,000, respectively, for our continuing operations, and $314,000, $295,000, and $477,000, for our discontinued operations, respectively.

Stock-Based Compensation
We account for stock-based compensation in accordance with ASC 718, "Compensation – Stock Compensation". ASC 718 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. ASC 718 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. The Company uses the Black-Scholes option-pricing model to determine the fair-value of stock-based awards which requires subjective assumptions. Assumptions used to estimate the fair value of stock options granted include the exercise price of the award, the expected term, the expected volatility of the Company's stock over the option's expected term, the risk-free interest rate over the option's expected term, and the expected annual dividend yield. The Company's expected term represents the period that stock-based awards are expected to be outstanding and is determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules, and post-vesting data. Our computation of expected volatility is based on the Company's historical volatility from our traded common stock over the expected term of the option grants. The interest rate for periods within the expected term of the award is based on the U.S. Treasury yield curve in effect at the time of grant.

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We recognize stock-based compensation expense using a straight-line amortization method over the requisite period, which is the vesting period of the stock option grant. As ASC 718 requires that stock-based compensation expense be based on options that are ultimately expected to vest, our stock-based compensation expense is reduced at an estimated forfeiture rate. Our estimated forfeiture rate is generally based on historical trends of actual forfeitures. Forfeiture rates are evaluated, and revised as necessary.

Net Income (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 years ended December 31, 2010, 2009, and 2008:

(Amounts in Thousands, Except for Per Share Amounts)	2010	2009	2008
Income (loss) per share from continuing operations			
Income (loss) from continuing operations	$3,271	$9,687	$(818)
Basic income (loss) per share	$.06	$.18	$(.01)
Diluted income (loss) per share	$.06	$.18	$(.01)
(Loss) income per share from discontinued operations			
(Loss) income – basic and diluted	$(663)	$(65)	$406
Basic (loss) income per share	$(.01)	$-	$.01
Diluted (loss) income per share	$(.01)	$-	$.01
Income per share from disposal of discontinued operations			
Gain on disposal of discontinued operations	$-	$-	$2,323
Basic income per share	$-	$-	$.04
Diluted income per share	$-	$-	$.04
Weighted average common shares outstanding – basic	54,947	54,238	53,803
Potential shares exercisable under stock option plans	56	245	-
Potential shares upon exercise of Warrants	27	43	-
Weighted average common shares outstanding – diluted	55,030	54,526	53,803
Potential shares excluded from above weighted average share calculations due to their anti-dilutive effect include:			
Upon exercise of options	2,195	1,595	1,908
Upon exercise of Warrants	-	-	-

Fair Value of Financial Instruments

The carrying values of cash, trade accounts receivable, and trade accounts payable approximate their fair values principally because of the short-term maturities of these financial instruments. The fair value of our long-term debt is estimated based on the current rates offered to us for debt of similar terms and maturities. Under this method, the fair value of long-term debt was not significantly different from the stated carrying value at December 31, 2010 and 2009. The carrying value of our subsidiary's preferred stock is not significantly different than its fair value.

Recently Adopted Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU") No. 2010-6, "Improving Disclosures About Fair Value Measurements", which requires reporting entities to make new disclosures about recurring or nonrecurring fair-value measurements including significant transfers into and out of Level 1 and Level 2 fair-value measurements and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair-value measurements. ASU 2010-6 is effective for annual reporting periods beginning after December 15, 2009, except for Level 3 reconciliation disclosures which are effective for annual periods beginning after December 15, 2010. The adoption of ASU 2010-6 did not have a material impact on our consolidated financial statements.

In July 2010, the FASB issued ASU 2010-20,"Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses", which amends existing guidance by requiring more robust and disaggregated disclosures by an entity about the credit quality of its financing receivables and its allowance for credit losses. These disclosures will provide financial statement users with additional information about the nature of credit risks inherent in financing receivables, how credit risks are analyzed and assessed in determining allowance for credit losses, and reasons for any changes made in allowance for credit losses. This update is generally effective for interim and annual reporting periods ending on or after December 15, 2010; however, certain aspects of the update pertaining to activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. ASU 2010-20 did not have a material impact on our consolidated financial statements.

Recently Issued Accounting Standards

In December 2010, the FASB issued ASU No. 2010-28 "Intangibles—Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts". Under ASU 2010-28, if the carrying amount of a reporting unit is zero or negative, an entity must assess whether it is more likely than not that goodwill impairment exists. To make that determination, an entity should consider whether there are adverse qualitative factors that could impact the amount of goodwill. As a result of the new guidance, an entity can no longer assert that a reporting unit is not required to perform the second step of the goodwill impairment test because the carrying amount of the reporting unit is zero or negative, despite the existence of qualitative factors that indicate goodwill is more likely than not impaired. ASU 2010-28 is effective for public entities for fiscal years, and for interim periods within those years, beginning after December 15, 2010, with early adoption prohibited. We do not expect ASU No. 2010-28 will have a material impact on our consolidated financial statements.

In December 2010, the FASB issued ASU No. 2010-29 "Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations". ASU 2010-29 specifies that, for material business combinations when comparative financial statements are presented, revenue and earnings of the combined entity should be disclosed as though the business combination had occurred as of the beginning of the comparable prior annual reporting period. ASU 2010-09 also expands the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. ASU 2010-09 is effective prospectively for business combinations with an acquisition date on or after the beginning of the first annual reporting period after December 15, 2010. Early adoption is permitted. We expect that ASU 2010-29 may impact our disclosures for any future business combinations, but the effect will depend on acquisitions that may be made in the future.

NOTE 3

STOCK-BASED COMPENSATION

We follow FASB ASC 718, "Compensation – Stock Compensation" ("ASC 718") to account for stock-based compensation. The Company has certain stock option plans under which it awards incentive and non-qualified stock options to employees, officers, and outside directors. Stock options granted to employees have either a ten year contractual term with one fifth yearly vesting over a five year period or a six year contractual term with one third yearly vesting over a three year period. Stock options granted to outside directors have a ten year contractual term with vesting period of six months.

On September 29, 2010, we granted 72,000 options from the Company's 2003 Outside Director Stock Plan to our six outside directors which allows for the purchase of up to 72,000 Common Stock from the Plan, as a result of their re-election at our Annual Meeting of Stockholders held on September 29, 2010. The options granted were for a contractual term of ten years with vesting period of six months. The exercise price of the options was $1.68 per share which was equal to our closing stock price the day preceding the grant date, pursuant to the 2003 Outside Directors Stock Plan.

No employee options were granted during 2010.

The Company estimates fair value of stock options using the Black-Scholes valuation model. Assumptions used to estimate the fair value of stock options granted include the exercise price of the award, the expected term, the expected volatility of the Company's stock over the option's expected term, the risk-free interest rate over the option's expected term, and the expected annual dividend yield. The fair value of the employee and director stock options granted and the related assumptions used in the Black-Scholes option pricing model used to value the options granted for fiscal year 2010, 2009, and 2008 were as follows:

	Employee Stock Option Granted For Year Ended		
	2010 (4)	2009	2008
Weighted-average fair value per share	$—	$0.82	$1.03
Risk -free interest rate (1)	—	1.98%-2.40 %	1.35%-3.28 %
Expected volatility of stock (2)	—	59.16%-61.20%	55.54%-58.85%
Dividend yield	—	None	None
Expected option life (in years) (3)	—	3.9-5.8	5.0-5.1

	Outside Director Stock Option Granted For Year Ended		
	2010	2009	2008
Weighted-average fair value per share	$1.12	$1.97	$1.79
Risk -free interest rate (1)	2.52 %	3.69 %	4.04 %
Expected volatility of stock (2)	60.69 %	63.37 %	66.53 %
Dividend yield	None	None	None
Expected option life (in years) (3)	10.0	10.0	10.0

(1) The risk-free interest rate is based on the U.S. Treasury yield in effect at the grant date over the expected term of the option.

(2)

The expected volatility is based on historical volatility from our traded Common Stock over the expected term of the option.

(3) The expected option life is based on historical exercises and post-vesting data.

(4) No employee option grants were made in 2010.

As of December 31, 2010, we had 2,004,525 employee stock options outstanding, of which 1,652,692 are vested. The weighted average exercise price of the 1,652,692 outstanding and fully vested employee stock option is $2.02 with a remaining weighted contractual life of 2.19 years. The fair value of the employee options which vested in 2010, 2009, and 2008 totaled approximately $383,000, $607,000, and $270,000, respectively. Additionally, we had 751,000 outstanding director stock options, of which 679,000 are vested. The weighted average exercise price of the 679,000 outstanding and fully vested director stock option is $2.31 with a weighted remaining contractual life of 5.10 years. The fair value of the director options which vested in 2010, 2009, and 2008 totaled $166,000, $150,000, and $234,000, respectively.

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The following table summarizes stock-based compensation recognized for the fiscal year 2010, 2009, and 2008.

	Year Ended		
	2010	2009	2008
Employee Stock Options	$ 276,000	$ 544,000	$ 368,000
Director Stock Options	67,000	169,000	163,000
Total	$ 343,000	$ 713,000	$ 531,000

The stock-based compensation expense for 2009 included approximately $144,000 in connection with the extension of 270,000 fully vested Non-qualified Stock Options ("NQSOs") to Mr. Larry McNamara for six months. Mr. McNamara resigned as Vice President and Chief Operating Officer of our Company effective September 1, 2009, and as an employee effective September 30, 2009. The amendment and extension of the NQSOs held by Mr. McNamara became effective as of October 1, 2009, and was approved by our Compensation and Stock Option Committee and our Board. The exercise price of the NQSOs extended range from $1.25 to $2.19 per share. We valued the NQSOs extended to Mr. McNamara using the Black-Scholes valuation model which resulted in stock-based compensation expense of $144,000.

We recognized stock-based compensation expense using a straight-line amortization method over the requisite period, which is the vesting period of the stock option grant. ASC 718 requires that stock-based compensation expense be based on options that are ultimately expected to vest. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. We have generally estimated forfeiture rate based on historical trends of actual forfeiture. When actual forfeitures vary from our estimates, we recognize the difference in compensation expense in the period the actual forfeitures occur or when options vest. As of December 31, 2010, we have approximately $243,000 of total unrecognized compensation cost related to unvested options, of which $240,000 is expected to be recognized in 2011, with the remaining $3,000 in 2012.

NOTE 4
CAPITAL STOCK, STOCK PLANS, WARRANTS, AND INCENTIVE COMPENSATION

Stock Option Plans

Effective September 13, 1993, we adopted a Non-qualified Stock Option Plan pursuant to which officers and key employees can receive long-term performance-based equity interests in the Company. The option grants under the plan are exercisable for a period of up to ten years from the date of grant at an exercise price, which is not less than the market price of the Common Stock at date of grant. On September 13, 2003, the plan expired. No new options will be issued under this plan, but the options issued under the Plan prior to the expiration date will remain in effect until their respective maturity dates.

Effective December 12, 1993, we adopted the 1992 Outside Directors Stock Option Plan, pursuant to which options to purchase an aggregate of 100,000 shares of Common Stock had been authorized. This plan provides for the grant of options to purchase up to 5,000 shares of Common Stock for each of our outside directors upon initial election and each re-election. The plan also provides for the grant of additional options to purchase up to 10,000 shares of Common Stock on the foregoing terms to each outside director upon initial election to the Board. The options have an exercise price equal to the closing trading price on the date of grant. As amended and approved at the December 1996 Annual Meeting, the plan provided that each eligible director shall receive, at such eligible director's option, either 65% or 100% of the fee payable to such director for services rendered to us as a member of the Board in Common Stock. The number of shares of our Common Stock issuable to the eligible director shall be determined by valuing our Common Stock at 75% of its fair market value as defined by the Outside Directors Plan. As amended and approved at the May 1998 Annual Meeting, the Plan authorized 500,000 shares to be issued under the Plan. On December 12, 2003, the plan expired. No new options will be issued under this plan, but the options issued under the Plan prior to the expiration date will remain in effect until their respective maturity dates.

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Effective July 29, 2003, we adopted the 2003 Outside Directors Stock Plan, which was approved by our stockholders at the Annual Meeting of Stockholders on such date. A maximum of 1,000,000 shares of our Common Stock are authorized for issuance under this plan. The plan provides for the grant of an option to purchase up to 30,000 shares of Common Stock for each outside director upon initial election to the Board of Directors, and the grant of an option to purchase up to 12,000 shares of Common Stock upon each reelection. The options granted generally have vesting period of six months from the date of grant, with exercise price equal to the closing trade price on the date prior to grant date. The plan also provides for the issuance to each outside director a number of shares of Common Stock in lieu of 65% or 100% of the fee payable to the eligible director for services rendered as a member of the Board of Directors. The number of shares issued is determined at 75% of the market value as defined in the plan. During the annual meeting held on August 5, 2008, the stockholders approved the First Amendment to our 2003 Outside Director Stock Plan which increased from 1,000,000 to 2,000,000 the number of shares reserved for issuance under the plan.

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

On April 28, 2010, we adopted the 2010 Stock Option Plan (the "2010 Plan"), which was approved by our stockholders at the Company's Annual Meeting of Stockholders on September 29, 2010. The 2010 Plan authorizes an aggregate grant of 1,000,000 non-qualified and incentive stock options to officers and employees (including an employee who is a member of the Board of Directors) of the Company for the purchase of up to 1,000,000 shares of the Company's Common Stock. The term of each stock option granted will be fixed by the Compensation Committee, but no stock option will be exercisable more than ten years after the grant date, or in the case of an incentive stock option granted to a 10% stockholder, five years after the grant date. The exercise price of any incentive stock option granted under the 2010 Option Plan to an individual who is not a 10% stockholder at the time of the grant will not be less than the fair market value of the shares at the time of the grant, and the exercise price of any incentive stock option granted to a 10% stockholder shall not be less than 110% of the fair market value at the time of grant. The exercise price of any non-qualified stock options granted under the 2010 Stock Plan will not be less than the fair market value of the shares at the time of grant.

We follow FASB ASC 718, "Compensation – Stock Compensation" ("ASC 718") to account for employee and director stock options. ASC 718 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. ASC 718 requires all stock-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. See "Note 3 – Stock-Based Compensation" for further discussion on ASC 718.

During 2010, we issued an aggregate of 350,000 shares of our Common Stock upon exercise of 350,000 employee stock options, at exercise prices ranging from $1.25 to $2.19. An employee used 38,210 shares of personally held Company Common Stock as payment for the exercise of 70,000 options to purchase 70,000 shares of the Company's Common Stock at $1.25 per share, as permitted under the 1993 Non-Qualified Stock Option Plan. The 38,210 shares are held as treasury stock. The cost of the 38,210 shares was determined to be approximately $88,000 in accordance with the Plan. Total proceeds received during 2010 for option exercises was approximately $509,000. During 2009, we issued an aggregate of 357,822 shares of our Common Stock upon exercise of 347,822 employee stock options, at exercise prices ranging from $1.25 to $1.86 and 10,000 outside director options, at an exercise price of $1.25. Total proceeds received during 2009 for option exercises totaled approximately $631,000. During 2008, we issued 111,179 shares of our Common Stock upon exercise of 106,179 employee stock options, at exercise prices ranging from $1.25 to $1.86 and 5,000 outside director stock options, at an exercise price of $1.75. Total proceeds received during 2008 for option exercises totaled approximately $184,000.

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We issued a total of 127,276, 136,522, and 118,865 shares of our Common Stock in 2010, 2009, and 2008, respectively, under our 2003 Outside Directors Stock Plan to our outside directors as compensation for serving on our Board of Directors. During 2010, we paid each of our outside directors $2,167 monthly in fees for serving as a member of our Board of Directors. The Audit Committee Chairman receives an additional monthly fee of $1,833 due to the position's additional responsibility. In addition, each board member is paid $1,000 for each board meeting attended as well as $500 for each telephonic conference call. As a member of the Board of Directors, each director elects to receive either 65% or 100% of the director's fee in shares of our Common Stock based on 75% of the fair market value of our Common Stock determined on the business day immediately preceding the date that the quarterly fee is due. The balance of each director's fee, if any, is payable in cash.

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Summary of the status of options under the plans as of December 31, 2010, 2009, and 2008 and changes during the years ending on those dates is presented below:

	2010			2009			2008		
	Shares	Weighted Average Exercise Price	Intrinsic Value (a)	Shares	Weighted Average Exercise Price	Intrinsic Value (a)	Shares	Weighted Average Exercise Price	Intrinsic Value (a)
Performance Equity Plan:									
Balance at beginning of year	—	$ —		—	$ —		9,000	$ 1.25	
Exercised	—	—	$ —	—	-	$ —	(4,000)	1.25	$ 5,300
Forfeited	—	—		—	-		(5,000)	1.25	
Balance at end of year	—	—	$ —	—	-	$ —	—	—	$ —
Options exercisable at year end	—	—	$ —	—	-	$ —	—	—	$ —
Non-qualified Stock Option Plan:									
Balance at beginning of year	991,359	$ 1.89		1,084,848	$ 1.86		1,174,859	$ 1.85	
Granted	—	—		-	-		—	—	
Exercised	(350,000)	1.70	$ 227,000	(89,489)	1.54	$ 68,526	(60,511)	1.54	$ 60,352
Forfeited	(11,000)	1.45		(4,000)	1.97		(29,500)	1.91	
Balance at end of year	630,359	2.00	$ —	991,359	1.89	$ 374,939	1,084,848	1.86	$ —
Options exercisable at year end	630,359	2.00	$ —	991,359	1.89	$ 374,939	1,084,848	1.86	$ —
1992 Outside Directors Stock Plan:									
Balance at beginning of year	100,000	$ 2.38		135,000	$ 2.08		150,000	$ 2.04	
Granted	—	—		—	—		—	—	
Exercised	—	—	$ —	(10,000)	1.25	$ 10,300	(5,000)	1.75	$ 3,450
Forfeited	(15,000)	1.69		(25,000)	1.25		(10,000)	1.75	
Balance at end of year	85,000	2.50	$ —	100,000	2.38	$ 12,488	135,000	2.08	$ 468
Options exercisable at year end	85,000	2.50	$ —	100,000	2.38	$ 12,488	135,000	2.08	$ 468
2003 Outside Directors									

Stock Plan:									
Balance at beginning of year	594,000	$ 2.27		510,000	$ 2.21		426,000	$ 2.18	
Granted	72,000	1.68		84,000	2.67		84,000	2.34	
Balance at end of year	666,000	2.21	$ —	594,000	2.27	$ 108,000	510,000	2.21	$ —
Options exercisable at year end	594,000	2.27	$ —	510,000	2.21	$ 108,000	426,000	2.18	$ —
2004 Stock Option Plan:									
Balance at beginning of year	1,424,166	$ 2.05		1,687,499	$ 2.08		830,167	$ 1.84	
Granted	-	-		170,000	1.57		1,083,000	1.93	
Exercised	-	-	$ —	(258,333)	1.86	$ 152,750	(41,668)	1.85	$ 26,000
Forfeited	(50,000)	2.26		(175,000)	2.16		(184,000)	2.05	
Balance at end of year	1,374,166	2.04	$ 30,900	1,424,166	2.05	$ 324,153	1,687,499	2.08	$ —
Options exercisable at year end	1,022,333	2.04	$ 14,100	718,833	1.99	$ 202,353	467,999	1.83	$ —
2010 Stock Option Plan:(b)									
Balance at beginning of year	—	$ —		—	$ —		—	$ —	
Balance at end of year	—	—	$ —	—	—	$ —	—	—	$ —
Options exercisable at year end	—	—	$ —	—	—	$ —	—	—	$ —

(a) Represents the difference between the market price at the date of exercise or the end of the year, as applicable, and the exercise price.

(b) Plan was approved in September 2010 which authorizes grants of up to an aggregate of 1,000,000 non-qualified and incentive stock options. No options were granted under the Plan as of December 31, 2010.

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The summary of the Company's total Plans as of December 31, 2010, 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, 2010	3,109,525	$2.05		
Granted	72,000	1.68		
Exercised	(350,000)	1.70		$227,000
Forfeited	(76,000)	2.04		
Options outstanding end of Period (1)	2,755,525	2.09	3.3	$30,900
Options exercisable at December 31, 2010 (1)	2,331,692	$2.11	3.0	$14,100
Options vested and expected to vest at December 31, 2010	2,739,493	$2.09	3.3	$30,900

(1) Options with exercise price ranging from $1.42 to $2.98

Warrants and Capital Stock Issuance for Debt

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

As of December 31, 2010, we have two Warrants outstanding to purchase up to an aggregate 150,000 shares of the Company's Common Stock at $1.50 per share. The two Warrants were issued on May 8, 2009 as consideration of a $3,000,000 loan received by the Company from Mr. William N. Lampson and Mr. Diehl Rettig (collectively, "the Lender") . The Warrants are exercisable six months from May 8, 2009 and expire on May 8, 2011.

As consideration of receiving this $3,000,000 from the Lender, we also issued, pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended (the "Act"), and/or Rule 506 of Regulation D promulgated under the Act, an aggregate of 200,000 shares of the Company's Common Stock to the Lenders in 2009 (See Note 9 – "Long Term Debt – Promissory Note and Installment Agreement" for further information regarding the Common Stock and Warrant issuance and the accounting treatment of the Common Stock and Warrants).

Shares Reserved

At December 31, 2010, we have reserved approximately 2,905,525 shares of Common Stock for future issuance under all of the above option and warrant arrangements.

NOTE 5

PREFERRED STOCK ISSUANCE AND CONVERSION

Series B Preferred Stock

As partial consideration of the M&EC Acquisition in 2001, M&EC issued shares of its Series B Preferred Stock to stockholders of M&EC having a stated value of approximately $1,285,000. No other shares of M&EC's Series B Preferred Stock are outstanding. The Series B Preferred Stock is non-voting and non-convertible, has a $1.00 liquidation preference per share and may be redeemed at the option of M&EC at any time after one year from the date of issuance for the per share price of $1.00. Following the first 12 months after the original issuance of the Series B Preferred Stock, the holders of the Series B Preferred Stock will be entitled to receive, when, as, and if declared by the

Board of Directors of M&EC out of legally available funds, dividends at the rate of 5% per year per share applied to the amount of $1.00 per share, which shall be fully cumulative. We began accruing dividends for the Series B Preferred Stock in July 2002, and have accrued a total of approximately $547,000 since July 2002, of which $64,000 was accrued in each of the years ended December 31, 2003 to 2010.

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NOTE 6

GOODWILL AND OTHER INTANGIBLE ASSETS

The following table is a summary of changes in the carrying amount of goodwill for the years ended December 31, 2008, 2009, and 2010. We recorded a total of $9,493,000 in goodwill as of June 30, 2008, within our Nuclear Segment related to the June 2007 acquisition of PFNWR as we finalized the allocation of the purchase price to the net assets acquired in this acquisition. In the fourth quarter of 2008, we determined that we had not appropriately recorded purchased unbilled receivables related to this acquisition. Accordingly, we corrected goodwill with an increase of $497,000 to goodwill and a decrease to unbilled receivable of $497,000 in the fourth quarter of 2008. In the fourth quarter of 2009, we also determined that we had not appropriately recorded a deferred tax liability on indefinite lived intangible assets in connection with our acquisition of PFNWR in June 2007. Accordingly, we recorded an adjustment in the fourth quarter of 2009 to correct goodwill and deferred tax liability related to the PFNWR acquisition. This correction increased goodwill and increased deferred tax liability by $298,000. We did not amend our prior financial statements at the time that each adjustment was made as the correction was not considered material to the Consolidated Balance Sheet and had no impact on our Consolidated Statement of Operations, income per share, accumulated deficit or our cash flows. In 2009 and 2010, we recorded $734,000 and $2,978,000, respectively, in goodwill in connection with an earn-out amount that we were required to pay in connection with the acquisition of our PFNWR facility in 2007 (See Note 13 – "Commitments and Contingencies – Earn-Out Amount – Perma-Fix Northwest, Inc. ("PFNW") and Perma-Fix Northwest Richland, Inc. ("PFNWR")" for information regarding this earn-out amount).

Goodwill (amounts in thousands)	Nuclear Segment	Engineering Segment	Total
Balance as of December 31, 2007	$7,716	$1,330	$9,046
Additional Goodwill Recorded as Result of PFNWR Acquisition	2,274		