PERMA FIX ENVIRONMENTAL SERVICES INC
Form 10-Q
August 08, 2013

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2013

Or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from____________________to ____________________

Commission File No. 111596

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

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

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

N/A

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

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

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 (§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 T No £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer,

or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer £ Accelerated Filer T Non-accelerated Filer o Smaller reporting company £

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

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

Class	Outstanding at August 1, 2013
Common Stock, $.001 Par Value	56,472,766 shares of registrant's Common Stock

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

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PART I - FINANCIAL INFORMATION
ITEM 1. – Financial Statements

PERMA-FIX ENVIRONMENTAL SERVICES, INC.
Consolidated Balance Sheets
(Unaudited)

(Amounts in Thousands, Except for Share and per Share Amounts)	June 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash	$95	$4,368
Restricted cash	35	35
Accounts receivable, net of allowance for doubtful accounts of $2,335 and $2,507, respectively	10,954	11,395
Unbilled receivables - current	7,103	8,530
Retainage receivable	649	312
Inventories	451	473
Prepaid and other assets	2,467	3,282
Deferred tax assets - current	3,178	1,553
Current assets related to discontinued operations	686	499
Total current assets	25,618	30,447
Property and equipment:		
Buildings and land	26,323	26,297
Equipment	34,728	34,657
Vehicles	661	661
Leasehold improvements	11,625	11,625
Office furniture and equipment	2,105	2,116
Construction-in-progress	399	334
	75,841	75,690
Less accumulated depreciation and amortization	(42,588)	(40,376)
Net property and equipment	33,253	35,314
Property and equipment related to discontinued operations	1,616	1,614
Intangibles and other long term assets:		
Permits	16,773	16,799
Goodwill	28,037	29,186
Other intangible assets – net	3,315	3,610
Unbilled receivables – non-current	82	137
Finite risk sinking fund	21,290	21,272
Deferred tax asset, net of liabilities	1,103	1,103
Other assets	1,475	1,549
Total assets	$132,562	$141,031

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
(Unaudited)

(Amounts in Thousands, Except for Share and per Share Amounts)	June 30, 2013	December 31, 2012
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,845	$ 8,657
Accrued expenses	5,008	6,254
Disposal/transportation accrual	1,233	2,294
Unearned revenue	2,825	3,695
Billings in excess of costs and estimated earnings	2,357	1,934
Current liabilities related to discontinued operations	1,725	1,512
Current portion of long-term debt	2,568	2,794
Total current liabilities	22,561	27,140
Accrued closure costs	11,425	11,349
Other long-term liabilities	707	674
Long-term liabilities related to discontinued operations	1,592	1,829
Long-term debt, less current portion	11,850	11,402
Total long-term liabilities	25,574	25,254
Total liabilities	48,135	52,394
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 plus accrued and unpaid dividends of $707 and $674, respectively	1,285	1,285
Stockholders' Equity:		
Preferred Stock, $.001 par value; 2,000,000 shares authorized, no shares issued and outstanding	¾	¾
Common Stock, $.001 par value; 75,000,000 shares authorized, 56,372,273 and 56,238,525 shares issued, respectively; 56,334,063 and 56,200,315 shares outstanding, respectively	56	56
Additional paid-in capital	102,972	102,819
Accumulated deficit	(19,794)	(16,005)
Accumulated other comprehensive loss	(4)	(2)
Less Common Stock in treasury, at cost; 38,210 shares	(88)	(88)
Total Perma-Fix Environmental Services, Inc. stockholders' equity	83,142	86,780
Non-controlling interest	¾	572
Total stockholders' equity	83,142	87,352
Total liabilities and stockholders' equity	$ 132,562	$ 141,031

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
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts in Thousands, Except for Per Share Amounts)	2013	2012	2013	2012
Net revenues	$22,784	$33,698	$42,613	$71,634
Cost of goods sold	18,761	29,768	38,053	63,335
Gross profit	4,023	3,930	4,560	8,299
Selling, general and administrative expenses	3,370	4,589	7,556	9,627
Research and development	402	535	901	888
Impairment loss on goodwill	1,149	¾	1,149	¾
(Gain) loss on disposal of property and equipment	¾	(3)	2	(3)
Loss from operations	(898)	(1,191)	(5,048)	(2,213)
Other income (expense):				
Interest income	9	7	18	21
Interest expense	(200)	(199)	(344)	(420)
Interest expense-financing fees	(24)	(26)	(47)	(60)
Other	1	1	(7)	1
Loss from continuing operations before taxes	(1,112)	(1,408)	(5,428)	(2,671)
Income tax benefit	(132)	(399)	(1,560)	(855)
Loss from continuing operations, net of taxes	(980)	(1,009)	(3,868)	(1,816)
Income (loss) from discontinued operations, net of taxes	43	(60)	15	(198)
Net loss	(937)	(1,069)	(3,853)	(2,014)
Net (loss) income attributable to non-controlling interest	(61)	102	(64)	158
Net loss attributable to Perma-Fix Environmental Services, Inc. common stockholders	$(876)	$(1,171)	$(3,789)	$(2,172)
Net loss per common share attributable to Perma-Fix Environmental Services, Inc. stockholders - basic:				
Continuing operations	$(.02)	$(.02)	$(.07)	$(.04)
Discontinued operations	$¾	$¾	$¾	$¾
Net loss per common share	$(.02)	$(.02)	$(.07)	$(.04)
Net loss per common share attributable to Perma-Fix Environmental Services, Inc. stockholders - diluted:				
Continuing operations	$(.02)	$(.02)	$(.07)	$(.04)
Discontinued operations	$¾	$¾	$¾	$¾
Net loss per common share	$(.02)	$(.02)	$(.07)	$(.04)
Number of common shares used in computing net loss per share:				

Basic	56,334	56,094	56,303	56,078
Diluted	56,334	56,094	56,303	56,078

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

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
Consolidated Statements of Comprehensive Loss
(Unaudited)

(Amounts in Thousands)	Three Months Ended June 30, 2013	2012	Six Months Ended June 30, 2013	2012
Net loss	$(937)	$(1,069)	$(3,853)	$(2,014)
Other comprehensive (loss) income:				
Foreign currency translation (loss) gain	¾	(9)	(2)	2
Total other comprehensive (loss) income	¾	(9)	(2)	2
Comprehensive loss	(937)	(1,078)	(3,855)	(2,012)
Comprehensive (loss) income attributable to non-controlling interest	(61)	102	(64)	158
Comprehensive loss attributable to Perma-Fix Environmental Services, Inc. stockholders	$(876)	$(1,180)	$(3,791)	$(2,170)

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

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the six months ended June 30, 2013
(Unaudited)

	Common Stock							
	Shares	Amount	Additional Paid-In Capital	Common Stock Held In Treasury	Accumulated Other Comprehensive Loss	Non-controlling Interest in Subsidiary	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2012	56,238,525	56	$ 102,819	$ (88)	$ (2)	$ 572	$ (16,005)	$ 87,352
Net loss	¾	¾	¾	¾	¾	(64)	(3,789)	(3,853)
Foreign currency translation adjustment	¾	¾	¾	¾	(2)	¾	¾	(2)
Distribution to non-controlling interest	¾	¾	¾	¾	¾	(490)	¾	(490)
Redemption of non-controlling interest	¾	¾	¾	¾	¾	(18)	¾	(18)
Issuance of common stock for services	133,748	¾	99	¾	¾	¾	¾	99
Stock-based compensation	¾	¾	54	¾	¾	¾	¾	54
Balance at June 30, 2013	56,372,273	$ 56	$ 102,972	$ (88)	$ (4)	$ ¾	$ (19,794)	$ 83,142

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
(Unaudited)

	Six Months Ended June 30,	
(Amounts in Thousands)	2013	2012
Cash flows from operating activities:		
Net loss	$(3,853)	$(2,014)
Less: income (loss) on discontinued operations	15	(198)
Loss from continuing operations	(3,868)	(1,816)
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization	2,576	2,753
Amortization of debt discount		12
Amortization of fair value of customer contracts	(1,043)	(1,943)
Deferred tax benefit	(1,636)	(852)
Provision for bad debt and other reserves	43	43
Impairment loss on goodwill	1,149	
Loss (gain) on disposal of plant, property and equipment	2	(3)
Foreign exchange (loss) gain	(2)	2
Issuance of common stock for services	99	102
Stock-based compensation	54	98
Changes in operating assets and liabilities of continuing operations, net of effect from business acquisitions:		
Accounts receivable	60	2,031
Unbilled receivables	1,482	(3,632)
Prepaid expenses, inventories and other assets	1,078	1,646
Accounts payable, accrued expenses and unearned revenue	(3,603)	(6,887)
Cash used in continuing operations	(3,609)	(8,446)
Cash used in discontinued operations	(167)	(372)
Cash used in operating activities	(3,776)	(8,818)
Cash flows from investing activities:		
Purchases of property and equipment	(175)	(387)
Change in restricted cash, net		1,500
Proceeds from sale of plant, property and equipment		3
Non-controlling distribution/redemption	(508)	
Payment to finite risk sinking fund	(18)	(1,899)
Cash used in investing activities	(701)	(783)
Cash flows from financing activities:		
Net borrowing of revolving credit	1,671	643
Principal repayments of long term debt	(1,449)	(2,134)
Proceeds from finite risk financing		565
Payment of finite risk financing		(251)
Cash provided by (used in) financing activities of continuing operations	222	(1,177)
Principal repayments of long term debt for discontinued operations	(18)	(17)
Cash provided by (used in) financing activities	204	(1,194)

Decrease in cash	(4,273)	(10,795)
Cash at beginning of period	4,368	12,055
Cash at end of period	$95	$1,260
Supplemental disclosure:		
Interest paid	$353	$479
Income taxes paid	104	470

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

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

June 30, 2013
(Unaudited)

Reference is made herein to the notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

1. Basis of Presentation

The consolidated financial statements included herein have been prepared by the Company (which may be referred to as we, us or our), without an audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("the Commission"). Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations, although the Company believes the disclosures which are made are adequate to make the information presented not misleading. Further, the consolidated financial statements reflect, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position and results of operations as of and for the periods indicated. The results of operations for the six months ended June 30, 2013 are not necessarily indicative of results to be expected for the fiscal year ending December 31, 2013.

We suggest that these consolidated condensed financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Current Financial Position and Liquidity
During the six months ended June 30, 2013 and for the year ended December 31, 2012, the Company incurred net losses of $3,853,000 and $6,092,000, respectively. In the first and second quarters of fiscal 2013, revenues were $19,829,000 and $22,784,000, respectively. Despite this increase, which is consistent with our historical revenue trends, the 2013 revenue and our fiscal 2012 revenue were below our expectations and internal forecasts as a result of government sequestration, ending of contracts and general adverse economic conditions. Our revenue to date in fiscal 2013 has been insufficient to attain profitable operations and has generated negative operating cash flow from operations; however, historically, the Company has generated positive operating cash in the third and fourth quarters due to the government fiscal year end of September 30th and upfront contractual billing terms.

The Company's cash flow requirements during 2013 have been financed by cash on hand, operations, and our credit facility (Note 7). Should the increased revenue consistent with prior trends not materialize, we are committed to further reducing operating costs to bring them in line with reduced revenue levels. If we are unable to improve our revenue and working capital during the remainder of 2013, such could result in a material adverse impact on our results and liquidity, including potential impact on our goodwill balances.

On August 2, 2013, the Company completed a lending transaction with Messrs. Robert Ferguson and William Lampson (collectively, the "Lenders"), whereby the Company borrowed from the Lenders the sum of $3,000,000 pursuant to the terms of a Loan and Security Purchase Agreement and promissory note (Note 13). These additional funds allowed us to pay down the current revolver balance, effectively increasing our borrowing availability to approximately $6,200,000 as of August 2, 2013 based on eligible collateral. The loan is a fixed rate loan with a favorable rate that is lower than our current variable rates and thus translates to lower interest expense.

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The Company continues to focus on expansion into both commercial and international markets to help offset the uncertainties of government spending. This includes new services, new customers and increased market share in our current markets. Although no assurances can be given, we believe we will be able to successfully implement this plan.

Reclassifications

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

2. Summary of Significant Accounting Policies

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

Revenue Recognition

The Company recognizes revenue, but not profit, for certain significant claims when it is determined that recovery of incurred costs is probable and the amounts can be reliably estimated. Under Accounting Standards Codification ("ASC") 605-35-25 "Revenue Recognition–Construction-Type and Production-Type Contracts", these requirements are satisfied when the contract or other evidence provides a legal basis for the claim, additional costs were caused by circumstances that were unforeseen at the contract date and not the result of deficiencies in the Company's performance, claim-related costs are identifiable and considered reasonable in view of the work performed, and evidence supporting the claim is objective and verifiable. The Company periodically evaluates its position and the amounts recognized in revenue with respect to all its claims. Amounts ultimately realized from claims could differ materially from the balances included in the condensed consolidated financial statements.

Recently Adopted Accounting Standards

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-02 ("ASU 2013-02"), "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." This ASU requires entities to disclose the effect of items reclassified out of accumulated other comprehensive income on each affected net income line item. For accumulated other comprehensive income reclassification items that are not reclassified in their entirety into net income, entities are required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail on these amounts. This information may be provided either in the notes or parenthetically on the face of the financials. For public entities, the guidance is effective for annual reporting periods beginning after December 15, 2012 and interim periods within those years. The adoption of ASU 2013-02 did not have a material impact on the Company's financial condition or results of operations.

Recently Issued Accounting Standards

In February 2013, the FASB issued ASU 2013-04, "Obligations Resulting From Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date," an amendment to FASB ASC Topic 405, "Liabilities." The update requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed as of the reporting date as the sum of the obligation the entity agreed to pay among its co-obligors and any additional amount the entity expects to pay on behalf of its co-obligors. This ASU is effective for annual and interim periods beginning after December 15, 2013 and is required to be applied retrospectively to all prior periods presented for those obligations that existed upon adoption of the ASU. The Company is still assessing the potential impact of adopting this guidance.

In July 2013, the FASB issued ASU No. 2013-11 "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." ASU No. 2013-11 is a new accounting standard on the financial statement presentation of unrecognized tax benefits. The new guidance requires an entity to present an unrecognized tax benefit and an net operating loss carryforward, a similar tax loss, or a tax credit carryforward on a net basis as part of a deferred tax asset, unless the unrecognized tax benefit is not available to

reduce the deferred tax asset component or would not be utilized for that purpose, then a liability would be recognized. This ASU is effective for annual and interim periods beginning after December 15, 2013. We are still assessing the potential impact of adopting this guidance on our financial statements.

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3. Stock Based Compensation

We follow FASB ASC 718, "Compensation – Stock Compensation" ("ASC 718") to account for stock-based compensation. 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 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.

No stock options were granted during the first six months of 2013 or 2012.

As of June 30, 2013, we had an aggregate of 1,138,000 employee stock options outstanding (from the 2004 and 2010 Stock Option Plans), of which 938,000 are vested. The weighted average exercise price of the 938,000 outstanding and fully vested employee stock options is $2.05 with a remaining weighted contractual life of 1.5 years. Additionally, we had an aggregate of 816,000 outstanding director stock options (from the 2003 Outside Directors Stock Plans), all of which are vested. The weighted average exercise price of the 816,000 outstanding and fully vested director stock options is $2.04 with a remaining weighted contractual life of 4.5 years.

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 following table summarizes stock-based compensation recognized for the three and six months ended June 30, 2013 and 2012 for our employee and director stock options.

Stock Options	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Employee Stock Options	$3,000	$34,000	$36,000	$72,000
Director Stock Options	¾	¾	18,000	26,000
Total	$3,000	$34,000	$54,000	$98,000

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 rates based on historical trends of actual forfeitures. When actual forfeitures vary from our estimates, we recognize the difference in stock-based compensation expense in the period the actual forfeitures occur or when options vest. Our stock-based compensation expense for the three months ended June 30, 2013 included a reduction of approximately $23,000 resulting from the forfeiture of a non-qualified stock option (the "Option") due to the voluntary termination of our Safety and Ecology Corporation ("SEC" or Safety and Ecology Holdings Corporation and its subsidiaries) President from the Company which became effective May 24, 2013 (see Note 12 – "Related Party Transaction" for further information regarding the SEC President's voluntary termination from the Company). The Option was granted on October 31, 2011, with a term of 10 years from grant date and provided for the purchase of up

to 250,000 shares of our Common Stock at $1.35 per share, with 25% yearly vesting over a four-year period (in accordance with a Non-Qualified Option Agreement). As of June 30, 2013, we have approximately $94,000 of total unrecognized compensation cost related to unvested options, of which $44,000 is expected to be recognized in 2013, with the remaining $50,000 in 2014.

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4. Stock Plans and Non-Qualified Option Agreement

The summary of the Company's total Stock Plans and a Non-Qualified Stock Option Agreement (which has been forfeited) as of June 30, 2013 as compared to June 30, 2012, and changes during the periods then ended, are presented below. The current year Company's Plans consist of the 2004 and 2010 Stock Option Plans, and the 2003 Outside Directors Stock Plans:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding Janury 1, 2013	2,644,000	$ 1.96		
Granted				
Exercised				$
Forfeited	(690,000)	1.87		
Options outstanding End of Period (1)	1,954,000	2.00	3.0	$
Options Exercisable at June 30, 2013(1)	1,754,000	$ 2.05	2.9	$
Options Vested and expected to be vested at June 30, 2013	1,954,000	$ 2.00	3.0	$

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding Janury 1, 2012	3,039,833	$ 1.98		
Granted				
Exercised				$
Forfeited	(425,333)	1.90		
Options outstanding End of Period (2)	2,614,500	1.99	3.8	$
Options Exercisable at June 30, 2012(2)	2,064,500	$ 2.13	3.0	$
Options Vested and expected to be vested at June 30, 2012	2,614,500	$ 1.99	3.8	$

(1) Options with exercise prices ranging from $1.10 to $2.95
(2) Options with exercise prices ranging from $1.41 to $2.95

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5. (Loss) Income Per Share

Basic (loss) income 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 (loss) income per share to diluted net loss per share for the three and six months ended June 30, 2013 and 2012:

	Three Months Ended June 30, (Unaudited)		Six Months Ended June 30, (Unaudited)	
(Amounts in Thousands, Except for Per Share Amounts)	2013	2012	2013	2012
Loss per share from continuing operations attributable to Perma-Fix Environmental Services, Inc.common stockholders				
Loss from continuing operations	$(980)	$(1,009)	$(3,868)	$(1,816)
Basic loss per share	$(.02)	$(.02)	$(.07)	$(.04)
Diluted loss per share	$(.02)	$(.02)	$(.07)	$(.04)
Income (loss) per share from discontinued operations attributable to Perma-Fix Environemental Services, Inc. common stockholders				
Income (loss) from discontinued operations	$43	$(60)	$15	$(198)
Basic income (loss) per share	$¾	$¾	$¾	$¾
Diluted income (loss) per share	$¾	$¾	$¾	$¾
Weighted average common shares outstanding – basic	56,334	56,094	56,303	56,078
Potential shares exercisable under stock option plans	¾	¾	¾	¾
Weighted average shares outstanding – diluted	56,334	56,094	56,303	56,078
Potential shares excluded from above weighted average share calculations due to their anti-dilutive effect include:				
Upon exercise of stock options	1,954	2,614	1,954	2,124

6. Other Intangible Assets and Goodwill

Other Intangible Assets

The following table summarizes information relating to the Company’s other intangible assets:

		June 30, 2013			December 31, 2012		
Intangibles (amount in thousands)	Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patent	8-18	$477	$ (131)	$ 346	$453	$ (105)	$ 348
Software	3	380	(210)	170	380	(145)	235
Non-compete agreement	1.2	265	(97)	168	265	(62)	203
Customer contracts	0.5	790	(790)	¾	790	(790)	¾

Customer relationships	12	3,370	(739)	2,631	3,370	(546)	2,824
Total		$5,282	$ (1,967)	$ 3,315	$5,258	$ (1,648)	$ 3,610

The intangible assets are amortized on a straight-line basis over their useful lives with the exception of customer relationships which are being amortized using an accelerated method.

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The following table summarizes the expected amortization over the next five years for our definite-lived intangible assets noted above and also includes the only definite-lived permit, which is at our Diversified Scientific Services, Inc. (“DSSI”) subsidiary:

Year	Amount (In thousands)
2013 (remaining)	$ 503
2014	590
2015	488
2016	408
2017	355
	$ 2,344

Amortization expense relating to intangible assets noted above and our one definite-lived permit for the Company was $179,000 and $343,000 for the three and six months ended June 30, 2013, respectively, and $147,000 and $322,000 for the three and six months ended June 30, 2012, respectively.

Goodwill impairment

Our East Tennessee Materials & Energy Corporation (“M&EC”) subsidiary was awarded the CH Plateau Remediation Company (“CHPRC”) subcontract by CH2M Hill Plateau Remediation Company (“CH2M Hill”), effective June 19, 2008, in connection with CH2M Hill’s prime contract with the Department of Energy (“DOE”), relating to waste management and facility operations at the DOE’s Hanford, Washington site. The CHPRC subcontract provides for a base contract period from October 1, 2008 through September 30, 2013, with an option of renewal for an additional five years. During the second quarter of 2013, our M&EC subsidiary was notified by CH2M Hill that the subcontract will expire on September 30, 2013 and will not be renewed. As permitted by ASC Topic 350 “Intangibles – Goodwill and Other,” when an impairment indicator arises toward the end of an interim reporting period, the Company may recognize its best estimate of that impairment loss. Based on the Company’s preliminary analysis prepared as of June 30, 2013, we recorded a goodwill impairment charge of $1,149,000 during the three months ended June 30, 2013. This amount represented the total goodwill for our CHPRC reporting unit – our operations under the CHPRC subcontract. The goodwill impairment charge is noncash in nature and did not affect the Company’s liquidity or cash flows from operating activities. Additionally, the goodwill impairment had no effect on the Company’s borrowing availability or covenants under its credit facility agreement.

The preliminary assessment for the Treatment Segment, SYA and Safety & Ecology Corporation reporting units indicated that the fair values were greater than its net book value with no initial indication of goodwill impairment. Although the Company believes that the financial projections used in the assessment were reasonable and appropriate for its four reporting units at that time, there is uncertainty inherent in those projections.

We believe demand for our services will continue to be subject to fluctuations due to a variety of factors beyond our control, including the current economic conditions that drive both commercial and government clients to reduce spending. In addition, federal governmental clients have operated under reduced budgets due to Continuing Resolutions (“CR”) and sequestration. We believe that this has negatively impacted the amount of waste shipped to our treatment facilities as well as jobs available in our Services Segment. Significant uncertainty exists regarding how sequestration cuts will be implemented and what challenges this may present for our industry. While members of Congress and the Administration continue to discuss various options to address sequestration and the U.S. Government’s overall fiscal challenges, we cannot predict the outcome of these efforts. Currently, there is insufficient information to determine the full impact of sequestration and CR on our 2013 results of operations and cash flows,

including their potential impact on our goodwill balances.

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7. Long Term Debt

Long-term debt consists of the following at June 30, 2013 and December 31, 2012:

(Amounts in Thousands)	June 30, 2013	December 31, 2012
Revolving Credit facility dated October 31, 2011, borrowings based upon eligible accounts receivable, subject to monthly borrowing base calculation, variable interest paid monthly at our option of prime rate (3.25% at June 30, 2013) plus 2.0% or London Interbank Offer Rate ("LIBOR") plus 3.0%, balance due October 31, 2016. Effective interest rate for first six months of 2013 was 3.30%. (1)	$1,671	$ —
Term Loan dated October 31, 2011, payable in equal monthly installments of principal of $190, balance due in October 31, 2016, variable interest paid monthly at option of prime rate plus 2.5% or LIBOR plus 3.5%. Effective interest rate for first six months of 2013 was 4.06%. (1)	12,381	13,524
Promissory Note dated September 28, 2010, payable in 36 monthly equal installments of $40, which includes interest and principal, beginning October 15, 2010, interest accrues at annual rate of 6.0%. (2)	119	352
Promissory Note dated February 12, 2013, payable in monthly installments of $10, which includes interest and principal, starting February 28, 2013, interest accrues at annual rate of 6.0%, balance due January 31, 2015. (2)	184	—
Various capital lease and promissory note obligations, payable 2013 to 2014, interest at rates ranging from 5.2% to 8.0%.	116	391
	14,471	14,267
Less current portion of long-term debt	2,568	2,794
Less long-term debt related to assets held for sale	53	71
	$11,850	$ 11,402

(1) Our Revolving Credit facility is collateralized by our accounts receivable and our Term Loan is collateralized by our property, plant, and equipment.

(2) Uncollateralized note.

Revolving Credit and Term LoanAgreement

The Company entered into an Amended and Restated Revolving Credit, Term Loan and Security Agreement, dated October 31, 2011 (“Amended Loan Agreement”), with PNC Bank, National Association (“PNC”), acting as agent and lender, replacing our previous Loan Agreement with PNC. The Amended Loan Agreement provides us with the following credit facilities:

- up to $25,000,000 revolving credit facility (“Revolving Credit”), subject to the amount of borrowings based on a percentage of eligible receivables. 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;

- a term loan (“Term Loan”) of $16,000,000, which requires monthly installments of approximately $190,000 (based on a seven-year amortization); and

- equipment line of credit up to $2,500,000, subject to certain limitations.

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The Amended Loan Agreement terminates as of October 31, 2016, unless sooner terminated. We may terminate the Amended Loan Agreement upon 90 days' prior written notice and upon payment in full of our obligations under the Amended Loan Agreement. We agreed to pay PNC 0.5% of the total financing if we pay off our obligations after October 31, 2012, but prior to or on October 31, 2013. No early termination fee shall apply if we pay off our obligations under the Amended Loan Agreement after October 31, 2013.

We have the option of paying an annual rate of interest due on the revolving credit facility at prime plus 2% or LIBOR plus 3% and the term loan and equipment credit facilities at prime plus 2.5% or LIBOR plus 3.5%.

In connection with the Amended Loan Agreement, we paid PNC a fee of $217,500 and incurred other direct costs of approximately $298,000, all of which are being amortized over the term of the Amended Loan Agreement as interest expense – financing fees. As of June 30, 2013, the excess availability under our revolving credit was $7,281,000, based on our eligible receivables.

On May 9, 2013, we entered into an Amendment to our Amended Loan Agreement. This Amendment waived our fixed charge coverage ratio non-compliance for the first quarter of 2013. This Amendment also changed the methodology in calculating the fixed charge coverage ratio in each subsequent quarter of 2013. The minimum fixed charge coverage ratio requirement of 1:25 to 1:00 for each subsequent quarter of 2013 remains unchanged. As a condition of this Amendment, we paid PNC a fee of $20,000, which is being amortized over the term of the Amended Loan Agreement. All other terms of the Amended Loan Agreement remain principally unchanged. We met our fixed charge coverage ratio covenant for the second quarter of 2013.

Promissory Notes and Installment Agreements
On February 12, 2013, the Company entered into an unsecured promissory note ("New Note") with Timios National Corporation ("TNC" and formerly known as Homeland Capital Security Corporation) in the principal amount of approximately $230,000 as a result of a settlement with TNC in connection with certain claims that we asserted against TNC for breach of certain representations and covenant subsequent to our acquisition of Safety & Ecology Holdings Corporation and its subsidiaries (collectively known as "SEC") from TNC on October 31, 2011. In connection with the acquisition of SEC on October 31, 2011, as partial consideration of the purchase price, we entered into a $2,500,000 unsecured, non-negotiable promissory note (the "October Note"), bearing an annual rate of interest of 6%, payable in 36 monthly installments, with TNC. As part of the settlement with TNC regarding the aforementioned claims, the October Note, with balance of approximately $1,460,000, was cancelled and terminated and the New Note was issued in replacement of the October Note. The New Note bears an annual interest rate of 6%, payable in 24 monthly installments of principal and interest of approximately $10,000, with the first payment due February 28, 2013, as agreed by us and TNC after entering into the promissory note, with subsequent payments due on the last day of each month thereafter. The New Note provides us the right to prepay such at any time without interest or penalty.

The Note payable to TNC included an embedded conversion option ("Conversion Option") that can be exercised upon default, whereby TNC has the option to convert the unpaid portion of the Note into a number of whole shares of our restricted Common Stock. The number of shares of our restricted Common Stock to be issuable under the Conversion Option is determined by the principal amount owing under the Note at the time of default plus all accrued and unpaid interest and expenses (as defined) divided by the average of the closing price per share of our Common Stock as reported by the primary national securities exchange on which our Common Stock is traded during the 30 consecutive trading day period ending on the trading day immediately prior to receipt by us of TNC's written notice of its election to receive our restricted Common Stock as a result of the event of default by us, with the number of shares of our Common Stock issuable upon such default subject to certain limitations. We concluded that the Conversion Option had and continues to have nominal value as of June 30, 2013. We will continue to monitor the fair value of the Conversion Option on a regular basis.

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On September 28, 2010, the Company entered into a promissory note in the principal amount of $1,322,000, with the former shareholders of Nuvotec (now known as Perma-Fix Northwest, Inc. or "PFNW") in connection with an earn-out amount that we are required to pay upon meeting certain conditions for each earn-out measurement year ended June 30, 2008 to June 30, 2011, as a result of our acquisition of PFNW and Perma-Fix Northwest Richland, Inc. ("PFNWR") in June 2007. Interest is accrued at an annual interest rate of 6%. The promissory note provides for 36 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. See further details of the earn-out amount in Note 8 – "Commitments and Contingencies - Earn-Out Amount."

8. Commitments and Contingencies

Hazardous Waste

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

Legal Matters

On March 7, 2013, our PFNWR subsidiary received a Notice of Intent to File Administrative Complaint from the U.S. Environmental Protection Agency ("EPA"), alleging PFNWR had improperly stored certain mixed waste. If a settlement is not reached between the Company and EPA in connection with these alleged violations within 120 days of initiating negotiations, the EPA has advised it will initiate an action for civil penalties for these alleged violations. The EPA could seek penalties up to $37,500 per day per violation. The EPA has proposed a consent agreement and final order ("CAFO") and has proposed a total penalty in the CAFO in the amount of $215,500 to resolve these alleged violations. We recorded approximately $188,000 in accrued penalty (of which $4,000 was recorded in the second quarter of 2013) based on our best estimate to resolve these alleged violations. See Note 13 - "Subsequent Events – Notice of Intent to File Administrative Complaint – PFNWR" on settlement of this matter with the EPA on July 16, 2013.

Earn-Out Amount – Perma-Fix Northwest, Inc. ("PFNW") and Perma-Fix Northwest Richland, Inc. ("PFNWR")

In connection with the acquisition of PFNW and PFNWR in June 2007, we were required to pay to those former shareholders of Nuvotec an earn-out amount upon meeting certain conditions for each measurement year ended 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"). As of June 30, 2013, an aggregate earn-out amount of $3,896,000 has been paid or is payable as follows: (i) $2,574,000 in cash; and (ii) we issued a promissory note, dated September 28, 2010, in the principal amount of $1,322,000, payable in thirty six equal monthly payments of approximately $40,000 consisting of interest and principal, starting October 15, 2010. The total $3,896,000 in earn-out amount paid to date or to be paid pursuant to the promissory note excludes approximately an aggregate $656,000 in Offset Amount, which represents an indemnification obligation (as defined by the Merger Agreement) which is payable or may be payable to the Company by the former shareholders of Nuvotec. Pursuant to the Merger 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 (now known as "PFNWR") or for willful or reckless misrepresentation of any representation, warranty or covenant. The $656,000 Offset Amount (which was recorded as part of the purchase price allocation of PFNWR) represents 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 and 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.

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Insurance

The Company has a 25-year finite risk insurance policy entered into in June 2003 with Chartis, a subsidiary of American International Group, Inc. ("AIG"), which provides financial assurance to the applicable states for our permitted facilities in the event of unforeseen closure. The policy, as amended, provides for a maximum allowable coverage of $39,000,000 and has available capacity to allow for annual inflation and other performance and surety bond requirements. We have made all of the required payments totaling $18,305,000, for this finite risk insurance policy, as amended, of which $14,472,000 has been deposited into a sinking fund account which represents a restricted cash account; $2,883,000 represented full/terrorism premium; and $950,000 represented fee payable to Chartis. As of June 30, 2013, our financial assurance coverage amount under this policy totaled approximately $38,161,000. We have recorded $15,396,000 in our sinking fund related to the policy noted above in other long term assets on the accompanying balance sheets, which includes interest earned of $925,000 on the sinking fund as of June 30, 2013. Interest income for three and six months ended June 30, 2013, was approximately $7,000 and $13,000, respectively. 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.

In August 2007, we entered into a second finite risk insurance policy for our PFNWR facility with Chartis. The policy provided an initial $7,800,000 of financial assurance coverage with an annual growth rate of 1.5%, which at the end of the four year term policy, provides maximum coverage of $8,200,000. We have made all of the required payments on this policy, totaling $7,158,000, of which $5,700,000 has been deposited into a sinking fund account and $1,458,000 represented premium. As of June 30, 2013, we have recorded $5,894,000 in our sinking fund related to this policy in other long term assets on the accompanying balance sheets, which includes interest earned of $194,000 on the sinking fund as of June 30, 2013. Interest income for the three and six months ended June 30, 2013 totaled approximately $2,000 and $5,000, respectively. This policy is renewed annually at the end of the four year term with a nominal fee for the variance between the policy and coverage requirement. We renewed this policy in 2011 and 2012 with an annual fee of $46,000. All other terms of the policy remain substantially unchanged.

Recognition of Revenue from Contract Claims

The Company recognizes revenue, but not profit, for certain significant claims when it is determined that recovery of incurred costs is probable and the amount can be reliably estimated in accordance with ASC 605-35-25. The Company's revenue for quarter ended June 30, 2013, includes claim revenue related to this issue for costs incurred to date on a certain fixed price contract. The Company believes the ultimate recovery of incurred costs related to the claim is probable under ASC 605-35-25, and will continue periodically to evaluate its position and the amount recognized in revenue as to this claim. The project is substantially complete; resolution of the claim is projected to extend beyond the project completion date. The Company currently is conferring this claim revenue with the customer and will seek to recover, including litigation if necessary, all amounts owed as allowed under the contract or for other work performed. The customer can file a counterclaim against the Company seeking to recover costs associated with alleged defects. Relative success of the customer's counterclaim and the Company's claims for damages could result in a substantial change to earnings.

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9. Discontinued Operations and Divestitures

Our discontinued operations consist of our Perma-Fix of South Georgia, Inc. ("PFSG") facility which met the held for sale criteria under ASC 360, "Property, Plant, and Equipment" on October 6, 2010. Our discontinued operations also encompass our Perma-Fix of Fort Lauderdale, Inc. ("PFFL"), Perma-Fix of Orlando, Inc. ("PFO"), Perma-Fix of Maryland, Inc. ("PFMD"), Perma-Fix of Dayton, Inc. ("PFD"), and Perma-Fix Treatment Services, Inc. ("PFTS") facilities, which were divested on August 12, 2011, October 14, 2011, January 8, 2008, March 14, 2008, and May 30, 2008, respectively. Our discontinued operations also include two previously shut down locations, Perma-Fix of Michigan, Inc. ("PFMI"), and Perma-Fix of Memphis, Inc. ("PFM").

We continue to market our PFSG facility for sale. As required by ASC 360, based on our internal financial valuations, we concluded that no tangible asset impairments existed for PFSG as of June 30, 2013. No intangible assets exist at PFSG.

The following table summarizes the results of discontinued operations for the three and six months ended June 30, 2013 and 2012. The operating results of discontinued operations are included in our Consolidated Statements of Operations as part of our "Income (loss) from discontinued operations, net of taxes."

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts in Thousands)	2013	2012	2013	2012
Net revenues	$809	$599	$1,472	$1,215
Interest expense	$(9)	$(9)	$(13)	$(17)
Operating income (loss) from discontinued operations	$67	$(86)	$26	$(294)
Income tax expense (benefit)	$24	$(26)	$11	$(96)
Income (loss) from discontinued operations	$43	$(60)	$15	$(198)

The following table presents the major classes of assets and liabilities of discontinued operations that are classified as held for sale as of June 30, 2013 and December 31, 2012. The held for sale assets and liabilities may differ at the closing of a sale transaction from the reported balances as of June 30, 2013:

(Amounts in Thousands)	June 30, 2013	December 31, 2012
Accounts receivable, net (1)	$578	$ 391
Inventories	37	32
Other assets	16	16
Property, plant and equipment, net (2)	1,616	1,614
Total assets held for sale	$2,247	$ 2,053
Accounts payable	$341	$ 229
Accrued expenses and other liabilities	544	528
Note payable	53	71
Environmental liabilities	1,373	1,373
Total liabilities held for sale	$2,311	$ 2,201

(1) net of allowance for doubtful accounts of $25,000 and $45,000 as of June 30, 2013 and December 31, 2012, respectively.

(2) net of accumulated depreciation of $60,000 for each period presented.

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The following table presents the major classes of assets and liabilities of discontinued operations that are not held for sale as of June 30, 2013 and December 31, 2012:

(Amounts in Thousands)	June 30, 2013	December 31, 2012
Other assets	$55	$ 60
Total assets of discontinued operations	$55	$ 60
Accrued expenses and other liabilities	$796	$ 884
Accounts payable	15	15
Environmental liabilities	195	241
Total liabilities of discontinued operations	$1,006	$ 1,140

10. Operating Segments

In accordance with 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 Operating Officer to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

We currently have two reporting segments, which are based on a service offering approach. This, however, excludes corporate headquarters, which does not generate revenue, and our discontinued operations, which includes all facilities as discussed in Note 9 – "Discontinued Operations and Divestitures."

Our reporting segments are defined as follows:

TREATMENT SEGMENT, 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 primarily through four uniquely licensed and permitted treatment and storage facilities; and,
- research and development activities to identify, develop and implement innovative waste processing techniques for problematic waste streams.

SERVICES SEGMENT, which includes:

- On-site waste management services to commercial and government customers;
- Technical services, which include:
  - professional radiological measurement and site survey of large government and commercial installations using advance methods, technology and engineering;
  - integrated Occupational Safety and Health services including industrial hygiene ("IH") assessments; hazardous materials surveys, e.g., exposure monitoring; lead and asbestosmanagement/abatement oversight; indoor air quality evaluations; health risk and exposure assessments; health & safety plan/program development, compliance auditing and training services; and Occupational Safety and Health Administration ("OSHA") citation assistance;
  - global technical services providing consulting, engineering, project management, waste management, environmental, and decontamination and decommissioning field, technical, and management personnel and services to commercial and government customers; and,

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- o augmented engineering services (through our Schreiber, Yonley & Associates subsidiary – “SYA”) providing consulting environmental services to industrial and government customers:
  - § 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; and,
  - § engineering and compliance support to other segments;
- Nuclear services, which include:
  - o technology-based services including engineering, decontamination and decommissioning (“D&D”), specialty services and construction, logistics, transportation, processing and disposal;
  - o remediation of nuclear licensed and federal facilities and the remediation cleanup of nuclear legacy sites. Such services capability includes: project investigation; radiological engineering; partial and total plant D&D; facility decontamination, dismantling, demolition, and planning; site restoration; site construction; logistics; transportation; and emergency response; and
- A company owned equipment calibration and maintenance laboratory that services, maintains, calibrates, and sources (i.e., rental) of health physics, IH and customized nuclear, environmental, and occupational safety and health (“NEOSH”) instrumentation.

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The table below presents certain financial information of our operating segments as of and for the three and six months ended June 30, 2013 and 2012 (in thousands).

Segment Reporting for the Quarter Ended June 30, 2013

	Treatment	Services	Segments Total		Corporate (2)		Consolidated Total
Revenue from external customers	$ 10,108	$ 12,676	$ 22,784	(3)	$ ¾		$ 22,784
Intercompany revenues	407	16	423		¾		¾
Gross profit	2,312	1,711	4,023		¾		4,023
Interest income	¾	¾	¾		9		9
Interest expense	22	1	23		177		200
Interest expense-financing fees	¾	¾	¾		24		24
Depreciation and amortization	1,024	238	1,262		27		1,289
Segment profit (loss)	795	(619)	176		(1,156)		(980)
Segment assets(1)	72,422	31,810	104,232		28,330	(4)	132,562
Expenditures for segment assets	59	¾	59		¾		59
Total long-term debt, net of current portion	14	¾	14		11,836		11,850

Segment Reporting for the Quarter Ended June 30, 2012

	Treatment	Services	Segments Total		Corporate (2)		Consolidated Total
Revenue from external customers	$ 10,037	$ 23,661	$ 33,698	(3)	$ ¾		$ 33,698
Intercompany revenues	549	49	598		¾		¾
Gross profit	1,087	2,843	3,930		¾		3,930
Interest income	¾	¾	¾		7		7
Interest expense	3	¾	3		196		199
Interest expense-financing fees	¾	¾	¾		26		26
Depreciation and amortization	1,125	218	1,343		18		1,361
Segment profit (loss)	72	989	1,061		(2,070)		(1,009)
Segment assets(1)	78,982	43,568	122,550		31,231	(4)	153,781
Expenditures for segment assets	74	103	177		2		179
Total long-term debt, net of current portion	60	2	62		12,940		13,002

Segment Reporting for the Six Months Ended June 30, 2013

	Treatment	Services	Segments Total		Corporate (2)		Consolidated Total
Revenue from external customers	$ 17,450	$ 25,163	$ 42,613	(3)	$ ¾		$ 42,613
Intercompany revenues	1,075	55	1,130		¾		¾
Gross profit	2,167	2,393	4,560		¾		4,560
Interest income	¾	¾	¾		18		18
Interest expense	27	(4)	23		321		344
Interest expense-financing fees	¾	¾	¾		47		47
Depreciation and amortization	2,063	460	2,523		53		2,576
Segment loss	(93)	(819)	(912		(2,956)		(3,868)
Segment assets(1)	72,422	31,810	104,232		28,330	(4)	132,562
Expenditures for segment assets	175	¾	175		¾		175
Total long-term debt, net of current portion	14	¾	14		11,836		11,850

Segment Reporting for the Six Months Ended June 30, 2012

	Treatment	Services	Segments Total		Corporate (2)		Consolidated Total
Revenue from external customers	$ 22,879	$ 48,755	$ 71,634	(3)	$ ¾		$ 71,634
Intercompany revenues	1,158	117	1,275		¾		¾
Gross profit	3,808	4,491	8,299		¾		8,299
Interest income	¾	¾	¾		21		21
Interest expense	5	6	11		409		420
Interest expense-financing fees	¾	¾	¾		60		60
Depreciation and amortization	2,255	462	2,717		36		2,753
Segment profit (loss)	1,164	1,094	2,258		(4,074)		(1,816)
Segment assets(1)	78,982	43,568	122,550		31,231	(4)	153,781
Expenditures for segment assets	242	141	383		4		387
Total long-term debt, net of current portion	60	2	62		12,940		13,002

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

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

(3) Includes revenues generated from CH Plateau Remediation Company ("CHPRC") of $6,419,000 or 28.2% and $12,440,000 or 29.2% for the three and six months ended June 30, 2013, respectively and $6,323,000 or 18.8% and $12,633,000 or 17.6% for the corresponding period of 2012, respectively.

(4) Amount includes assets from discontinued operations of $2,302,000 and $2,381,000 as of June 30, 2013 and 2012, respectively.

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11. Income Taxes

The Company uses an estimated annual effective tax rate, which is based on expected annual income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which the Company operates, to determine its quarterly provision for income taxes.

We had income tax benefits of $132,000 and $399,000 from continuing operations for the three months ended June 30, 2013 and the corresponding period of 2012, respectively, and income tax benefits of $1,560,000 and $855,000 for the six months ended June 30, 2013 and the corresponding period of 2012, respectively. The Company's effective tax rates were approximately 134.7% and 26.4% for the three months ended June 30, 2013 and 2012, respectively, and 37.0% and 30.2% for the six months ended June 30, 2013 and 2012, respectively. We have treated the goodwill impairment loss of approximately $1,149,000 recorded for our CHPRC reporting unit as a discrete item and have not included the impact of the impairment in our estimated effective tax rates for the three and six months ended June 30, 2013, in accordance with ASC 740-270-30-8 (see Note 6 – "Other Intangible Assets and Goodwill" for further information regarding this goodwill impairment).

The provision for income taxes is determined in accordance with ASC 740, "Income Taxes". Deferred income tax assets and liabilities are recognized for future tax consequences attributed to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred income 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 income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company regularly assesses the likelihood that the deferred tax asset will be recovered from future taxable income. The Company considers projected future taxable income and ongoing tax planning strategies, then records a valuation allowance to reduce the carrying value of the net deferred income tax assets to an amount that is more likely than not to be realized.

12. Related Party Transaction

On May 14, 2013, the Company entered into a Separation and Release Agreement ("Agreement") with Mr. Christopher Leichtweis ("Leichtweis"), the Company's SEC President. Pursuant to the Agreement:

(i) effective May 24, 2013 ("Separation Date"), Leichtweis voluntarily terminated and retired as an employee of the Company, Senior Vice President of the Company and President of SEC;