PERMA FIX ENVIRONMENTAL SERVICES INC
Form 10-K
March 12, 2010

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

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File No. 1-11596

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

Delaware 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)

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

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

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

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ¨ 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 ¨ 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 ¨

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 ¨ No ¨

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. ¨

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 x Non-accelerated Filer ¨ Smaller reporting company ¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes ¨ 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, 2009), was approximately $122,980,000. 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 26, 2010, there were 54,654,410 shares of the registrant's Common Stock, $.001 par value, outstanding.

Documents incorporated by reference: none

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

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PART I

ITEM 1. BUSINESS

Company Overview and Principal Products and Services

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

- Nuclear Waste Management Services ("Nuclear Segment"), which includes:
  - 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.
- 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.
- Industrial Waste Management Services ("Industrial Segment"), which includes:
  - o Treatment, storage, processing, and disposal of hazardous and non-hazardous waste; and
  - o Wastewater management services, including the collection, treatment, processing and disposal of hazardous and non-hazardous wastewater.
  - o Treatment, processing, recycling, and sales of used oil and other off-specification petroleum-based products.

We have grown through both acquisitions and internal growth. Our goal is to continue focus on the efficient operation of our existing facilities within our Nuclear, Industrial, 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.

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 2009, we were engaged in three 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: 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. Our PFM facility was reclassed back into discontinued operations from continuing operations during the fourth quarter of 2009. As noted above, PFM was approved as a discontinued operation by our Board on March 12, 1998. This decision was the result of an explosion at the facility in 1997, which significantly disrupted its operations and the high costs required to rebuild its operations. PFM had been reported as a discontinued operation until 2001. In 2001, the facility was reclassified back into continuing operations as we had no other facilities classified as discontinued operations and its impact on our financial statements was de minimis. As of December 31, 2009, we reclassified PFM back into discontinued operations for all periods presented in accordance with ASC 360, "Property, Plant, and Equipment". Our discontinued operations also includes 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.

Most of our activities are conducted nationwide. We do not own any foreign operations and we had no export sales during 2009.

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

NUCLEAR WASTE MANAGEMENT SERVICES ("Nuclear 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 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.

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 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"). The first shipments of radioactive PCBs were received by DSSI in early April 2009.

East Tennessee Materials & Energy Corporation ("M&EC"), located in Oak Ridge, Tennessee, is another mixed waste facility. M&EC also operates under both a hazardous waste permit and radioactive materials license. M&EC represents the largest of our four mixed waste facilities, covering 150,000 sq. ft., and is located in leased facilities at the DOE East Tennessee Technology Park. In 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 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"), which we acquired in June 2007, is located in Richland, Washington. PFNWR is a permitted low level radioactive and mixed waste treatment, storage and disposal facility located at 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 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 2009, the Nuclear Segment accounted for $89,011,000 or 88.4% of total revenue from continuing operations, as compared to $61,359,000 or 81.3% of total revenue from continuing operations for 2008. 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.

INDUSTRIAL WASTE MANAGEMENT SERVICES ("Industrial Segment"), which includes, off-site waste storage, treatment, processing and disposal services of hazardous and non-hazardous waste (solids and liquids) through three permitted treatment and/or disposal facilities, as discussed below.

Perma-Fix of Ft. Lauderdale, Inc. ("PFFL") is a permitted facility located in Ft. Lauderdale, Florida. PFFL collects and treats wastewaters, oily wastewaters, used oil and other off-specification petroleum-based products, some of which may potentially be recycled into usable products. Key activities at PFFL include process cleaning and material recovery, production and sales of on-specification fuel oil, custom tailored waste management programs and hazardous material disposal and recycling materials from generators such as the cruise line and marine industries.

Perma-Fix of Orlando, Inc. ("PFO") is a permitted treatment and storage facility located in Orlando, Florida. PFO collects, stores and treats hazardous and non-hazardous wastes under one of our most inclusive permits. PFO is also a transporter of hazardous waste and operates a transfer facility at the site. PFO also collects oily waste waters, used oil, and other off-specification petroleum based products and performs vacuum service work in Florida.

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Perma-Fix of South Georgia, Inc. (“PFSG”) is a permitted treatment and storage facility located in Valdosta, Georgia. PFSG provides storage, treatment and disposal services to hazardous and non-hazardous waste generators primarily throughout the Southeastern portion of the United States, in conjunction with the utilization of the PFO facility and transportation services. PFSG operates a hazardous waste storage facility that primarily blends and processes hazardous and non-hazardous waste liquids, solids and sludges into substitute fuel or as a raw material substitute in cement kilns that have been specially permitted for the processing of hazardous and non-hazardous waste. In April 2009, PFSG completed construction and permitting activities related to installation of its proprietary treatment process for characteristic hazardous wastes. Characteristic hazardous wastes are defined as wastes that exhibit one or more of the following characteristic: ignitability, corrosivity, reactivity, or toxicity.

For 2009, the Industrial Segment accounted for approximately $8,283,000 or 8.2% of our total revenue from continuing operations as compared to approximately $10,951,000 or 14.5% for 2008. See “Financial Statements and Supplementary Data” for further details.

CONSULTING ENGINEERING SERVICES (“Engineering Segment”), 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 and government customers, as well as, engineering and compliance support needed by our other segments.

During 2009, environmental engineering and regulatory compliance consulting services accounted for approximately $3,382,000 or 3.4% of our total revenue from continuing operations, as compared to approximately $3,194,000 or 4.2% in 2008. See “Financial Statements and Supplementary Data” for further details.

Discontinued Operations

As stated previously above, our discontinued operations includes the following facilities within 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 which were approved as discontinued operations by our Board of Director effective October 4, 2004, and November 8, 2005, and March 12, 1998, respectively, and PFMD, PFD, and PFTS, three Industrial Segment facilities which were divested in January 2008, March 2008, and May 2008, respectively.

Our discontinued operations had no revenue in 2009 and generated $3,195,000 of revenue in 2008.

Importance of Patents, Trademarks and Proprietary Technology

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

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

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.

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 Toxic Substances Control Act (“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 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 and M&EC, and PFNWR are very difficult to obtain for a single facility and make these facilities unique.

Industrial Segment:

PFFL operates under a used oil processors license and a solid waste processing permit issued by the Florida Department of Environmental Protection (“FDEP”), a transporter license issued by the FDEP and a transfer facility license issued by Broward County, Florida.

PFO operates a hazardous and non-hazardous waste treatment and storage facility under various permits, including a RCRA Part B permit, and a used oil processors permit issued by the State of Florida.

PFSG operates a hazardous waste treatment and storage facility under various permits, including a RCRA Part B permit, issued by the State of Georgia.

Seasonality

Historically, we have experienced reduced activities and related billable hours throughout the November and December holiday periods within our Engineering Segment. Our Industrial Segment operations experience reduced activities during the holiday periods; however, one key product line is the servicing of cruise line business where operations are typically higher during the winter months, thus offsetting the impact of the holiday season. 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. Over the past years, due to our efforts to work with the various government customers to smooth these shipments more evenly throughout the year, we have seen smaller fluctuations in the quarters. Although we have seen smaller fluctuation in the quarters in recent years, nevertheless, as government spending is contingent upon its annual budget and allocation of funding, we cannot provide assurance that we will not have larger fluctuations in the quarters in the near future. 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 larger fluctuations in 2010.

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, 2009, our Nuclear Segment had a backlog of approximately $16,898,000, as compared to approximately $10,244,000, as of December 31, 2008. 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 in 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.

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 $75,013,000 or 74.5% (within our Nuclear Segment) of our total revenue from continuing operations during 2009, as compared to $43,464,000 or 57.6% of our total revenue from continuing operations during 2008, and $30,000,000 or 46.5% of our total revenue from continuing operations during 2007.

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 became effective on June 19, 2008, the date DOE awarded CHPRC the general contract. DOE's general contract and M&EC's subcontract provided a transition period from August 11, 2008 through September 30, 2008, a base period from October 1, 2008 through September 30, 2013, and an option period from October 1, 2013 through September 30, 2018. M&EC's subcontract is a cost plus award fee contract. 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 $45,169,000 or 44.9% and $8,120,000 or 10.8% of our total revenue from continuing operations for twelve months ended December 31, 2009 and 2008, respectively. As revenue from Fluor Hanford has been transitioned to CHPRC, revenue from Fluor Hanford totaled $0 or 0%, $7,974,000 or 10.6%, and $6,985,000 or 10.8% of our consolidated revenue from continuing operations for the twelve months ended December 31, 2009, 2008, and 2007, 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 2010 or early 2011. 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 storage, treatment, and disposal activities and/or the licensing requirements for the handling of low level radioactive matters are eliminated or if such licenses or permits were made less rigorous to obtain, such would allow companies to enter into these markets and provide greater competition.

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.

Within our Industrial Segment we solicit business primarily in the Southeastern portion of the United States. We believe that we are a significant provider in the delivery of off-site waste treatment services in the Southeast portion of the United States. We compete with facilities operated by national, regional and independent environmental services firms located within a several hundred-mile radius of our facilities.

Capital Spending, Certain Environmental Expenditures and Potential Environmental Liabilities

Capital Spending

During 2009, our purchases of capital equipment totaled approximately $1,643,000 of which $125,000 was financed, resulting in total net purchases of $1,518,000. These expenditures were for improvements to operations primarily within the Nuclear and Industrial Segments. These capital expenditures were funded by the cash provided by both operations and financing activities. We have budgeted approximately $2,000,000 for 2010 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 continuing and 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 us acquiring PFD in 1994, the former owners of PFD had merged Environmental Processing Services, Inc. ("EPS") with PFD. The party that sold PFD to us in 1994 agreed to indemnify us for costs associated with remediating the property leased by EPS ("Leased Property"). Such remediation involves soil and/or groundwater restoration. The Leased Property used by EPS to operate its facility is separate and apart from the property on which PFD's facility was located. The contamination of the Leased Property occurred prior to PFD being acquired by us. During 1995, in conjunction with the bankruptcy filing by the selling party, we recognized an environmental liability of approximately $1,200,000 for remedial activities at the Leased Property. 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 2008, we performed a field investigation to gather additional information required to close certain soil contamination issues and to support development of the final groundwater remediation approach. During 2009, the investigation report was submitted to and approved by the Ohio EPA and work on the revised Corrective Action Plan, including Risk Assessment had begun. We have accrued approximately $350,000, at December 31, 2009, for the estimated, remaining costs of remediating the Leased Property used by EPS, which will extend over the next six years.

In conjunction with the acquisition of Perma-Fix of Memphis, Inc. ("PFM"), we assumed and recorded certain liabilities to remediate gasoline contaminated groundwater and investigate, under the hazardous and solid waste amendments, potential areas of soil contamination on PFM's property. Prior to our ownership of PFM, the owners installed monitoring and treatment equipment to restore the groundwater to acceptable standards in accordance with federal, state and local authorities. 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 $439,000 at December 31, 2009, which included an addition to the reserve of approximately $300,000 made in the fourth quarter of 2009, for the estimated, remaining costs of remediating the groundwater contamination, which will extend over the next six years. The increase to the reserve was the result of a reassessment on the cost of remediation.

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 $810,000, at December 31, 2009, which included an addition to the reserve of approximately $281,000 made in the fourth quarter of 2009, to complete remediation of the facility. The increase to the reserve was the result of a reassessment on the cost of remediation. We anticipate spending the reserve over the next seven 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. In September 2006, PFMI signed a Corrective Action Consent Order with the State of Michigan, requiring performance of studies and development and execution of plans related to the potential clean-up of soils in portions of the property. The level and cost of the clean-up and remediation are determined by state mandated requirements. During 2006, based on state-mandated criteria, we began implementing the modified methodology to remediate the facility. We have spent approximately $854,000 for closure costs since discontinuation of PFMI in October 2004, of which $109,000 was spent during 2009 and $26,000 was spent during 2008. We have $128,000 accrued for the closure, as of December 31, 2009, and we anticipate spending $102,000 in 2010 with the remainder over the next four years. Our accrual as of December 31, 2009 included a $300,000 reduction to the reserve made in the fourth quarter of 2009, resulting from a field investigation and draft Remedial Action Plan which identified substantial reductions in the anticipated cost of the completion of the remedial site. Based on the current status of the Corrective Action, we believe that the remaining reserve is adequate to cover the liability.

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

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

Research and Development
Innovation and technical know-how by our operations is very important to the success of our business. Our goal is to discover, develop and bring to market innovative ways to process waste that address unmet environmental needs. We conduct research internally, and also through collaborations with other third parties. The majority of our research activities are performed as we receive new and unique waste to treat; as such, we recognize these expenses as a part of our processing costs. We feel that our investments in research have been rewarded by the discovery of the Perma-Fix Process and the Perma-Fix II process. Our competitors also devote resources to research and development and many such competitors have greater resources at their disposal than we do. We have estimated that during 2009, 2008, and 2007, we spent approximately $361,000, $1,020,000 and $715,000, respectively, in Company-sponsored research and development activities.

Number of Employees
In our service-driven business, our employees are vital to our success. We believe we have good relationships with our employees. As of December 31, 2009, we employed 628 full time persons, of whom 19 were assigned to our corporate office, 18 were assigned to our Operations Headquarters, 24 were assigned to our Engineering Segment, 42 were assigned to our Industrial Segment, and 525 were assigned to our Nuclear Segment. Of the 525 employees at our Nuclear Segment, 256 employees have been hired to work under the subcontract awarded to us by CHPRC during the second quarter of 2008. Of the 256 employees, 113 employees (representing approximately 18.0% 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.

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.

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 $35,000,000 of financial assurance coverage. In March 2009, we increased our maximum policy coverage to $39,000,000 from $35,000,000 in order to secure additional financial assurance coverage requirement for our DSSI subsidiary to commercially store and dispose of PCB wastes under an authorization issued by the EPA on November 26, 2008. As of December 31, 2009, our total financial coverage under our finite risk policy totals approximately $35,869,000.

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. The policy will renew automatically on an annual basis at the end of the four year term and will not be subject to any renewal fees.

ITEM 1A. RISK FACTORS

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

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 that American International Group, Inc. ("AIG"), has experienced significant financial difficulties and is continuing to experience 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 policies provide a maximum of $39,000,000 of financial assurance coverage of which the coverage amount totals $35,869,000 at December 31, 2009. 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.

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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.

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 $75,013,000 and $43,464,000, representing 74.5% and 57.6%, respectively, of our consolidated operating revenues from continuing operations for 2009 and 2008. 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. With the divestitures of certain facilities within our Industrial Segment and the acquisition of our Perma-Fix Northwest Richland, Inc. (“PFNWR”) within our Nuclear Segment in June 2007, the Nuclear Segment 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.

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.

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 2010 or early 2011; 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.

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

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

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 worldwide. Many scientists, legislators and others 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.

There are a number of pending legislative and regulatory proposals to address greenhouse gas emissions. For example, in June 2009 the U.S. House of Representatives passed the American Clean Energy and Security Act that would phase-in significant reductions in greenhouse gas emissions if enacted into law. The U.S. Senate is considering a different bill, and it is uncertain whether, when and in what form a federal mandatory carbon dioxide emissions reduction program may be adopted. These actions could increase costs associated with our operations. Because it is uncertain what laws will be enacted, we cannot predict the potential impact of such laws on our future consolidated financial condition, results of operations or 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.

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.

Failure to maintain effective internal control over financial reporting could have a material adverse effect on our business, operating results, and stock price.
Maintaining effective internal control over financial reporting is necessary for us to produce reliable financial reports and is important in helping to prevent financial fraud. If we are unable to maintain adequate internal controls, our business and operating results could be harmed. We are required to satisfy the requirements of Section 404 of Sarbanes Oxley and the related rules of the Securities and Exchange Commission, which require, among other things, our management to assess annually the effectiveness of our internal control over financial reporting and our independent registered public accounting firm to issue a report on that assessment. For several years that ended prior to December 31, 2009, we concluded that our disclosure controls and procedures and internal controls over financial reporting were not effective. However, based on our assessment, we have concluded that our disclosure controls and procedures and internal controls over financial reporting were effective as of December 31, 2009. Failure to remediate any future deficiencies noted by our independent registered public accounting firm or to implement required new or improved controls or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements. If our management or our

independent registered public accounting firm were to conclude in their reports that our internal control over financial reporting was not effective, investors could lose confidence in our reported financial information, and the trading price of our stock could drop significantly.

We may be unable to utilize loss carryforwards in the future.
We have approximately $14,532,000 and $26,310,000 in net operating loss carryforwards which will expire from 2010 to 2028 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.

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 borrowing, 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, 2009, our aggregate consolidated debt was approximately $12,381,000. 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, 2009, we had borrowings under the revolving part of our Credit Facility of $2,659,000 and borrowing availability of up to an additional $11,535,000 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, 2009, we had 54,628,904 shares of Common Stock outstanding.

In addition, as of December 31, 2009, we had outstanding options to purchase 3,109,525 shares of Common Stock at exercise prices from $1.25 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 12,111,571 (which include outstanding options to purchase 3,109,525 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, 2009 (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.

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 Industrial Segment facilities 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. 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.

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

ITEM 3. LEGAL PROCEEDINGS

Perma-Fix of Dayton ("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.

The Louisiana Department of Environmental Quality ("LDEQ") has collected approximately $8,400,000 to date for the remediation of the site (Perma-Fix subsidiaries have not been required to contribute any of the $8,400,000) and has completed removal of above ground waste from the site, with approximately $5,000,000 remaining in this fund held by the LDEQ. The EPA's unofficial estimate to complete remediation of the site is between $9,000,000 and $12,000,000, including work performed by LDEQ to date; however, based on preliminary outside consulting work hired by the PRP group, which we are a party to, the remediation costs could be below EPA's estimation. During 2009, a site assessment was conducted and paid for by the PRP group, which was exclusive of the $8,400,000. No unexpected issues were identified during the assessment. Collections from small contributors have also begun for remediation of this site. Remediation activities going forward will be funded by LDEQ, until those funds are exhausted, at which time, any additional requirements, if needed, will be funded from the small contributors. Once funds from the small contributors are exhausted, if additional funds are required, they will be provided by the members of the PRP group. As part of the PRP Group, we paid an initial assessment of $10,000 in the fourth quarter of 2007, which was allocated among the facilities. In addition, we accrued approximately $27,000 in the third quarter of 2008 for our estimated portion of the cost of the site assessment, which was allocated among the facilities. As of December 31, 2009, $18,000 of the accrued amount has been paid, of which $9,000 was paid in the fourth quarter of 2008 and $9,000 was paid in the second quarter of 2009. We anticipate paying the remaining $9,000 in the first quarter of 2010. As of the date of this report, we cannot accurately access our ultimate liability. The Company records its environmental liabilities when they are probable of payment and can be estimated within a reasonable range. Since this contingency currently does not meet this criteria, a liability has not been established.

Industrial Segment Divested Facilities/Operations
As previously disclosed, our subsidiary, Perma-Fix Treatment Services, Inc. ("PFTS"), sold substantially all of its assets in May 2008, pursuant to an Asset Purchase Agreement, as amended ("Agreement"). Under the Agreement, the buyer assumed certain debts and obligations of PFTS. We have sued the buyer of the PFTS assets regarding certain liabilities which we believe the buyer assumed and agreed to pay under the Agreement but which the buyer has refused to pay. The buyer has filed a counterclaim against us and is alleging that PFTS made certain misrepresentations and failed to disclose certain liabilities. The pending litigation is styled American Environmental Landfill, Inc. v. Perma-Fix Environmental Services, Inc. v. A Clean Environment, Inc., Case No. CJ-2008-659, pending in the District Court of Osage County, State of Oklahoma. This matter has been ordered to arbitration.

ITEM 4. RESERVED

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

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

NAME	AGE	POSITION
Dr. Louis F. Centofanti	66	Chairman of the Board, President and Chief Executive Officer
Mr. Ben Naccarato	47	Chief Financial Officer, Vice President, and Secretary
Mr. Robert Schreiber, Jr.	59	President of SYA, Schreiber, Yonley & Associates, a subsidiary of the Company, and Principal Engineer

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

Mr. Ben Naccarato
Mr. Naccarato was named Chief Financial Officer by the Company's Board of Directors on 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 served as 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 served in several executive roles in the firm until our acquisition of SYA. From 1978 to 1985, Mr. Schreiber served as Director of Air programs and all environmental programs for the Missouri Department of Natural Resources. Mr. Schreiber provides technical expertise in wide range of areas including the cement industry, environmental regulations and air pollution control. Mr. Schreiber has a B.S. in Chemical Engineering from the University of Missouri – Columbia.

Resignation of Chief Operating Officer
On July 29, 2009, the Company accepted the resignation of Mr. Larry McNamara, as Vice President and Chief Operating Officer of the Company. Mr. McNamara's resignation as the Chief Operating Officer was effective September 1, 2009, and as an employee of the Company effective September 30, 2009. The duties of the Company's Chief Operating Officer have been temporarily assumed by Dr. Centofanti, Chairman of the Board, President and Chief Executive Officer, until the position of Chief Operating Officer is permanently filled.

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

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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.

		2009		2008	
		Low	High	Low	High
Common Stock	1st Quarter	$ 1.15	$ 1.95	$ 1.49	$ 2.48
	2nd Quarter	1.64	2.72	1.50	3.18
	3rd Quarter	2.24	2.72	1.75	2.99
	4th Quarter	2.05	2.51	.63	2.09

As of February 26, 2010, there were approximately 260 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 26, 2010, was approximately 3,728.

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

No sales of unregistered securities, other than the securities sold by us during 2009, as reported in our Forms 10-Q for the quarters ended March 31, 2009, June 30, 2008, and September 30, 2009, which were not registered under the Securities Act of 1933, as amended, were issued during 2009. 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 2009.

Shelf Registration Statement

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. 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.

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 2005 through 2009, with the cumulative total return of the NASDAQ Market Index and the published industry index prepared by Hemscott and known as Hemscott Industry Group 637-Waste Management Index ("Industry Index") assuming the investment of $100 on January 1, 2005.

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, 2005, 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 Seidman, LLP. In 2009, we reclassified our Perma-Fix of Memphis, Inc. ("PFM") back into discontinued operations. Our Perma-Fix of Memphis, Inc. facility was approved as a discontinued operation by our Board on March 12, 1998. This decision was the result of an explosion at the facility in 1997, which significantly disrupted its operations and the high costs required to rebuild its operations. PFM had been reported as a discontinued operation until 2001. In 2001, the facility was reclassified back into continuing operations as we had no other facilities classified as discontinued operations and its impact on our financial statements was de minimis. During the fourth quarter of 2009, we reclassified PFM back into discontinued operations for all periods presented in accordance with ASC 360, "Property, Plant, and Equipment". 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.

Statement of Operations Data:

	2009(1)	2008(1)	2007(1)(2)	2006(1)	2005
Revenues	$ 100,676	$ 75,504	$ 64,544	$ 68,205	$ 68,833
Income (loss) from continuing operations	9,572	985	(2,360)	5,620	4,088
Income (loss) from discontinued operations, net of taxes	50	(1,397)	(6,850)	(909)	(349)
Gain on disposal of discontinued operations, net of taxes	—	2,323	—	—	—
Net income (loss)	9,622	1,911	(9,210)	4,711	3,739
Preferred stock dividends	—	—	—	—	(156)
Net income (loss) applicable to Common Stockholders	9,622	1,911	(9,210)	4,711	3,583
Income (loss) per common share - Basic					
Continuing operations	.18	.02	(.05)	.12	.09
Discontinued operations	—	(.02)	(.13)	(.02)	(.01)
Disposal of discontinued operations	—	.04	—	—	—
Net income (loss) per share	.18	.04	(.18)	.10	.08
Income (loss) per common share - Diluted					
Continuing operations	.18	.02	(.05)	.12	.09
Discontinued operations	—	(.02)	(.13)	(.02)	(.01)
Disposal of discontinued operations	—	.04	—	—	—
Net income (loss) per share	.18	.04	(.18)	.10	.08
Number of shares used in computing net income (loss) per share - Basic	54,238	53,803	52,549	48,157	42,605
Number of shares and potential common shares used in computing net income (loss) per share - Diluted	54,526	54,003	52,549	48,768	44,804

Balance Sheet Data:

	December 31,				
	2009	2008	2007	2006	2005
Working capital (deficit)	$ 1,490	$ (3,886)	$ (17,154)	$ 12,810	$ 5,916
Total assets	126,075	123,712	126,048	106,355	98,457
Current and long-term debt	12,381	16,203	18,836	8,329	13,375
Total liabilities	51,271	60,791	66,035	40,617	50,019
Preferred Stock of subsidiary	1,285	1,285	1,285	1,285	1,285
Stockholders' equity	73,519	61,636	58,728	64,453	47,153

(1) Includes recognized stock-based compensation expense of $713,000, $531,000, $457,000 and $338,000 for 2009, 2008, 2007 and 2006, respectively, pursuant to FASB ASC 718, "Compensation – Stock Compensation".

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

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.

Review

The Company experienced strong improvement in 2009 as compared to 2008. The improvement in 2009 was attributed primarily 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, M&EC is performing a portion of facility operations and waste management activities for the DOE Hanford, Washington Site. This subcontract officially commenced on October 1, 2008. We also believe that we have benefitted 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 Department of Energy ("DOE") complex. This benefit was reflective primarily starting in the third quarter of 2009 in our Nuclear Segment, with significant improvement in revenue generated from higher priced waste receipts. Our Industrial Segment results were negatively impacted especially by the reduction in oil prices globally in 2009, as compared to 2008, and the continued uncertainty in the economy. Our Engineering Segment continues to provide us with positive results.

In 2009, our revenue increased $25,172,000 or 33.3% to $100,676,000 from $75,504,000 in 2008. Our Nuclear Segment generated revenue of $89,011,000 in 2009, an increase of $27,652,000 or 45.1% over the revenue of $61,359,000 in 2008. The increase in revenue within our Nuclear Segment was primarily due to the increase in revenue of $27,131,000 from the subcontract awarded to our M&EC facility as mentioned above. The remaining increase in revenue in our Nuclear Segment was due to higher priced waste which offset the impact of lower volume of waste. Our Industrial Segment generated $8,283,000 in revenue in 2009 as compared to $10,951,000 in 2008 or a 24.4% decrease. This decrease was primarily the result of a reduction in oil sales revenue due primarily to decreased oil prices in 2009, as compared to 2008, and a reduction in volume. Revenue for 2009 from the Engineering Segment increased $188,000 or 5.9% to $3,382,000 from $3,194,000 for the same period of 2008.

Gross profit increased $7,297,000 or 36.8% from 2008 to 2009 due primarily to an increase in revenue from our CHPRC subcontract, receipt of higher priced waste in our Nuclear Segment, and a reduction of approximately $787,000 in costs of goods sold in our Nuclear Segment 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 Perma-Fix Northwest Richland, Inc. ("PFNWR") facility in June 2007 (see "Cost of Goods Sold" in this section for further information regarding this reduction). Overall Selling, General, and Administrative (SG&A) expenses were down $464,000 due to the Company's continued efforts in cutting costs.

Net income applicable to Common Stockholders for 2009 was $9,622,000 or $.18 per share as compared to net income applicable to Common Stockholders of $1,911,000 or $.04 per share for 2008. Our net income applicable to Common Stockholders for 2009 included a reduction to our cost of goods sold of approximately $787,000, as mentioned above, as well as a release of a portion of valuation allowance related to our deferred tax asset of approximately $2,426,000 recorded in the fourth quarter of 2009.

We have improved our working capital significantly in 2009. Our working capital position at December 31, 2009 was $1,490,000, which includes working capital of our discontinued operations, as compared to working capital deficit of $3,886,000 as of December 31, 2008. The improvement in our working capital was primarily from paying down of our current liabilities from funds generated from our operations.

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.

Results of Operations

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

Below are the results of continuing operations for our years ended December 31, 2009, 2008, and 2007 (amounts in thousands):

(Consolidated)	2009	%	2008	%	2007	%
Net Revenues	$ 100,676	100.0	$ 75,504	100.0	$ 64,544	100.0
Cost of goods sold	73,537	73.0	55,662	73.7	45,715	70.8
Gross Profit	27,139	27.0	19,842	26.3	18,829	29.2
Selling, general and administrative	17,728	17.6	18,192	24.1	17,859	27.7
Asset impairment (recovery) loss	¾	¾	(507)	(.6)	1,836	2.8
(Gain) loss on disposal of property and equipment	(15)	¾	(295)	(.4)	172	.3
Income (loss) from operations	9,426	9.4	2,452	3.2	(1,038)	(1.6)
Interest income	145	.1	226	.3	312	.5
Interest expense	(1,657)	(1.6)	(1,540)	(2.0)	(1,353)	(2.1)
Interest expense – financing fees	(283)	(.3)	(137)	(.2)	(196)	(.3)
Other	19	¾	(6)	¾	(85)	(.1)
Income (loss) from continuing operations before taxes	7,650	7.6	995	1.3	(2,360)	(3.6)
Income tax (benefit) expense	(1,922)	(1.9)	10	¾	¾	¾
Income (loss) from continuing operations	9,572	9.5	985	1.3	(2,360)	(3.6)

Summary - Years Ended December 31, 2009 and 2008

Net Revenue

Consolidated revenues from continuing operations increased $25,172,000 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	29.6	$ 27,370	36.2	$ 2,474	9.0
Fluor Hanford	—	—	7,974	10.6	(7,974)	(100.0)
CHPRC	45,169	44.9	8,120	10.8	37,049	456.3
Hazardous/non-hazardous	3,583	3.6	3,973	5.3	(390)	(9.8)
Other nuclear waste	10,415	10.3	13,922	18.4	(3,507)	(25.2)
Total	89,011	88.4	61,359	81.3	27,652	45.1
Industrial						
Commercial waste	5,213	5.2	5,495	7.3	(282)	(5.1)
Government services	559	0.5	814	1.1	(255)	(31.3)
Oil sales	2,511	2.5	4,642	6.1	(2,131)	(45.9)
Total	8,283	8.2	10,951	14.5	(2,668)	(24.4)
Engineering	3,382	3.4	3,194	4.2	188	5.9
Total	$ 100,676	100.0	$ 75,504	100.0	$ 25,172	33.3

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, due primarily to the increase in revenue as a result of the CHPRC subcontract awarded to M&EC during the second quarter of 2008 as discussed above. Revenue from CHPRC (generally under subcontract relating to remediation and/or on-site management at DOE sites) totaled $45,169,000 or 44.9% 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 10.8% 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% due primarily 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% due primarily 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 25.0% due primarily 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 from our Industrial Segment decreased $2,668,000 or 24.4% primarily due to a significant reduction in oil sales revenue resulting from a decrease in average price per gallon of 39.0% and decreased volume of 11.6%. In addition, commercial revenue was down due to a reduction in field service revenue resulting from the slowdown in the economy. 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 $17,875,000 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	$ 64,882	72.9	$ 46,101	75.1	$ 18,781
Industrial	6,286	75.9	7,439	67.9	(1,153)
Engineering	2,369	70.0	2,122	66.4	247
Total	$ 73,537	73.0	$ 55,662	73.7	$ 17,875

The Nuclear Segment's cost of goods sold for the twelve months ended December 31, 2009 increased $18,781,000 or 40.7%, 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. 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, the Nuclear Segment costs decreased approximately $2,150,000 or 5.3% 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. In the Industrial Segment, the decrease of $1,153,000 or 15.5% was reflected in all areas due to reduction in revenue, especially in oil sales revenue. This decrease was reduced by the expense of approximately $281,000 incurred in the fourth quarter of 2009 in connection with the environmental remediation reserve for PFSG (see "Environmental Contingencies" in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further information regarding this reserve). The Engineering Segment cost of goods sold increased approximately $247,000 or 11.6% due primarily 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 $4,445,000 and $4,612,000 for the years ended December 31, 2009 and 2008, respectively.

Gross Profit

Gross profit for the year ended December 31, 2009, was $7,297,000 higher than 2008, as follows:

(In thousands)	2009	% Revenue	2008	% Revenue	Change
Nuclear	$ 24,129	27.1	$ 15,258	24.9	$ 8,871
Industrial	1,997	24.1	3,512	32.1	(1,515)
Engineering	1,013	30.0	1,072	33.6	(59)
Total	$ 27,139	27.0	$ 19,842	26.3	$ 7,297

The Nuclear Segment gross profit increased $8,871,000, 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 $2,671,000 or approximately 19.4%. Gross margin also increased primarily due to revenue mix resulting from receipt of higher margin wastes. In the Industrial Segment, gross profit and gross margin both decreased due to reduction in revenue, especially a 45.9% reduction in oil sales revenue which is a higher margin revenue stream. The decrease in gross profit in the Engineering Segment was due primarily 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 decreased $464,000 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	$ 6,389	¾	$ 5,677	¾	$ 712
Nuclear	8,737	9.8	9,168	14.9	(431)
Industrial	2,036	24.6	2,685	24.5	(649)
Engineering	566	16.7	662	20.7	(96)
Total	$ 17,728	17.6	$ 18,192	24.1	$ (464)

Our SG&A for the twelve months ended December 31, 2009, decreased approximately $464,000 or 2.6% 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 $431,000 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. SG&A for the Industrial Segment decreased $649,000 due primarily to lower bonus/incentive due to reduced revenue, certain payroll related expense, and lower outside services expenses as we had certain permit compliance/renewal and legal matters in 2008 which did not occur in 2009. The Engineering Segment's SG&A expense decreased approximately $96,000 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 $301,000 and $254,000 for the years ended December 31, 2009, and 2008, respectively.

Gain on Disposal of Property and Equipment

The gain on disposal of property and equipment in 2009 of $15,000 was primarily related to the sale of idle equipment at various facilities. The gain on disposal of property and equipment in 2008 was primarily due to the sale of one of the properties at our PFO for $900,000 which resulted in gain of approximately $483,000. The proceeds were used for our working capital. This gain was offset by loss from disposal of idle equipment at our DSSI and M&EC facilities.

Asset Impairment Recovery

The asset impairment recovery for 2008 was the result of the re-evaluation of the fair value of Perma-Fix of Orlando, Inc.'s assets from the reclassification of the facility back into continuing operations during the third quarter of 2008 from discontinued operations.

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	837	1,032	(195)	(18.9)
Total	$ 1,657	$ 1,540	$ 117	7.6

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 due to funding of our finite insurance policies, specifically for our 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.

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 ($1,922,000) and $10,000, respectively, in income tax expense(benefit), 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.

Summary - Years Ended December 31, 2008 and 2007

Net Revenue

Consolidated revenues from continuing operations increased $10,960,000 for the year ended December 31, 2008, compared to the year ended December 31, 2007, as follows:

(In thousands)	2008	% Revenue	2007	% Revenue	Change	% Change
Nuclear						
Government waste	$ 19,050	25.3	$ 20,547	31.8	$ (1,497)	(7.3)
Fluor Hanford	2,814(1)	3.7	3,885(2)	6.0	(1,071)	(27.6)
CHPRC	7,095(1)	9.4	¾	¾	7,095	100.0
Hazardous/non-hazardous	3,973	5.3	5,068	7.9	(1,095)	(21.6)
Other nuclear waste	11,102	14.7	13,765	21.3	(2,663)	(19.3)
Acquisition 6/07 (PFNWR)	17,325(1)	22.9	8,439(2)	13.1	8,886	105.3
Total	61,359	81.3	51,704	80.1	9,655	18.7
Industrial						
Commercial waste	5,495	7.3	5,699	8.8	(204)	(3.6)
Government services	814	1.1	1,653	2.6	(839)	(50.8)
Oil sales	4,642	6.1	3,090	4.8	1,552	50.2
Total	10,951	14.5	10,442	16.2	509	4.9
Engineering	3,194	4.2	2,398	3.7	796	33.2
Total	$ 75,504	100.0	$ 64,544	100.0	$ 10,960	17.0

(1) Revenue of $17,325,000 from PFNWR for 2008 includes approximately $14,505,000 relating to wastes generated by the federal government, either directly or indirectly as a subcontractor to the federal government. Of the $14,505,000 in revenue, approximately $5,160,000 was from Fluor Hanford, a general contractor to the federal government and approximately $1,025,000 was from CHPRC, a general contractor to the federal government. Revenue in 2008 from Fluor Hanford totaled approximately $7,974,000 or 10.6% of total consolidated revenue. Revenue in 2008 from CHPRC totaled approximately $8,120,000 or 10.8% of total consolidated revenue.

(2) Our PFNWR was acquired in June 2007. Revenue of $8,439,000 from PFNWR for 2007 includes approximately $5,568,000 relating to wastes generated by the federal government, either directly or indirectly as a subcontractor to the federal government. Of the $5,568,000 in revenue, approximately $3,100,000 was from Fluor Hanford, a general contractor to the federal government. Revenue in 2007 from Fluor Hanford totaled approximately $6,985,000 or 10.8 % of total consolidated revenue.

The Nuclear Segment experienced a $9,655,000 increase in revenue for the year ended December 31, 2008 over the same period in 2007. Total revenue within the Nuclear Segment included $17,325,000 of revenue at our PFNWR facility for the full year of 2008 as compared to $8,439,000 after the facility was acquired on June 13, 2007. In addition, our revenue for the Nuclear Segment included revenue of $7,095,000 for our new subcontract awarded to us from CHPRC. In the second quarter of 2008, we were awarded a subcontract by 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 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. On October 1, 2008, operations of this subcontract commenced at the DOE Hanford Site. 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. Excluding our revenue from PFNWR and CHPRC, revenue within our Nuclear Segment decreased approximately $6,326,000 or 14.6% as compared to the same period of 2007. Excluding revenue from PFNWR and revenue from the CHPRC subcontract, revenue from government generators (which includes our subcontracts with Fluor Hanford) decreased $2,568,000 or 10.5% due primarily to overall lower government receipts. For 2008, government agencies were operated under "Continuing Resolution" without finalized budgets due in part to the impending change in Administration, which had a negative impact on availability of funding for services offered by our Nuclear Segment. We saw a decrease of approximately $1,071,000 or 27.6% in revenue from Fluor Hanford due to lower overall receipts and transition of revenue from Fluor Hanford to CHPRC effective October 1, 2008 (see "known Trends and Uncertainties – significant customers" in this section). Revenue from hazardous and non-hazardous waste was down $1,095,000 or 21.6% due to lower volume of waste received offset by higher average prices per drum which increase approximately 38.5%. The price change is primarily due to waste mix. We also had three large event projects in 2007, while none occurred in 2008. Other nuclear waste revenue decreased $2,663,000 or 19.3% as packaging and field service related revenue from LATA/Parallax Portsmouth contract from 2007 did not occur in 2008. Revenue in our Industrial Segment increased $509,000 or 4.9% due primarily to higher oil sale revenue. We saw an increase of approximately 52.6% in average price per gallon while volume only decreased 2.1%. The increase in average price per gallon was attributed to the high global oil costs throughout most of 2008. This increase in oil sale revenue was partially offset by lower government revenue resulting from termination of a government contract in July 2007. Revenue in our Engineering Segment increased approximately $796,000 or 33.2% due primarily to the increase of billable hours of 29.0% caused by increase in external business, with the billability rate remaining fairly constant, a slight decrease of .3% from 2007 to 2008.

Cost of Goods Sold

Cost of goods sold increased $9,747,000 for the year ended December 31, 2008, as compared to the year ended December 31, 2007, as follows:

(In thousands)	2008	% Revenue	2007	% Revenue	Change
Nuclear	$ 35,143	79.8	$ 30,261	69.9	$ 4,882
Acquisition 6/07 (PFNWR)	10,958	63.2	5,109	60.5	5,849
Industrial	7,439	67.9	8,707	83.4	(1,268)
Engineering	2,122	66.4	1,638	68.3	484
Total	$ 55,662	73.7	$ 45,715	70.8	$ 9,947

Excluding the cost of goods sold of approximately $10,958,000 for the PFNWR facility, the Nuclear Segment's cost of goods sold for the year ending December 31, 2008 were up approximately $4,882,000. The $35,143,000 in cost of good sold in the Nuclear Segment (excluding PFNWR) includes cost of good sold of approximately $5,584,000 related to the CHPRC subcontract. Excluding this $5,584,000 in cost of good sold, our remaining Nuclear Segment cost of goods sold decreased $702,000 or 2.3%. Although receipts were down 41.6% as compared to prior year, cost as a percentage of revenue (excluding the CHPRC subcontract and PFNWR) increased to 80.0% from 69.9%. This reflects the mix of wastes received which was costlier to dispose. In the Industrial Segment, cost of goods sold decreased $1,268,000 or 14.6% due primarily to reduced revenue from a government contract which terminated in July 2007. This decrease was offset by higher cost of good sold related to material and supply purchases, especially raw oil purchases, the result of the increase in the global cost of oil throughout 2008. Cost as a percentage of revenue decreased from 83.4% in 2007 to 67.9% due primarily to reduction in government receipts processed. Total cost of good sold for the Industrial Segment decreased despite depreciation expenses of approximately $244,000 incurred as result of the reclassification of PFFL, PFO, and PFSG facilities as continuing operations. The Engineering Segment costs increased $484,000 or 29.5% due primarily to increased revenue of 33.2%. Included within cost of goods sold is depreciation and amortization expense of $4,612,000 and $3,918,000 for the year ended December 31, 2008 and 2007, respectively.

Gross Profit

Gross profit for the year ended December 31, 2008, was $1,013,000 higher than 2007, as follows:

(In thousands)	2008	% Revenue	2007	% Revenue	Change
Nuclear	$ 8,891	20.2	$ 13,004	30.1	$ (4,113)
Acquisition 6/07 (PFNWR)	6,367	36.8	3,330	39.5	3,037
Industrial	3,512	32.1	1,735	16.6	1,777
Engineering	1,072	33.6	760	31.7	312
Total	$ 19,842	26.3	$ 18,829	29.2	$ 1,013

The Nuclear Segment gross profit, excluding gross profit of our PFNWR facility, decreased $4,113,000 from 2007 to 2008. Gross profit of the Nuclear Segment (excluding PFNWR) includes the gross profit of our CHPRC subcontract of approximately $1,511,000. Excluding this gross profit, our Nuclear Segment gross profit decreased $5,624,000 or 43.2% from 2007 to 2008 due primarily to lower volume of waste received. Gross margin decreased from 30.1% to 20.0% which reflects the receipt of lower margin waste streams in 2008. The Industrial Segment gross profit increased $1,777,000 or 102.4% due primarily to the improved revenue mix resulting from higher margin oil revenue which displaced lower margin hazardous waste disposal revenue. Gross margin increased to 32.1% in 2008 from 16.6% in 2007 which reflects the favorable increase in oil price throughout much of 2008. The Engineering Segment gross profit increased $312,000 or 41.1% due to increased revenue resulting from a 29.0% increase in billable hours in 2008 as compared to 2007. Gross margin remained fairly constant, with an increase of 1.9% in 2008 as compared to 2007.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses increased $333,000 for the year ended December 31, 2008, as compared to the corresponding period for 2007, as follows:

(In thousands)	2008	% Revenue	2007	% Revenue	Change
Administrative	$ 5,677	¾	$ 5,457	¾	$ 220
Nuclear	6,785	15.4	7,512	17.4	(727)
Acquisition 06/07 (PFNWR)	2,383	13.8	1,483	17.6	900
Industrial	2,685	24.5	2,890	27.7	(205)
Engineering	662	20.7	517	21.6	145
Total	$ 18,192	24.1	$ 17,859	27.7	$ 333

Excluding the SG&A of our PFNWR facility, our Nuclear SG&A expenses decreased $727,000 or 9.8% in 2008 as compared to 2007. The decrease within the Nuclear Segment (excluding PFNWR) was due to lower payroll, commission, travel related expenses, and general expenses due to headcount reduction resulting from decreased revenue. The increase in administrative SG&A was primarily the result of higher stock option expenses as we granted 1,083,000 options to certain company officers and employees. Such options were not granted in 2007. In addition, legal fees were higher in 2008 due to the Company's daily legal corporate matters and public corporate filings. These increases were offset by lower director fees in 2008 as we had a one time fee payment of $160,000 to a member of our Board of Directors in 2007 as compensation for his service in negotiating the agreement in principal to resolve a certain legal matter with the EPA against our former PFD facility. The decrease in SG&A in our Industrial Segment is due to lower payroll related expenses as we continue to streamline costs within the segment. This decrease was offset by incremental depreciation expense incurred in 2008 of approximately $128,000 as a result of the reclassification of PFO, PFFL, and PFSG into continuing operations and higher bonus/commission expenses at PFFL due to higher revenue in 2008 as compared to 2007. The Engineering Segment increase was the result of an increase in payroll related expenses but this increase was offset by a significant decrease in bad debt expense. Included in SG&A expense is depreciation and amortization expense of $254,000 and $174,000 for the years ended December 31, 2008 and 2007, respectively.

Loss (Gain) on Disposal of Property and Equipment

The gain on disposal of property and equipment in 2008 is primarily due to the sale of one of the properties at our PFO for $900,000 which resulted in gain of approximately $483,000. The proceeds were used for our working capital. This gain was offset by loss on disposal of idle equipment at our DSSI and M&EC facilities. The loss on disposal of property and equipment for 2007 was attributed mainly to the disposal of idle equipment at our M&EC, DSSI, and PFFL facilities.

Asset Impairment Recovery

In May 2007, our PFSG, PFO, and PFFL facilities met the held for sale criteria under FASB ASC 360, “Property, Plant, and Equipment”, as a result of our Board of Directors approving the divestiture of these facilities, which resulted in impairment losses of $1,329,000 and $507,000 for PFSG and PFO, respectively. In September 2008, these facilities were reclassified back into continuing operations as a result of our Board of Directors approving the retention of these facilities. In the third quarter of 2008, we reclassified one of the two properties at PFO as “net property and equipment held for sale” within our continuing operations in accordance with ASC 360. We evaluated the fair value of PFO’s assets and as a result, recorded the $507,000 previously impairment loss as an asset impairment recovery.

Interest Income

Interest income decreased $86,000 for the year ended December 31, 2008, as compared to 2007. The decrease is primarily due to interest earned from excess cash in a sweep account which the Company had in the first six months of 2007 but did not have in the same period of 2008. The excess cash the Company had in 2007 was the result of warrants and option exercises from the latter part of 2006.

Interest Expense

Interest expense increased $187,000 for the year ended December 31, 2008, as compared to the corresponding period of 2007.

(In thousands)	2008	2007	Change	%
PNC interest	$ 508	$ 702	$ (194)	(27.6)
Other	1,032	651	381	58.5
Total	$ 1,540	$ 1,353	$ 187	13.8

The increase in 2008 was due primarily to higher interest resulting from external debt incurred from the acquisition of our PFNWR facility in June 2007, interest expense incurred from certain vendor invoices, and higher interest due to capitalized interest of approximately $144,000 in 2007 resulting from the completion of the “SouthBay” project in 2007 at our M&EC facility. This increase was partially offset by lower interest from the reduction in term loan balance and the payoff of our term note from proceeds received from the sale of our three Industrial Segment facilities, PFTS, PFD, and PFMD, in addition to lower interest rate in 2008.

Interest Expense - Financing Fees

Interest expense-financing fees decreased approximately $59,000 from 2007 to 2008 due primarily to monthly amortized financing fees associated with PNC revolving credit and term note for our original debt and subsequent amendments which became fully amortized in May 2008. This decrease was offset by financing fees paid to PNC for Amendment No. 12 which is being amortized over the term of the amendment, starting from August 2008 and ending July 2012.

Income Tax

We provided a valuation allowance on substantially all of our deferred tax assets. We will continue to monitor the realizability of these net deferred tax assets and will reverse some or all of the valuation allowance as appropriate. In making this determination, we consider a number of factors including whether there is a historical pattern of consistent and significant profitability in combination with our assessment of forecasted profitability in the future periods. Such patterns and forecasts allow us to determine whether our most significant deferred tax assets such as net operating losses will be realizable in future years, in whole or in part. These deferred tax assets in particular will require us to generate taxable income in the applicable jurisdictions in future years in order to recognize their economic benefits. We do not believe that we have sufficient evidence to conclude that some or all of the valuation allowance on deferred tax assets should be reversed. However, facts and circumstances could change in future years and at such point we may reverse the allowance as appropriate. For the years ended December 31, 2008 and 2007, we had $0 and $0, respectively, in federal income tax expense, as a result of a 100% valuation allowance against the deferred tax asset and our alternative minimum tax liability at December 31, 2008, and $10 and $0, respectively, in state income taxes. 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, as well as three previously shut down locations, Perma-Fix of Pittsburgh, Inc. (“PFP”), Perma-Fix of Michigan, Inc. (“PFMI”), and Perma-Fix of Memphis, Inc. (“PFM”), three facilities which were approved as discontinued operations by our Board of Directors effective November 8, 2005, October 4, 2004, and March 12, 1998, respectively,

Our Perma-Fix of Memphis, Inc. facility was reclassed back into discontinued operations from continuing operations in the fourth quarter of 2009. As noted above, PFM was approved as a discontinued operation by our Board on March 12, 1998. This decision was the result of an explosion at the facility in 1997, which significantly disrupted its operations and the high costs required to rebuild its operations. PFM had been reported as a discontinued operation until 2001. In 2001, the facility was reclassified back into continuing operations as we had no other facilities classified as discontinued operations and its impact on our financial statements was de minimis. As of December 31, 2009, we reclassified PFM back into discontinued operations for all periods presented in accordance with ASC 360, “Property, Plant, and Equipment”.

As previously reported, we completed the sale of substantially all of the assets of PFMD, PFD, PFTS, on January 8, 2008, March 14, 2008, and May 30, 2008, respectively.

Our discontinued Industrial Segment facilities generated revenues of $0, $3,195,000, and $19,965,000, for the years ended December 31, 2009, 2008, and 2007, respectively, and had net income of $50,000 and $926,000 for years ended December 31, 2009 and 2008, respectively, and net loss of $6,850,000 for the year ended December 31, 2007. Our net loss in 2007 included impairment losses of $2,727,000 and $1,804,000 for PFD and PFTS, respectively. Our net income for 2008 included a gain on disposal of discontinued operations, net of taxes, of $2,323,000. Our “income from discontinued operations” on the Consolidated Statement of Operations for the twelve months ended December 31, 2009, included a recovery of approximately $400,000 in closure cost for PFTS recorded in the first quarter of 2009. In connection with the divestiture of PFTS above, the buyer of PFTS’s assets was required to replace our financial assurance bond with its own financial assurance mechanism for facility closures. Our financial assurance bond for PFTS was required to remain in place until the buyer has provided replacement coverage. On March 24, 2009, the appropriate regulatory authority authorized the release of our financial assurance bond for PFTS which resulted in the recovery of these closure costs. Our income from discontinued operations for the twelve months ended December 31, 2009, also included approximately $115,000 in abated interest in connection with an excise tax audit for fiscal years 1999 to 2006 for PFTS. In the second quarter of 2009, we recorded approximately $119,000 in interest expense in connection with this excise tax audit. Additionally, we had a tax benefit of approximately $76,000 primarily due to a release of a portion of valuation allowance related to our deferred tax asset at PFMI.

Assets related to discontinued operations total $825,000 and $761,000 as of December 31, 2009, and 2008, respectively, and liabilities related to discontinued operations total $2,426,000 and $3,531,000 as of December 31, 2009 and 2008, respectively.

Non Operational Facilities

As noted previously, the Industrial Segment includes three previously shut-down facilities. These facilities include PFP, PFMI, and PFM. Our decision to discontinue operations at PFP was due to our reevaluation of the facility and our inability to achieve profitability at the facility. During February 2006, we completed the remediation of the leased property and the equipment at PFP, and released the property back to the owner. Our decision to discontinue operations at PFMI was principally a result of two fires that significantly disrupted operations at the facility in 2003, and the facility's continued drain on the financial resources of our Industrial Segment. As a result of the discontinued operations at the PFMI facility, we were required to complete certain closure and remediation activities pursuant to our RCRA permit, which were completed in January 2006. In September 2006, PFMI signed a Corrective Action Consent Order with the State of Michigan, requiring performance of studies and development and execution of plans related to the potential clean-up of soils in portions of the property. The level and cost of the clean-up and remediation are determined by state mandated requirements. During 2006, based on state-mandated criteria, we began implementing the modified methodology to remediate the facility. In 2009, we incurred remediation expenditure of $109,000. We have $128,000 accrued for the closure, as of December 31, 2009, and we anticipate spending $102,000 in 2010 with the remainder over the next four years. We reduced our accrual by $300,000 in the fourth quarter of 2009, as a result of a field investigation and draft Remedial Action Plan which identified substantial reductions in the anticipated cost of the completion of the remedial site. Based on the current status of the Corrective Action, we believe that the remaining reserve is adequate to cover the liability.

As part of our acquisition of PFM in 1993, we assumed certain liabilities relative to the removal of contaminated soil and to undergo groundwater remediation at the facility. 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. The groundwater remediation at this facility has been ongoing since approximately 1990. With approval of a remediation approach in 2006, PFM began final remediation of this facility in 2007. In 2008, we completed all soil remediation with the exception of that associated with the groundwater remediation. In 2009, we incurred remediation expenditure of $137,000. In 2009, we also increased our reserve by approximately $300,000 in the fourth quarter of 2009, a result of increase in costs associated with delays in receipt of the Corrective Action Permit. As of December 31, 2009, we have $439,000 accrued for the closure, which we anticipate spending over the next six years.

Our PFMI has a pension payable of $947,000 as of December 31, 2009. 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 $199,000 that we expect to pay over the next year.

Liquidity and Capital Resources

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

At December 31, 2009, we had cash of $141,000. The following table reflects the cash flow activities during 2009.

(In thousands)		2009
Cash provided by continuing operations	$	9,089
Cash used in discontinued operations		(591)
Cash used in investing activities of continuing operations		(6,367)
Cash provided by investing activities of discontinued operations		11
Cash used in financing activities of continuing operations		(2,130)
Increase in cash	$	12

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, 2009, primarily represents minor petty cash and local account balances used for miscellaneous services and supplies.

Operating Activities

Accounts Receivable, net of allowances for doubtful accounts, totaled $13,141,000, a decrease of $275,000 over the December 31, 2008, balance of $13,416,000. The Nuclear Segment experienced an increase of approximately $228,000 due primarily to increase invoicing resulting from increase in revenue. This increase was offset by our improved collection efforts. The Industrial Segment experienced a decrease of approximately $616,000 due primarily to a decrease in revenue. The Engineering Segment experienced an increase of approximately $113,000 due mainly to increases in revenue.

Unbilled receivables are generated by differences between invoicing timing and the percentage of completion methodology used for revenue recognition purposes. As major processing phases are completed and the costs incurred, we recognize the corresponding percentage of revenue. We experience delays in processing invoices due to the complexity of the documentation that is required for invoicing, as well as the difference between completion of revenue recognition milestones and agreed upon invoicing terms, which results in unbilled receivables. The timing differences occur for several reasons: partially from delays in the final processing of all wastes associated with certain work orders and partially from delays for analytical testing that is required after we have processed waste but prior to our release of waste for disposal. The difference also occurs due to our end disposal sites requirement of pre-approval prior to our shipping waste for disposal and our contract terms with the customer that we dispose of the waste prior to invoicing. These delays usually take several months to complete. As of December 31, 2009, unbilled receivables totaled $12,360,000, a decrease of $4,602,000 from the December 31, 2008, balance of $16,962,000, which reflects our continued efforts to reduce this balance. The delays in processing invoices, as mentioned above, usually take several months to complete but are normally considered collectible within twelve months. However, as we now have historical data to review the timing of these delays, we realize that certain issues, including but not limited to delays at our third party disposal site, can exacerbate collection of some of these receivables greater than twelve months. Therefore, we have segregated the unbilled receivables between current and long term. The current portion of the unbilled receivables as of December 31, 2009 is $9,858,000, a decrease of $3,246,000 from the balance of $13,104,000 as of December 31, 2008. The long term portion as of December 31, 2009 is $2,502,000, a decrease of $1,356,000 from the balance of $3,858,000 as of December 31, 2008.

As of December 31, 2009, total consolidated accounts payable was $4,927,000, a decrease of $6,149,000 from the December 31, 2008, balance of $11,076,000. The decrease was due primarily to improved payments of our vendor invoices as a result of improved cash from operations and revolver availability. We continue to negotiate and manage payment terms with our vendors to maximize our cash position throughout all segments.

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Accrued Expenses as of December 31, 2009, totaled $6,478,000, a decrease of $2,418,000 over the December 31, 2008, balance of $8,896,000. Accrued expenses are made up of accrued compensation, interest payable, insurance payable, certain tax accruals, and other miscellaneous accruals. The decrease was primarily due payoff of approximately $2,225,000 in interest on the PDC note in May 2009.

Disposal/transportation accrual as of December 31, 2009, totaled $2,761,000, a decrease of $3,086,000 over the December 31, 2008 balance of $5,847,000. The decrease was mainly attributed to the processing of legacy waste at PFNWR facility. In addition, we reduced the disposal/transportation accrual by approximately $787,000 in the third quarter of 2009 as a result of our re-estimate of the cost to dispose of the legacy waste which was part of our acquisition of PFNWR and PFNW in June 2007.

Our working capital position at December 31, 2009 was $1,490,000, which includes working capital of our discontinued operations, as compared to a working capital deficit of $3,886,000 as of December 31, 2008. In 2009, we made significant progress in improving our working capital primarily by paying down our current liabilities from funds generated from operations.

Investing Activities

During 2009, our purchases of capital equipment totaled approximately $1,643,000 of which $125,000 was financed, resulting in total net purchases of $1,518,000. These expenditures were for improvements to operations primarily within the Nuclear and Industrial Segments. These capital expenditures were funded by the cash provided by both operations and financing activities. We have budgeted approximately $2,000,000 for 2010 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, of which $1,982,000 is to be deposited in the sinking fund account, with the remaining $26,000 represents a terrorism premium. In March 2009, we paid our sixth of the eight required remaining payments. In March 2009, we secured additional financial assurance coverage of approximately $5,421,000 with Chartis which enabled our Diversified Scientific Services, Inc. ("DSSI") facility to receive and process wastes under an authorization issued by the U.S. Environment Protection Agency ("EPA") Region 4 on November 26, 2008 to commercially store and dispose of Polychlorinated Biphenyls ("PCBs"). We secured this additional financial assurance coverage requirement by increasing our initial 25-year finite risk insurance policy with Chartis from maximum policy coverage of $35,000,000 to $39,000,000, of which our total financial coverage amounts to $35,869,000 as December 31, 2009. Payment for this additional financial assurance coverage 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 will be deposited into a sinking fund account, with the remaining to represent fee payable to Chartis.

As of December 31, 2009, we have recorded $9,639,000 in our sinking fund related to the policy noted above on the balance sheet, which includes interest earned of $805,000 on the sinking fund as of December 31, 2009. Interest income for the twelve months ended December 31, 2009, was approximately $75,000. On the fourth and subsequent anniversaries of the contract inception, we may elect to terminate this contract. If we so elect, the Insurer 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, which we acquired in June 2007, with Chartis, a subsidiary of 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. The policy will renew automatically on an annual basis at the end of the four year term and will not be subject to any renewal fees. The policy requires total payment of $7,158,000, consisting of an initial payment of $1,363,000 and two annual payments of $1,520,000, payable by July 31, 2008 and July 31, 2009, and an additional $2,755,000 payment to be made in five quarterly payments of $551,000 beginning September 2007. In July 2007, we paid the initial payment of $1,363,000, of which $1,106,000 represented premium on the policy and the remaining was deposited into a sinking fund account. We have made both of the annual payments of $1,520,000, of which one annual payment was made in the third quarter of 2009. For each of the $1,520,000 payments, $1,344,000 was deposited into a sinking fund account and the remaining represented premium. We have made all of the five quarterly payments which were deposited into a sinking fund. As of December 31, 2009, we have recorded $5,841,000 in our sinking fund related to this policy on the balance sheet, which includes interest earned of $141,000 on the sinking fund as of December 31, 2009. Interest income for the twelve months ended December 31, 2009 totaled $69,000.

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, 2009, the excess availability under our revolving credit was $11,535,000 based on our eligible receivables.