CommScope Holding Company, Inc.
Form 10-Q
November 01, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2017

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 number 001 - 36146

CommScope Holding Company, Inc.

(Exact name of registrant as specified in its charter)

Delaware	27-4332098
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1100 CommScope Place, SE

Hickory, North Carolina

(Address of principal executive offices)

28602

(Zip Code)

(828) 324-2200

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a small reporting company)	Small reporting company
Emerging growth company		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of October 16, 2017 there were 190,762,060 shares of Common Stock outstanding.

CommScope Holding Company, Inc.

Form 10-Q

September 30, 2017

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Part 1 -- Financial Information (Unaudited)

ITEM 1. Condensed Consolidated Financial Statements

CommScope Holding Company, Inc.
Condensed Consolidated Statements of Operations
and Comprehensive Income
(Unaudited -- In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net sales	$1,128,775	$1,293,948	$3,440,150	$3,744,715
Operating costs and expenses:				
Cost of sales	699,145	751,097	2,082,910	2,201,014
Selling, general and administrative	184,671	220,835	603,594	664,365
Research and development	44,498	48,430	140,280	152,554
Amortization of purchased intangible assets	68,271	74,639	202,890	224,270
Restructuring costs, net	5,360	10,826	24,521	24,503
Asset impairments	—	7,375	—	22,668
Total operating costs and expenses	1,001,945	1,113,202	3,054,195	3,289,374
Operating income	126,830	180,746	385,955	455,341
Other income (expense), net	1,807	(7,546)	(13,414)	(21,898)
Interest expense	(61,798)	(68,349)	(192,769)	(215,024)
Interest income	1,180	1,023	3,784	4,750
Income before income taxes	68,019	105,874	183,556	223,169
Income tax expense	(16,862)	(12,043)	(43,373)	(54,797)
Net income	$51,157	$93,831	$140,183	$168,372
Earnings per share:				
Basic	$0.27	$0.49	$0.73	$0.88
Diluted	$0.26	$0.48	$0.71	$0.86
Weighted average shares outstanding:				
Basic	191,824	192,719	192,973	192,275
Diluted	195,815	196,598	197,387	196,141
Comprehensive income:				
Net income	$51,157	$93,831	$140,183	$168,372
Other comprehensive income, net of tax:				
Foreign currency translation gain	47,087	8,610	174,187	8,303
Pension and other postretirement benefit activity	(353)	(376)	(1,082)	(3,511)
Loss on net investment hedge	(1,471)	—	(4,822)	—
Available-for-sale securities	(1,685)	(257)	(2,508)	(2,391)
Total other comprehensive income, net of tax	43,578	7,977	165,775	2,401
Total comprehensive income	$94,735	$101,808	$305,958	$170,773

See notes to unaudited condensed consolidated financial statements.

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CommScope Holding Company, Inc.

Condensed Consolidated Balance Sheets

(Unaudited - In thousands, except share amounts)

	September 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents	$ 411,242	$ 428,228
Accounts receivable, less allowance for doubtful accounts of $19,060 and $17,211, respectively	930,739	952,367
Inventories, net	485,062	473,267
Prepaid expenses and other current assets	166,905	139,902
Total current assets	1,993,948	1,993,764
Property, plant and equipment, net of accumulated depreciation of $371,114 and $303,734, respectively	477,718	474,990
Goodwill	2,877,813	2,768,304
Other intangible assets, net	1,698,507	1,799,065
Other noncurrent assets	98,559	105,863
Total assets	$ 7,146,545	$ 7,141,986
Liabilities and Stockholders' Equity		
Accounts payable	$ 407,635	$ 415,921
Other accrued liabilities	309,355	429,397
Current portion of long-term debt	—	12,500
Total current liabilities	716,990	857,818
Long-term debt	4,548,016	4,549,510
Deferred income taxes	182,855	199,121
Pension and other postretirement benefit liabilities	28,907	31,671
Other noncurrent liabilities	119,143	109,782
Total liabilities	5,595,911	5,747,902
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value: Authorized shares: 200,000,000; Issued and outstanding shares: None	—	—
Common stock, $0.01 par value: Authorized shares: 1,300,000,000; Issued and outstanding shares: 190,761,714 and 193,837,437, respectively	1,971	1,950
Additional paid-in capital	2,322,747	2,282,014
Retained earnings (accumulated deficit)	(449,579)	(589,556)
Accumulated other comprehensive loss	(119,338)	(285,113)
Treasury stock, at cost: 6,322,910 shares and 1,129,222 shares, respectively	(205,167)	(15,211)
Total stockholders' equity	1,550,634	1,394,084
Total liabilities and stockholders' equity	$ 7,146,545	$ 7,141,986

See notes to unaudited condensed consolidated financial statements.

CommScope Holding Company, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited - In thousands)

	Nine Months Ended September 30,	
	2017	2016
Operating Activities:		
Net income	$140,183	$168,372
Adjustments to reconcile net income to net cash generated by operating activities:		
Depreciation and amortization	282,543	301,450
Equity-based compensation	31,572	26,621
Deferred income taxes	(19,976)	(94,239)
Asset impairments	—	22,668
Changes in assets and liabilities:		
Accounts receivable	59,054	(96,337)
Inventories	11,790	(23,480)
Prepaid expenses and other assets	(22,682)	12,540
Accounts payable and other liabilities	(178,505)	218,590
Other	31,426	14,929
Net cash generated by operating activities	335,405	551,114
Investing Activities:		
Additions to property, plant and equipment	(51,152)	(49,660)
Proceeds from sale of property, plant and equipment	5,016	3,935
Cash paid for acquisitions, including purchase price adjustments, net of cash acquired	(105,249)	2,714
Other	9,898	3,487
Net cash used in investing activities	(141,487)	(39,524)
Financing Activities:		
Long-term debt repaid	(805,379)	(546,025)
Long-term debt proceeds	780,379	—
Debt issuance and modification costs	(8,363)	—
Debt extinguishment costs	(14,800)	(17,779)
Cash paid for repurchase of common stock	(175,000)	—
Proceeds from the issuance of common shares under equity-based compensation plans	8,803	8,637
Tax withholding payments for vested equity-based compensation awards	(14,956)	(2,946)
Net cash used in financing activities	(229,316)	(558,113)
Effect of exchange rate changes on cash and cash equivalents	18,412	914
Change in cash and cash equivalents	(16,986)	(45,609)
Cash and cash equivalent at beginning of period	428,228	562,884

Cash and cash equivalents at end of period	$411,242	$517,275

See notes to unaudited condensed consolidated financial statements.

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CommScope Holding Company, Inc.

Condensed Consolidated Statements of Stockholders' Equity

(Unaudited - In thousands, except share amounts)

	Nine Months Ended September 30,	
	2017	2016
Number of common shares outstanding:		
Balance at beginning of period	193,837,437	191,368,727
Issuance of shares under equity-based compensation plans	2,117,965	1,615,810
Shares surrendered under equity-based compensation plans	(398,698)	(115,598)
Repurchase of common stock	(4,794,990)	—
Balance at end of period	190,761,714	192,868,939
Common stock:		
Balance at beginning of period	$1,950	$1,923
Issuance of shares under equity-based compensation plans	21	17
Balance at end of period	$1,971	$1,940
Additional paid-in capital:		
Balance at beginning of period	$2,282,014	$2,216,202
Issuance of shares under equity-based compensation plans	8,782	8,620
Equity-based compensation	31,656	26,530
Cumulative effect of change in accounting principle	295	—
Tax benefit from shares issued under equity-based compensation plans	—	7,517
Balance at end of period	$2,322,747	$2,258,869
Retained earnings (accumulated deficit):		
Balance at beginning of period	$(589,556)	$(812,394)
Net income	140,183	168,372
Cumulative effect of change in accounting principle	(206)	—
Balance at end of period	$(449,579)	$(644,022)
Accumulated other comprehensive loss:		
Balance at beginning of period	$(285,113)	$(171,678)
Other comprehensive income, net of tax	165,775	2,401
Balance at end of period	$(119,338)	$(169,277)
Treasury stock, at cost:		
Balance at beginning of period	$(15,211)	$(11,333)
Net shares surrendered under equity-based compensation plans	(14,956)	(2,946)
Repurchase of common stock	(175,000)	—
Balance at end of period	$(205,167)	$(14,279)
Total stockholders' equity	$1,550,634	$1,433,231

See notes to unaudited condensed consolidated financial statements.

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CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

1. BACKGROUND AND BASIS OF PRESENTATION

Background

CommScope Holding Company, Inc., along with its direct and indirect subsidiaries (CommScope or the Company), is a global provider of infrastructure solutions for the core, access and edge layers of communication networks. The Company’s solutions and services for wired and wireless networks enable high-bandwidth data, video and voice applications. CommScope’s global leadership position is built upon innovative technology, broad solution offerings, high-quality and cost-effective customer solutions, and global manufacturing and distribution scale.

Basis of Presentation

The Condensed Consolidated Balance Sheet as of September 30, 2017, the Condensed Consolidated Statements of Operations and Comprehensive Income for the three and nine months ended September 30, 2017 and 2016, and the Condensed Consolidated Statements of Cash Flows and Stockholders’ Equity for the nine months ended September 30, 2017 and 2016 are unaudited and reflect all adjustments of a normal, recurring nature that are, in the opinion of management, necessary for a fair presentation of the interim period financial statements. The results of operations for these interim periods are not necessarily indicative of the results of operations to be expected for any future period or the full fiscal year.

The unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) for interim financial information and are presented in accordance with the applicable requirements of Regulation S-X. Accordingly, these financial statements do not include all of the information and notes required by U.S. GAAP for complete financial statements. The significant accounting policies followed by the Company are set forth in Note 2 within the Company’s audited consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016 (the 2016 Annual Report). There were no changes in the Company’s significant accounting policies during the three or nine months ended September 30, 2017. These interim condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements.

Prior to January 1, 2017, the Company consolidated the operating results of the acquired BNS business based on the BNS fiscal reporting calendar that resulted in a reporting lag of one day for the year ended December 31, 2016. The BNS business results included thirteen weeks for the three months ended September 30, 2017 compared to fourteen weeks for the comparable period in 2016. Effective January 1, 2017, the reporting lag was eliminated as a result of system conversions that were part of the BNS integration. The elimination of the reporting lag represents a change in accounting principle which the Company believes to be preferable because it provides more current information to the users of its financial statements. The Company determined that it was impracticable to apply the effects of the lag elimination to financial reporting periods prior to January 1, 2017. The cumulative effect of not retroactively applying this change in accounting, however, was immaterial as of January 1, 2017. Therefore, the Company reported the cumulative effect of the change in accounting principle in net income for the nine months ended September 30, 2017 and did not retrospectively apply the effects of this change to prior periods.

Concentrations of Risk and Related Party Transactions

Net sales to Anixter International Inc. and its affiliates (Anixter) accounted for 12% and 11% of the Company's total net sales during the three and nine months ended September 30, 2017, respectively. Net sales to Anixter accounted for 11% of the Company's total net sales during the three and nine months ended September 30, 2016. Sales to Anixter primarily originate within the CommScope Connectivity Solutions (CCS) segment. Other than Anixter, no direct customer accounted for 10% or more of the Company's total net sales for the three or nine months ended September 30, 2017 or 2016.

Accounts receivable from Anixter and Verizon Communications Inc. (Verizon) each represented approximately 11% of accounts receivable as of September 30, 2017. Other than Anixter and Verizon, no direct customer accounted for 10% or more of the Company's accounts receivable as of September 30, 2017.

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

Product Warranties

The Company recognizes a liability for the estimated claims that may be paid under its customer warranty agreements to remedy potential deficiencies of quality or performance of the Company's products. These product warranties extend over periods ranging from one to twenty-five years from the date of sale, depending upon the product subject to the warranty. The Company records a provision for estimated future warranty claims as cost of sales based upon the historical relationship of warranty claims to sales and specifically identified warranty issues. The Company bases its estimates on assumptions that are believed to be reasonable under the circumstances and revises its estimates, as appropriate, when events or changes in circumstances indicate that revisions may be necessary. Such revisions may be material.

The following table summarizes the activity in the product warranty accrual, included in other accrued liabilities:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Product warranty accrual, beginning of period	$20,283	$18,356	$21,631	$17,964
Provision for warranty claims	284	3,435	4,515	7,954
Warranty claims paid	(2,033)	(106)	(7,751)	(4,517)
Foreign exchange	(62)	92	77	376
Product warranty accrual, end of period	$18,472	$21,777	$18,472	$21,777

Commitments and Contingencies

The Company is either a plaintiff or a defendant in certain pending legal matters in the normal course of business. Management believes none of these legal matters will have a material adverse effect on the Company's business or financial condition upon final disposition.

In addition, the Company is subject to various federal, state, local and foreign laws and regulations governing the use, discharge, disposal and remediation of hazardous materials. Compliance with current laws and regulations has not had, and is not expected to have, a materially adverse effect on the Company's financial condition or results of operations.

Asset Impairments

Goodwill is tested for impairment annually or at other times if events have occurred or circumstances exist that indicate the carrying value of the reporting unit may exceed its fair value. There were no goodwill impairments identified during the three and nine months ended September 30, 2017. During the nine months ended September 30, 2016, the Company recorded a $15.3 million goodwill impairment charge as a result of the change in its reportable segments. The impairment was recorded in the CCS segment.

Property, plant and equipment and intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable, based on the undiscounted cash flows expected to be derived from the use and ultimate disposition of the assets. Assets identified as impaired are carried at estimated fair value. During the three months and nine months ended September 30, 2016, as a result of revisions to the business plan for a particular product line, the Company determined that certain intangible assets in the CCS segment were no longer recoverable and a $7.4 million impairment charge was recorded. There were no asset impairments identified during the three and nine months ended September 30, 2017.

CommScope Holding Company, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(In thousands, unless otherwise noted)

Income Taxes

The effective income tax rate of 24.8% and 23.6% for the three and nine months ended September 30, 2017, respectively, was lower than the statutory rate of 35.0% primarily due to a reduction in tax expense related to the expiration of statutes of limitations on various uncertain tax positions. In addition, the effective income tax rate was favorably impacted by $0.4 million and $13.5 million of excess tax benefits related to equity-based compensation awards for the three and nine months ended September 30, 2017, respectively. Such benefits, which were previously reflected in additional paid-in capital, are now recognized in income tax expense as a result of the adoption of Accounting Standards Update (ASU) No. 2016-09. See the discussion under Recent Accounting Pronouncements for further information regarding the adoption of this new accounting guidance. Offsetting these decreases for the three and nine months ended September 30, 2017 was the effect of the provision for state income taxes.

The effective income tax rate of 11.4% and 24.6% for the three and nine months ended September 30, 2016, respectively, was lower than the statutory rate of 35.0% primarily due to a reduction in tax expense related to the expiration of statutes of limitations on various uncertain tax positions and the release of valuation allowances related to certain foreign deferred tax assets. The effective income tax rate was also favorably affected by the impact of earnings in foreign jurisdictions that the Company does not plan to repatriate. These earnings are generally taxed at rates lower than the United States (U.S.) statutory rate. Offsetting these decreases for the nine months ended September 30, 2016 was the effect of the provision for state income taxes as well as the goodwill impairment for which only partial tax benefits were recorded.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is based on net income divided by the weighted average number of common shares outstanding plus the effect of potentially dilutive common shares using the treasury stock method. Potentially dilutive common shares include outstanding equity-based awards (stock options, restricted stock units and performance share units). Certain outstanding equity-based awards were not included in the computation of diluted earnings per share because the effect was either antidilutive or the performance conditions were not met (1.7 million shares and 1.3 million shares for the three and nine months ended September 30, 2017, respectively, and 1.4 million shares and 1.5 million shares for the three and nine months ended September 30, 2016, respectively). During the three and nine months ended September 30, 2017, the Company repurchased 2.3 million shares and 4.8 million shares, respectively, of its common stock. The Company did not repurchase any of its common stock during the three and nine months ended September 30, 2016. See Note 11 for more information on the share repurchase programs.

The following table presents the basis for the earnings per share computations (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016

Numerator:				
Net income for basic and diluted earnings per share	$51,157	$93,831	$140,183	$168,372

19	1,083	11,090	(5)	12,173

Segment Reporting for the Nine Months Ended September 30, 2011

	Nuclear		Engineering		Segments Total	Corporate (2)			Consolidated Total
Revenue from external customers	$83,391	(3)	$1,924		$85,315	$-			$ 85,315
Intercompany revenues	1,423		199		1,622	-			-
Gross profit	22,084		296		22,380	-			22,380
Interest income	-		-		-	40			40
Interest expense	69		2		71	387			458
Interest expense-financing fees	-		-		-	178			178
Depreciation and amortization	3,414		20		3,434	69			3,503
Segment profit (loss)	12,195		(37	)	12,158	(5,718	)		6,440
Segment assets(1)	97,585		2,119		99,704	38,635		(4)	138,339
Expenditures for segment assets	1,984		1		1,985	10			1,995
Total long-term debt	171		13		184	5,378		(5)	5,562

Segment Reporting for the Nine Months Ended September 30, 2010

	Nuclear		Engineering		Segments Total	Corporate (2)			Consolidated Total
Revenue from external customers	$70,356	(3)	$1,921		$72,277	$-			$ 72,277
Intercompany revenues	2,461		391		2,852	-			-
Gross profit	14,541		178		14,719	-			14,719
Interest income	-		-		-	51			51
Interest expense	114		2		116	465			581
Interest expense-financing fees	1		-		1	307			308
Depreciation and amortization	3,337		21		3,358	16			3,374
Segment profit (loss)	7,650		(183	)	7,467	(5,742	)		1,725
Segment assets(1)	92,812		2,033		94,845	30,436		(4)	125,281
Expenditures for segment assets	1,427		16		1,443	23			1,466
Total long-term debt	1,064		19		1,083	11,090		(5)	12,173

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

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

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(3) The consolidated revenues within the Nuclear Segment include the CH Plateau Remediation Company ("CHPRC") revenue of $19,570,000 or 59.7% and $50,403,000 or 59.1% for the three and nine months ended September 30, 2011, respectively of our total consolidated revenue from continuing operations, as compared to $13,880,000 or 60.7% and $37,881,000 or 52.4% for the three and nine months ended September 30, 2010, respectively, of our total consolidated revenue from continuing operations. Our M&EC facility was awarded a subcontract by CHPRC, a general contractor to the Department of Energy ("DOE"), in the second quarter of 2008. We also have three waste processing contracts with CHPRC.

(4) Amount includes assets from discontinued operations of $4,196,000 and $6,756,000 as of September 30, 2011 and 2010, respectively.

(5) Net of debt discount of ($22,000) and ($200,000) as of September 30, 2011 and September 30, 2010, respectively, in connection with Warrants and Common Stock issued on May 8, 2009 in connection with a $3,000,000 promissory note entered into by the Company and Mr. William Lampson and Mr. Diehl Rettig on May 8, 2009. The promissory note and the Warrants were modified on April 18, 2011. See Note 6 - "Promissory Note and Installment Agreement" for additional information.

10. Income Taxes

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

Income tax expense for continuing operations was $2,399,000 for the three months ended September 30, 2011, as compared to income tax benefit of $609,000 for the corresponding period of 2010 and income tax expense of $3,504,000 for the nine months ended September 30, 2011, as compared to income tax expense of $1,029,000 for the corresponding period of 2010. The Company's effective tax rates were approximately 35.2% and 38.7% for the three months ended September 30, 2011 and 2010, respectively, and 35.2% and 37.4% for the nine months ended September 30, 2011 and 2010, respectively.

The provision for income taxes is determined in accordance with ASC 740, "Income Taxes". Deferred income tax assets and liabilities are recognized for future tax consequences attributed to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Any effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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

11. Related Party Transactions

On June 13, 2007, we acquired Nuvotec (n/k/a Perma-Fix Northwest, Inc. or "PFNW") and Nuvotec's wholly owned subsidiary, PEcoS (n/k/a Perma-Fix Northwest Richland, Inc. or "PFNWR"), pursuant to the terms of the Merger Agreement, as amended, between us, Nuvotec, PEcoS, and our wholly owned subsidiaries. At the time of the acquisition, Robert L. Ferguson was the Chairman, Chief Executive Officer, and individually or through entities controlled by him, the owner of approximately 21.29% of Nuvotec's outstanding common stock. In connection with

the acquisition, Mr. Ferguson was nominated to serve as a Director and subsequently was elected annually as a director at our Annual Meeting of Stockholders until his resignation in February 2010. Mr. Ferguson was recommended by the Corporate Governance and Nominating Committee and the Board of Directors nominated Mr. Ferguson to stand for election as a Director again at our 2011 Annual Meeting of Stockholders. Mr. Ferguson was subsequently elected as a Director at the August 24, 2011 Annual Meeting of Stockholders. See “Note 6 – Long Term Debt – Promissory Note and Installment Agreement” and “Note 7 – Commitments and Contingencies – Earn-Out Amount – Perma-Fix Northwest, Inc. (“PFNW”) and Perma-Fix Northwest Richland, Inc. (“PFNWR”)” for a discussion of Mr. Ferguson’s interest in consideration paid and to be paid by us in connection with our acquisition of PFNW and PFNWR.

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Effective June 29, 2011, Mr. Ferguson acquired from Mr. William Lampson one-half of a Warrant (the "Lampson Warrant") for the purchase of up to 135,000 of the Company's Common Stock at $1.50 per share. We originally issued the Lampson Warrant to Mr. Lampson as consideration for a loan in the principal amount of $3,000,000 on May 8, 2009 from Mr. Lampson and Mr. Diehl Rettig. The terms of the loan were amended on April 18, 2011, to provide that the remaining principal balance of $990,000 is payable in 12 monthly principal payments plus accrued interest starting May 8, 2011. In connection with the loan amendment, the expiration date of the Lampson Warrant was extended one year to May 8, 2012. As a result of the acquisition of one-half of the Lampson Warrant, Mr. Ferguson and Mr. Lampson each now holds a Warrant for the purchase of up to 67,500 shares of Common Stock at $1.50 per share and with an expiration date of May 8, 2012. See "Note 6 – Long Term Debt – Promissory Note and Installment Agreement" for further information regarding the original Lampson Warrant.

12. Subsequent Events

Divestiture of Perma-Fix of Orlando, Inc. ("PFO")
On October 14, 2011, we completed the sale of our wholly-owned subsidiary, PFO, pursuant to the terms of an Asset Purchase Agreement, dated August 12, 2011. In consideration for such assets, the buyer paid us $2,000,000 in cash at the closing and assumed certain liabilities of PFO. The cash consideration is subject to certain working capital adjustments within one hundred twenty days after closing. The proceeds received were swept into a money market account.

Acquisition of Safety & Ecology Holdings Corporation
On October 31, 2011, the Company completed the acquisition of all of the issued and outstanding shares of capital stock of Safety & Ecology Holdings Corporation ("SEHC") and its subsidiaries, Safety & Ecology Corporation, SEC Federal Services Corporation, Safety & Ecology Corporation Limited and SEC Radcon Alliance, LLC (collectively, "SEC"), pursuant to that certain Stock Purchase Agreement, dated July 15, 2011 ("Purchase Agreement"), between the Company, Homeland Capital Security Corporation ("Homeland") and SEHC. In consideration of the acquisition, the Company paid Homeland the following:

(i) cash consideration of $13,884,256, after certain working capital closing adjustments and deduction for the amount due to the Company in connection with the purchase of the Company's common stock as discussed below;

(ii) the sum of $2,000,000 deposited in an escrow account to satisfy any claims that the Company may have against Homeland for indemnification pursuant to the Purchase Agreement and the Escrow Agreement, dated October 31, 2011 ("Escrow Agreement");

(iii) $2,500,000 unsecured, non-negotiable promissory note (the "Note"), bearing an annual rate of interest of 6%, which Note provides that the Company has the right to prepay such at any time without interest or penalty. The Company has agreed to prepay $500,000 of the principal amount of the Note within 10 days of closing of the acquisition. The Note may be subject to offset of amounts Homeland owes the Company for indemnification for breach of, or failure to perform, certain terms and provisions of the Purchase Agreement if the Escrow Agreement has terminated pursuant to its terms or the amount held in escrow has been exhausted pursuant to the terms of the Purchase Agreement. The principal of the Note and accrued interest due thereon is payable in 36 monthly installments of principal and interest. Under the terms of the Note, in the event of a continuing Event of Default under the Note, Homeland has the option to convert the unpaid portion of the Note into the Company's restricted shares of common stock equal to the quotient determined by dividing the principal amount owing under the Note and all accrued and unpaid interest thereon, plus certain expenses, by the average of the closing prices per share of the Company common stock as reported by the primary national securities exchange or automatic quotation system on which the Company's common stock is traded during the 30 consecutive trading day period ending on the trading day immediately prior to receipt by the Company of Homeland's written notice of its election to receive

the Company's common stock as a result of the Event of Default that is continuing; provided that the number of shares of common stock to be issued to Homeland under the Note in the event of a continuing Event of Default plus the number of shares of the Company common stock issued to the Management Investors, as discussed below, shall not exceed 19.9% of the voting power of all of the Company's voting securities issued and outstanding as of the date of the Purchase Agreement. Upon issuance of the shares of the Company's common stock to Homeland in the event of a continuing Event of Default, the Company and Homeland will enter into a registration rights agreement.

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Pursuant to the terms of the Purchase Agreement, upon closing of the Purchase Agreement certain security holders of Homeland ("Management Investors") purchased approximately 813,007 restricted shares of the Company's Common Stock for a total consideration of approximately $1,000,000 or $1.23 a share. The purchase of the shares of the Company's Common Stock was pursuant to a private placement under Section 4(2) of the Securities Act of 1933, as amended (the "Act") or Rule 506 of Regulation D promulgated under the Act. The purchase price for these shares of the Company's Common Stock was deducted from the purchase price payable to Homeland. See "Related Party Transactions" below for shares purchased by Mr. Christopher Leichtweis, who was appointed a Senior Vice President of the Company and President of SEC, upon the acquisition of SEHC and its subsidiaries.

The Company has not completed the valuations and accounting required under FASB ASC 805, "Business Combinations".

Amended and Restated Revolving Credit, Term Loan and Security Agreement

In connection with the acquisition of SEHC and its subsidiaries as discussed above, the Company entered into an Amended and Restated Revolving Credit, Term Loan and Security Agreement, dated October 31, 2011 ("Amended Loan Agreement"), with its lender, PNC Bank, National Association ("PNC"), replacing its previous Loan Agreement with PNC discussed in Note 6. The Amended Loan Agreement provides the Company with the following credit facilities:

- up to $25,000,000 revolving credit facility, subject to the amount of borrowings based on a percentage of eligible receivables and subject to certain reserves;
- a term loan of $16,000,000, which requires monthly installments of approximately $190,000; and
- equipment line of credit up to $2,500,000, subject to certain limitations.

The Amended Loan Agreement terminates as of October 31, 2016, unless sooner terminated.

The Company has the option of paying an annual rate of interest due on the revolving credit facility at prime plus 2% or London Inter Bank Offer Rate ("LIBOR") plus 3% and the term and equipment credit facilities at prime plus 2.5% or LIBOR plus 3.5%.

As a condition of the Amended Loan Agreement, the Company paid the remaining balance due under the term loan of its previous Loan Agreement totaling $3,833,346, and paid PNC a fee of $217,500 plus it's out of pocket legal fees using its credit facilities under the Amended Loan Agreement.

The Company financed the acquisition of SEHC utilizing its credit facilities under the Amended Loan Agreement. As of the close of business on October 31, 2011, after utilizing its credit facilities under the Amended Loan Agreement in connection with the acquisition of SEHC and payments discussed in the preceding paragraph, the Company's excess availability under its revolving credit facility as provided in the Amended Loan Agreement was approximately $18,708,000 based on the amount of the Company's eligible receivables.

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Pursuant to the Amended Loan Agreement, the Company may terminate the Amended Loan Agreement upon 90 days' prior written notice upon payment in full of its obligations under the Amended Loan Agreement. The Company has agreed to pay PNC 1.0% of the total financing in the event it pays off its obligations on or before October 31, 2012 and 1/2% of the total financing if it pays off its obligations after October 31, 2012 but prior to or on October 31, 2013. No early termination fee shall apply if the Company pays off its obligations after October 31, 2013.

Related Party Transactions

Upon the closing of the acquisition of SEHC on October 31, 2011, Mr. Christopher Leichtweis ("Leichtweis"), a former officer and director of Homeland, was appointed a Senior Vice President of the Company and President of SEC pursuant to the terms of a four year employment agreement. In connection with Leichtweis' employment on October 31, 2011, we granted Leichtweis a non-qualified stock option (the "Option") to purchase up to 250,000 shares of our Common Stock as reported on the Nasdaq on the grant date, which was $1.35. The Option has a term of 10 years from grant date, with 25% yearly vesting over a four-year period. The Option was granted in accordance with, and is subject to, Non-Qualified Stock Option Agreement, dated October 31, 2011.

Under an agreement of indemnity, SEC, Leichtweis and his spouse, jointly and severally, agreed to indemnify the individual surety with respect to contingent liabilities that may be incurred by the individual surety under certain of SEC's bonded projects. In addition, SEC has agreed to indemnify Leichtweis against judgments, penalties, fines, and expense associated with those SEC performance bonds that Leichtweis has agreed to indemnify in the event SEC cannot perform, which has an aggregate bonded amount of approximately $14,000,000. The indemnification agreement provided by SEC to Leichtweis also provides for compensating Leichtweis at a rate of 0.75% of the value of bonds (60% having been paid previously and the balance at substantial completion of the contract).

Under a Lease Agreement, dated June 1, 2008 (the "Lease"), between Leichtweis Enterprises, LLC, as lessor, and SEHC, as lessee, SEHC is obligated to make lease payments of approximately $29,000 per month through June 2018. The Lease covers SEHC's principal offices in Knoxville, Tennessee. Leichtweis Enterprises is owned by Leichtweis.

As a member of the Management Investors who purchased in a private placement restricted shares of the Company's Common Stock pursuant to the Purchase Agreement, as discussed in "Acquisition of Safety and Ecology Holdings Corporation", Leichtweis purchased 747,112 shares of the Company's Common Stock for the aggregate purchase price of approximately $918,948 or $1.23 per share. The purchase price for these shares was deducted from the consideration paid to Homeland for the acquisition of SEHC.

Item 2. Management's Discussion and Analysis of Financail Condition and Results of Operations

Forward-looking Statements

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

- our cash flows from operations and our available liquidity from the amended and restated line of credit are sufficient to service the Company's current obligations and the current obligations resulting from the acquisition of SEHC and its subsidiaries;

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- we continue to take steps to improve our operations and liquidity and to invest working capital into our facilities to fund capital additions in our Segments;
- meeting our financial covenants in 2011;
- demand for our services will continue to be subject to fluctuations due to a variety of factors beyond our control, including our national debt, the current economic conditions, and the manner in which the government will be required to spend funding to remediate federal sites;
- 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 flow;
- with much of our Nuclear Segment customer base being government or prime contractors treating government waste, we do not believe economic upturns or downturns have a significant impact on the demand for our services;
- our ability to remediate certain contaminated sites for projected amounts;
- despite our aggressive compliance and auditing procedures for disposal of wastes, we could, in the future, be notified that we are a Partially Responsible Party (“PRP”) at a remedial action site, which could have a material adverse effect;
- we, along with many of our competitors, may be required to pay fines for violations or investigate and potentially remediate our waste management facilities;
- our ability to generate funds internally to remediate sites;
- our ability to fund budgeted capital expenditures of $2,600,000 during 2011 through our operations or lease financing or a combination of both;
- the initiation and timing of projects are determined by financing alternatives or funds available for such capital projects;
- full operations under the CHPRC subcontract will result in revenues for on-site and off-site work of approximately $200,000,000 to $250,000,000 over the five year base period unless funding is reduced for this project due to budget issues relating to the federal government;
- because government spending is contingent upon its annual budget allocation of funding, we may have larger fluctuations in the quarters in the near future;
- 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;
- changes within the environmental insurance market and continued insurance coverage;
- the effect due to a change in the number of available disposal sites or an increase or decrease in demand for the existing disposal areas;
- purchase by the Company of its Common Stock and the timing and amount of such purchases;
- effect of future regulations on the Company;
- the effect as to pending legislative and regulatory proposals as to greenhouse gas emissions; and
- the Company does not expect ASU 2011-04 to have a material effect on its financial position, results of operations or cash flows and ASU 2011-05 to have a material impact on our current presentation.

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

- general economic conditions;
- material reduction in revenues;
- ability to meet PNC covenant requirements;
- inability to collect in a timely manner a material amount of receivables;
- increased competitive pressures;
- the ability to maintain and obtain required permits and approvals to conduct operations;
- the ability to develop new and existing technologies in the conduct of operations;
- the ability to maintain and obtain closure and operating insurance requirements;

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- ability to retain or renew certain required permits;
- discovery of additional contamination or expanded contamination at any of the sites or facilities leased or owned by us or our subsidiaries which would result in a material increase in remediation expenditures;
- changes in federal, state and local laws and regulations, especially environmental laws and regulations, or in interpretation of such;
- potential increases in equipment, maintenance, operating or labor costs;
- management retention and development;
- financial valuation of intangible assets is substantially more/less than expected;
- the requirement to use internally generated funds for purposes not presently anticipated;
- inability to continue to be profitable on an annualized basis;
- the inability of the Company to maintain the listing of its Common Stock on the NASDAQ;
- terminations of contracts with federal agencies or subcontracts involving federal agencies, or reduction in amount of waste delivered to the Company under the contracts or subcontracts;
- renegotiation of contracts involving the federal government;
- disposal expense accrual could prove to be inadequate in the event the waste requires re-treatment;
- Risk Factors contained in Item 1A of our 2010 Form 10-K; and
- factors set forth in "Special Note Regarding Forward-Looking Statements" contained in our 2010 Form 10-K.

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

Overview

We provide services through two reportable operating segments: Nuclear Waste Management Services Segment ("Nuclear Segment") and Consulting Engineering Services Segment ("Engineering Segment"). The Nuclear Segment provides treatment, storage, processing and disposal services of mixed waste (waste containing both hazardous and low-level radioactive materials) and low-level radioactive wastes, including research, development and on-site and off-site mixed and low-level radioactive waste remediation. Our Engineering Segment provides environmental engineering and regulatory compliance services which includes oversight management of environmental restoration projects, air, soil, and water sampling, water and hazardous waste permitting, compliance reporting, emission reduction strategies, compliance auditing, and various compliance and training activities to industrial, education, healthcare, and service organizations, as well as, engineering and compliance support needed by our facilities.

Revenue in the third quarter of 2011 increased approximately $9,923,000 or 43.4% to $32,787,000 from $22,864,000 in the third quarter of 2010. Within our Nuclear Segment, we generated revenue of $32,086,000, an increase of $9,803,000 or 44.0% from the corresponding period of 2010. Of the $9,803,000 increase in revenue, approximately $9,016,000 was primarily due to increased waste treatment volume. The remaining increase of $787,000 was from the CH Plateau Remediation Company ("CHPRC") subcontract. Our East Tennessee Materials and Energy Corporation ("M&EC") subsidiary was awarded this subcontract by CHPRC, a general contractor to the U.S. Department of Energy ("DOE"), in the second quarter of 2008, to perform a portion of facility operations and waste management activities for the DOE Hanford Site. This subcontract is a cost plus award fee subcontract. Revenue from our Engineering Segment increased $120,000 or 20.7% to $701,000 from $581,000 from higher average billing rates which was partially offset by decreased billable hours.

The third quarter 2011 gross profit increased $8,706,000 or 335.5% from the corresponding period of 2010 primarily due to increased treatment waste volume and cost reductions resulting from the reduction in workforce which occurred in the Engineering Segment and the Nuclear Segment in March 2011 and April 2011, respectively.

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SG&A for the third quarter of 2011 increased $587,000 to $4,022,000 from $3,435,000 for the corresponding period of 2010.

Our working capital position at September 30, 2011 increased to $8,930,000 from a working capital of $2,329,000 as of December 31, 2010.

Acquisition of Safety & Ecology Holdings Corporation

On October 31, 2011, we completed the acquisition of all of the issued and outstanding shares of capital stock of Safety & Ecology Holdings Corporation ("SEHC") and its subsidiaries, Safety & Ecology Corporation, SEC Federal Services Corporation, Safety & Ecology Corporation Limited and SEC Radcon Alliance, LLC (collectively, "SEC"), pursuant to that certain Stock Purchase Agreement, dated July 15, 2011 ("Purchase Agreement"), between us, Homeland Capital Security Corporation ("Homeland") and SEHC. In consideration of the acquisition, we paid Homeland the following:

(i) cash consideration of $13,884,256, after certain working capital closing adjustments and deduction for the amount due to us in connection with the purchase of our common stock as discussed below;

(ii) the sum of $2,000,000 deposited in an escrow account to satisfy any claims that we may have against Homeland for indemnification pursuant to the Purchase Agreement and the Escrow Agreement, dated October 31, 2011 ("Escrow Agreement");

(iii) $2,500,000 unsecured, non-negotiable promissory note (the "Note"), bearing an annual rate of interest of 6%, which Note provides that we have the right to prepay such at any time without interest or penalty. We agreed to prepay $500,000 of the principal amount of the Note within 10 days of closing of the acquisition. The Note may be subject to offset of amounts Homeland owes us for indemnification for breach of, or failure to perform, certain terms and provisions of the Purchase Agreement if the Escrow Agreement has terminated pursuant to its terms or the amount held in escrow has been exhausted pursuant to the terms of the Purchase Agreement. The principal of the Note and accrued interest due thereon is payable in 36 monthly installments of principal and interest. Under the terms of the Note, in the event of a continuing Event of Default under the Note, Homeland has the option to convert the unpaid portion of the Note into our restricted shares of common stock equal to the quotient determined by dividing the principal amount owing under the Note and all accrued and unpaid interest thereon, plus certain expenses, by the average of the closing prices per share of our common stock as reported by the primary national securities exchange or automatic quotation system on which our common stock is traded during the 30 consecutive trading day period ending on the trading day immediately prior to receipt by us of Homeland's written notice of its election to receive our common stock as a result of the Event of Default that is continuing; provided that the number of shares of common stock to be issued to Homeland under the Note in the event of a continuing Event of Default plus the number of shares of our common stock issued to the Management Investors, as discussed below, shall not exceed 19.9% of the voting power of all of our voting securities issued and outstanding as of the date of the Purchase Agreement. Upon issuance of the shares of our common stock to Homeland in the event of a continuing Event of Default, we will enter into a registration rights agreement with Homeland.

Pursuant to the terms of the Purchase Agreement, upon closing of the Purchase Agreement certain security holders of Homeland ("Management Investors") purchased approximately 813,007 restricted shares of our common stock for a total consideration of approximately $1 million or $1.23 a share. The purchase of the shares of the Company's common stock was pursuant to a private placement under Section 4(2) of the Securities Act of 1933, as amended (the "Act") or Rule 506 of Regulation D promulgated under the Act. The purchase price for these shares of common stock was deducted from the purchase price payable to Homeland.

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For fiscal year ending June 26, 2011, SEHC had consolidated net revenues of approximately $98,000,000, consolidated net income of approximately $578,000 and consolidated net working capital (current assets less current liabilities) of approximately $8,700,000.

In connection with the acquisition of SEHC, Homeland and SEHC agreed that it was in material breach of certain of its representations and warranties contained in the Purchase Agreement relating to a contract that a subsidiary of SEHC is a party to ("Sub's Contract"). Homeland and SEHC have agreed that if, for any reason, the Sub's Contract has not been renewed by the other party to the contract on or before December 31, 2011, for an additional term of not less than three (3) years and, based upon our determination, would not generate revenues of not less than $6,000,000 each year during the renewal term, or if the Sub's Contract has not been renewed by the other party to the contract on or before December 31, 2011, on terms set forth above, and the other party to the Sub's Contract has not awarded the SEHC's subsidiary in question, for any reason, by December 31, 2011, a new subcontract for the project covered by the Sub's Contract having a term of not less than three (3) years that would not, based upon our determination, generate revenues to SEHC's subsidiary in question of not less than $6,000,000 each year during the term of such new subcontract, then the Escrow Agent under the Escrow Agreement shall distribute to us the sum of $1,500,000 of the amount held in escrow ("$1,500,000 Distribution") on January 3, 2012, or such later date as instructed in writing by us.

We financed the acquisition of SEHC utilizing our credit facilities under the Amended and Restated Revolving Credit, Term Loan and Security Agreement with PNC, as discussed under "Liquidity and Capital Resources of the Company – Financing Activities."

SEC is an international provider of environmental, hazardous and radiological remediation infrastructure upgrades and nuclear energy services. SEC provides remediation of nuclear materials for the U.S. government and other commercial customers. SEC is headquartered in Knoxville, Tennessee.

Since we acquired SEHC and its subsidiaries on October 31, 2011, the discussions contained in this Management Discussion and Analysis do not include information relating to SEHC and its subsidiaries, except on a limited basis. We are currently in the process of reviewing the liquidity and capital resource needs of SEHC and its subsidiaries and, as a result, such information is not discussed herein. Further, the Company's results of operations for the three and nine month periods ended September 30, 2011 do not include the results of operations of SEHC and its subsidiaries, since we acquired SEHC and its subsidiaries on October 31, 2011.

Outlook

The higher government funding made available to remediate DOE sites under the economic stimulus package (American Recovery and Reinvestment Act), enacted by the Congress in February 2009, is scheduled to reduce after 2011 as the DOE has committed to spend most of its cleanup funds by the end of September 2011. The availability of additional general funding that will be available for DOE's cleanup projects will depend on future funding and its annual budgets. Therefore, we expect that demand for our services within our Nuclear Segment will be subject to fluctuations due to a variety of factors beyond our control, including our national debt, the current economic conditions, and the manner in which the government will be required to spend funding to remediate federal sites. Our operations depend, in large part, upon governmental funding, particularly funding levels at the DOE. In addition, our governmental contracts and subcontracts relating to activities at governmental sites are subject to termination or renegotiation on 30 days notice at the government's option. Significant reductions in the level of governmental funding or specifically mandated levels for different programs that are important to our business could have a material adverse impact on our business, financial position, results of operations and cash flows.

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Results of Operations

The reporting of financial results and pertinent discussions are tailored to two reportable segments: Nuclear and Engineering. As discussed above, this reporting does not include results of operations relating to SEHC and its subsidiaries since we acquired these companies on October 31, 2011, and they are not included in the financial statements included in this report. See "Overview - Acquisition of Safety and Ecology Holdings Corporation" above for a discussion of SEHC's consolidated net revenues, net income and working capital for its fiscal year ended June 26, 2011.

	Three Months Ended September 30,				Nine Months Ended September 30,			
Consolidated (amounts in thousands)	2011	%	2010	%	2011	%	2010	%
Net revenues	$32,787	100.0	$22,864	100.0	$85,315	100.0	$72,277	100.0
Cost of goods sold	21,486	65.5	20,269	88.7	62,935	73.8	57,558	79.6
Gross profit	11,301	34.5	2,595	11.3	22,380	26.2	14,719	20.4
Selling, general and administrative	4,022	12.3	3,435	15.0	10,829	12.7	10,253	14.2
Research and development	357	1.1	345	1.5	1,019	1.2	734	1.0
Loss on disposal of property and equipment			143	.6			145	.2
Income (loss) from operations	6,922	21.1	(1,328)	(5.8)	10,532	12.3	3,587	5.0
Interest income	14		15		40		51	
Interest expense	(99)	(.3)	(157)	(.7)	(458)	(.5)	(581)	(.8)
Interest expense-financing fees	(22)		(103)	(.4)	(178)	(.2)	(308)	(.4)
other	5		(1)		8		5	
Income (loss) from continuing operations before taxes	6,820	20.8	(1,574)	(6.9)	9,944	11.6	2,754	3.8
Income tax expense (benefit)	2,399	7.3	(609)	(2.7)	3,504	4.1	1,029	1.4
Income (loss) from continuing operations	$4,421	13.5	$(965)	(4.2)	$6,440	7.5	$1,725	2.4

Summary – Three and Nine Months Ended September 30, 2011 and 2010

Consolidated revenues increased $9,923,000 for the three months ended September 30, 2011, compared to the three months ended September 30, 2010, as follows:

(In thousands)	2011	% Revenue	2010	% Revenue	Change	% Change
Nuclear						
Government waste	$ 8,811	26.9	$ 4,819	21.1	$ 3,992	82.8
Hazardous/Non-hazardous	673	2.1	871	3.8	(198)	(22.7)
Other nuclear waste	3,032	9.2	2,713	11.9	319	11.8
CHPRC	19,570	59.7	13,880	60.7	5,690	41.0
Total	32,086	97.9	22,283	97.5	9,803	44.0
Engineering	701	2.1	581	2.5	120	20.7
Total	$ 32,787	100.0	$ 22,864	100.0	$ 9,923	43.4

Net Revenue

The Nuclear Segment realized revenue growth of $9,803,000 or 44.0% for the three months ended September 30, 2011 over the same period in 2010. Revenue from CHPRC totaled $19,570,000 or 59.7% and $13,880,000 or 60.7% of our total revenue from continuing operations for the three months ended September 30, 2011, and 2010, respectively. Revenue from CHPRC included approximately $11,936,000 and $11,149,000 generated for the three months ended September 30, 2011 and the corresponding period of 2010, respectively, from the CHPRC subcontract. The increase of $787,000 or 7.1% from this subcontract was primarily due to higher pass-through expenses related to a reduction in workforce which occurred in September 2011 and higher other pass-through direct costs. Remaining revenue generated from CHPRC of approximately $7,634,000 and $2,731,000 for the quarter ended September 30, 2011 and the corresponding period of 2010, respectively, was from three existing waste processing contracts we have with CHPRC. Revenue from government generators (which includes revenue generated from the three waste processing contracts from CHPRC noted above) increased by $8,895,000 or 117.8% primarily due to significantly higher waste volume which was partially reduced by lower average priced waste. Revenue from hazardous and non-hazardous waste was down by $198,000 or 22.7% primarily due to reduced waste volume of 16.8% with average pricing remaining constant. Other nuclear waste revenue increased approximately $319,000 or 11.8% primarily due to increased waste volume. Revenue in our Engineering Segment increased approximately $120,000 or 20.7% primarily due to higher average billing rates of 22.4% partially offset by decreased billable hours of 6.1%.

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Consolidated revenues increased $13,038,000 for the nine months ended September 30, 2011, as compared to the nine months ended September 30, 2010, as follows:

(In thousands)	2011	% Revenue	2010	% Revenue	Change	% Change
Nuclear						
Government waste	$ 21,553	25.3	$ 21,667	30.0	$ (114)	(0.5)
Hazardous/Non-hazardous	2,521	2.9	2,691	3.7	(170)	(6.3)
Other nuclear waste	8,914	10.4	8,117	11.2	797	9.8
CHPRC	50,403	59.1	37,881	52.4	12,522	33.1
Total	83,391	97.7	70,356	97.3	13,035	18.5
Engineering	1,924	2.3	1,921	2.7	3	0.2
Total	$ 85,315	100.0	$ 72,277	100.0	$ 13,038	18.0

The Nuclear Segment realized revenue growth of $13,035,000 or 18.5% for the nine months ended September 30, 2011 over the same period in 2010. Revenue from CHPRC totaled $50,403,000 or 59.1% and $37,881,000 or 52.4% of our total revenue from continuing operations for the nine months ended September 30, 2011, and 2010, respectively. Revenue from CHPRC included approximately $33,275,000 and $31,494,000 generated for the nine months ended September 30, 2011 and the corresponding period of 2010, respectively, from the CHPRC subcontract. The increase of $1,781,000 or 5.7% from this subcontract was primarily due to higher average rates and higher pass-through direct costs. Remaining revenue generated from CHPRC of approximately $17,128,000 and $6,387,000 for the nine months ended September 30, 2011 and the corresponding period of 2010, respectively, was from three existing waste processing contracts we have with CHPRC. Revenue from government generators (which includes revenue generated from the three waste processing contracts from CHPRC noted above) increased by a total of $10,627,000 or 37.9% primarily due to higher waste volume, which was partially offset by lower averaged priced waste. In the prior year, we generated revenue from the receipt and processing/disposal of higher activity waste streams received in late 2009 and 2010. Revenue from hazardous and non-hazardous waste was down by $170,000 or 6.3% primarily due to reduced waste volume of 10.2%, with average pricing remaining constant. This decrease in revenue was partially offset by increased field service work. Other nuclear waste revenue increased approximately $797,000 or 9.8% primarily due to increased waste volume. Engineering Segment increased slightly by $3,000 or 0.2% primarily due to higher average billing rate of 11.7% which was mostly offset by decreased billable hours of 10.9%.

Cost of Goods Sold

Cost of goods sold increased $1,217,000 for the quarter ended September 30, 2011, as compared to the quarter ended September 30, 2010, as follows:

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(In thousands)	2011	% Revenue	2010	% Revenue	Change
Nuclear	$20,953	65.3	$19,652	88.2	$1,301
Engineering	533	76.0	617	106.2	(84)
Total	$21,486	65.5	$20,269	88.7	$1,217

The Nuclear Segment's cost of goods sold for the three months ended September 30, 2011 were up $1,301,000 or 6.6% from the corresponding period of 2010. The cost of goods sold within our Nuclear Segment includes approximately $9,782,000 and $9,017,000 in cost of goods sold for the three months ended September 30, 2011, and 2010, respectively, related to the CHPRC subcontract. This increase of $765,000 or 8.5% was consistent with the increase in revenue for the CHPRC subcontract. Excluding the cost of goods sold of the CHPRC subcontract, the Nuclear Segment costs increased approximately $536,000 or 5.0% primarily due to increased revenue from higher waste volume. We saw increases in material and supplies costs, transportation costs, and bonus expense resulting from higher waste volume. In addition, we incurred higher costs related to building maintenance at our facilities. The increase was partially reduced by lower disposal costs, lower outside service costs and lower salaries and payroll related expenses from the reduction in workforce which occurred in April. Cost as a percentage of revenue decreased to 55.4% from 95.5% due to revenue mix and reduced fixed costs. Engineering Segment costs decreased approximately $84,000 primarily due to lower salaries, lower payroll related expenses and lower healthcare costs from lower headcount resulting from the reduction in workforce which occurred during March 2011. Included within cost of goods sold is depreciation and amortization expense of $1,118,000 and $1,128,000 for the three months ended September 30, 2011, and 2010, respectively.

Cost of goods sold increased $5,377,000 for the nine months ended September 30, 2011, as compared to the nine months ended September 30, 2010, as follows:

(In thousands)	2011	% Revenue	2010	% Revenue	Change
Nuclear	$61,307	73.5	$55,815	79.3	$5,492
Engineering	1,628	84.6	1,743	90.7	(115)
Total	$62,935	73.8	$57,558	79.6	$5,377

Cost of goods sold for the Nuclear Segment increased $5,492,000 or 9.8%, which included the cost of goods sold of approximately $27,102,000 related to the CHPRC subcontract. Cost of goods sold for the CHPRC subcontract was approximately $25,572,000 for the nine months ended September 30, 2010. The increase in cost of goods sold for the CHPRC subcontract of $1,530,000 or 6.0% was consistent with the increase in revenue for the CHPRC subcontract. Excluding the CHPRC subcontract, the remaining Nuclear Segment cost of goods sold increased $3,962,000 or approximately 13.1% primarily due to increase in revenue. We saw increases in material and supplies, disposal costs, and transportation costs, which were reflective of the high waste volume. We also recognized higher bonus expense resulting from higher revenue and operating income. Salaries, healthcare costs, and payroll related expenses were down resulting from the reduction in workforce which occurred in April 2011 but were partially reduced by the $154,000 in severance expense incurred from this reduction in workforce. The Engineering Segment's cost of goods sold decreased approximately $115,000 primarily due to lower salaries, lower payroll related expenses and lower healthcare costs from lower headcount resulting from the reduction in workforce which occurred during March 2011. The decrease in cost of goods sold was partially offset by reduced allocation of internal labor hours to the Company's internal facilities. During the nine months of 2010, the Engineering Segment had three major projects for our subsidiary, Perma-Fix of Northwest Richland, Inc. ("PFNWR"), and our subsidiary, Perma-Fix of South Georgia, Inc. ("PFSG") (now in discontinued operations), which did not reoccur in the nine months of 2011. We also incurred severance expense of approximately $34,000 resulting from the reduction in workforce. Included within cost of goods sold is depreciation and amortization expense of $3,379,000 and $3,305,000 for the nine months ended September 30,

2011, and 2010, respectively.

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Gross Profit (Negative Gross Profit)

Gross profit for the quarter ended September 30, 2011, increased $8,706,000 over 2010, as follows:

(In thousands)	2011	% Revenue	2010	% Revenue	Change
Nuclear	$11,133	34.7	$2,631	11.8	$8,502
Engineering	168	24.0	(36)	(6.2)	204
Total	$11,301	34.5	$2,595	11.3	$8,706

The Nuclear Segment gross profit increased $8,502,000 or 323.1% for the three months ended September 30, 2011 from the corresponding period of 2010. The Nuclear Segment gross profit included $2,154,000 and $2,132,000 in gross profit for the three months ended September 30, 2011 and 2010, respectively, for the CHPRC subcontract. Gross margin on the CHPRC subcontract of approximately 18.0% and 19.1% for the three months ended September 30, 2011 and 2010, respectively, was in accordance with the contract fee provisions. Excluding the gross profit of the CHPRC subcontract, remaining Nuclear Segment gross profit increased $8,480,000 and gross margin increased to 44.6% from 4.5% primarily due to increased revenue from increased waste volume, revenue mix, and reduction in salaries, healthcare costs, and payroll related expenses from the reduction in work force which occurred in April 2011. The increase in gross profit and gross margin in the Engineering Segment was primarily due to lower salaries and payroll related expenses from lower headcount resulting from the reduction in work force which occurred during March 2011.

Gross profit for the nine months ended September 30, 2011, increased $7,661,000 over 2010, as follows:

(In thousands)	2011	% Revenue	2010	% Revenue	Change
Nuclear	$22,084	26.5	$14,541	20.7	$7,543
Engineering	296	15.4	178	9.3	118
Total	$22,380	26.2	$14,719	20.4	$7,661

The Nuclear Segment gross profit increased $7,543,000 or 51.9%, which included gross profit of approximately $6,173,000 and $5,922,000 in gross profit for the nine months ended September 30, 2011 and 2010, respectively, for the CHPRC subcontract. Gross margin on the CHPRC subcontract of approximately 18.6% and 18.8% for the nine months ended September 30, 2011 and the corresponding period of 2010, respectively, was in accordance with the contract fee provisions. Excluding the CHPRC subcontract, Nuclear Segment gross profit increased $7,292,000 or 84.6% and gross margin increased to 31.7% from 22.2% from higher waste volume, revenue mix and the reduction in salaries and payroll related costs resulting from the reduction in workforce which occurred in April 2011. The increase in gross profit and gross margin in the Engineering Segment was primarily due to lower salaries and payroll related expenses from lower headcount resulting from the reduction in workforce which occurred during March 2011.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses increased $587,000 for the three months ended September 30, 2011, as compared to the corresponding period for 2010, as follows:

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(In thousands)	2011	% Revenue	2010	% Revenue	Change
Administrative	$1,917	¾	$1,619	¾	$298
Nuclear	2,011	6.3	1,702	7.6	309
Engineering	94	13.4	114	19.6	(20)
Total	$4,022	12.3	$3,435	15.0	$587

The increase in administrative SG&A was primarily the result of higher incentive costs resulting from the Company's improved operating results, higher salary and payroll related expense resulting from the new Chief Operating Officer whose employment became effective June 1, 2011, and higher legal expense incurred for the acquisition of SEHC and its subsidiaries (see "Overview - Acquisition of Safety and Ecology Holdings Corporation" discussed above for further information regarding this acquisition). The increase was partially offset by lower general and healthcare expenses. The increase in Nuclear Segment SG&A was primarily due to higher incentive expense resulting from higher revenue and operating income, higher non-reimbursable costs incurred related to the reduction in workforce under the CHPRC subcontract, and higher bad debt expense. The increase was partially offset by lower outside service expense from fewer business/consulting matters and lower general expense in various categories as we continue to streamline our costs. The decrease in Engineering Segment's SG&A was primarily due to lower salaries and payroll related expenses. Included in SG&A expenses is depreciation and amortization expense of $53,000 and $27,000 for the three months ended September 30, 2011, and 2010, respectively.

SG&A expenses increased $576,000 for the nine months ended September 30, 2011, as compared to the corresponding period for 2010, as follows:

(In thousands)	2011	% Revenue	2010	% Revenue	Change
Administrative	$5,092	¾	$4,770	¾	$322
Nuclear	5,466	6.6	5,164	7.3	302
Engineering	271	14.1	319	16.6	(48)
Total	$10,829	12.7	$10,253	14.2	$576

The increase in administrative SG&A was primarily the same reasons as noted above for the three months ended September 30, 2011. Nuclear Segment SG&A was higher primarily due to higher incentive expense resulting from higher revenue and operating income and higher non-reimbursable costs incurred related to the reduction in workforce under the CHPRC subcontract. The increase was partially offset by lower bad debt expense, lower outside service expense from fewer business/consulting matters, and lower healthcare and general costs. Engineering SG&A was lower primarily due to lower salaries and payroll related expenses and lower trade show/advertising expenses. The decrease was partially offset by higher bad debt expense. Included in SG&A expenses is depreciation and amortization expense of $124,000 and $69,000 for the nine months ended September 30, 2011 and 2010, respectively.

Research and Development

Research and development costs increased $12,000 for the three months ended September 30, 2011, as compared to the corresponding period of 2010.

(In thousands)	2011	% Revenue	2010	% Revenue	Change
Research and Development	$357	1.1	$345	1.5	$12

The slight increase was primarily due to increased lab costs incurred for research and development projects.

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Research and development costs increased $285,000 for the nine months ended September 30, 2011, as compared to the corresponding period of 2010.

(In thousands)	2011	% Revenue	2010	% Revenue	Change
Research and Development	$ 1,019	1.2	$ 734	1.0	$ 285

The increase was primarily due to increased payroll and lab costs from more research and development projects.

Interest Expense
Interest expense decreased $58,000 and $123,000 for the three and nine months ended September 30, 2011, respectively, as compared to the corresponding period of 2010.

	Three Months			Nine Months		
(In thousands)	2011	2010	Change	2011	2010	Change
PNC interest	$58	$94	$(36)	$266	$330	$(64)
Other	41	63	(22)	192	251	(59)
Total	$99	$157	$(58)	$458	$581	$(123)

The decrease in interest expense for the three months and nine months ended September 30, 2011, as compared to the corresponding period in 2010 was primarily due to payoff of our Revolving Credit line and reduced loan balance on the Term Loan from monthly principal payment. In addition, interest was lower resulting from the final principal installment payment in June 2011 of the shareholder note in connection with the acquisition of Perma-Fix of Northwest, Inc. (“PFNW”) and its wholly owned subsidiary, PFNWR, and reduced loan balance from continuing reductions to the principal on the promissory note dated May 8, 2009 entered into with Mr. William Lampson and Mr. Diehl Rettig (which was modified on April 18, 2011). The reduction in interest expense mentioned above was partially offset by higher interest expense from a $1,322,000 promissory note entered into in September 2010 in connection with an earn-out amount we are required to pay from the acquisition of PFNW and PFNWR.

Interest Expense - Financing Fees
Interest expense-financing fees decreased approximately $81,000 and $130,000 for the three and nine months ended September 30, 2011, respectively, as compared to the corresponding period of 2010. The decrease for the three and nine months ended September 30, 2011, was primarily due to the debt discount which became fully amortized as financing fees on May 8, 2011 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 dated May 8, 2009. This decrease in interest expense-financing fees was partially offset by additional debt discount amortized related to the extension of the two Warrants as consideration for extending the due date of the loan from May 8, 2011 to April 8, 2012.

Interest Income
Interest income decreased approximately $1,000 and $11,000 for the three and nine months ended September 30, 2011, as compared to the corresponding period of 2010, respectively. The decrease for the three and nine months was primarily the result of lower interest earned on the finite risk sinking fund due to lower interest rates, partially offset by interest income earned from cash in our money market account.

Income Tax Expense
Income tax expense for continuing operations was $2,399,000 for the three months ended September 30, 2011, as compared to an income tax benefit of $609,000 for the corresponding period of 2010 and income tax expense of $3,504,000 for the nine months ended September 30, 2011, as compared to income tax expense of $1,029,000 for the

corresponding period of 2010. The Company's effective tax rates were approximately 35.2% and 38.7% for the three months ended September 30, 2011 and 2010, respectively, and 35.2% and 37.4% for the nine months ended September 30, 2011 and 2010, respectively. We estimate our tax liability based on our estimated annual effective tax rate, which is based on our expected annual income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which we operate.

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Discontinued Operations and Divestitures

Our discontinued operations consist of our Perma-Fix of Fort Lauderdale, Inc. (“PFFL”), PFSG, and Perma-Fix of Orlando, Inc. (“PFO”) facilities which our Board of Directors authorized the divestiture of these three facilities on October 6, 2010. Our discontinued operations also encompass our Perma-Fix of Maryland, Inc. (“PFMD”), Perma-Fix of Dayton, Inc. (“PFD”), and Perma-Fix Treatment Services, Inc. (“PFTS”) facilities within our Industrial Segment, which we completed the sale of substantially all of the assets on January 8, 2008, March 14, 2008, and May 30, 2008, respectively. Our discontinued operations also include three previously shut down locations, Perma-Fix of Pittsburgh, Inc. (“PFP”), Perma-Fix of Michigan, Inc. (“PFMI”), and Perma-Fix of Memphis, Inc. (“PFM”), which were approved as discontinued operations by our Board of Directors effective November 8, 2005, October 4, 2004, and March 12, 1998, respectively.

On August 12, 2011, we completed the sale of our wholly-owned subsidiary, PFFL, pursuant to the terms of a Stock Purchase Agreement, dated June 13, 2011. In consideration for the sale of 100% of the capital stock of PFFL, the buyer paid us $5,500,000 in cash at closing. The cash consideration is subject to certain working capital adjustments within one hundred twenty days after closing. The proceeds received were used to pay down our revolver and used for working capital with the remaining excess funds swept into a money market account. As of September 30, 2011, expenses related to the sale of PFFL totaled approximately $160,000, of which $130,000 has been paid. In the quarter ended September 30, 2011, the gain on the sale of PFFL totaled approximately $1,777,000, which is net of taxes of $812,000. The gain is recorded separately on the Consolidated Statement of Operations as “Gain on disposal of discontinued operations, net of taxes”.

On October 14, 2011, we completed the sale of our wholly-owned subsidiary, PFO, pursuant to the terms of an Asset Purchase Agreement, dated August 12, 2011. In consideration for such assets, the buyer paid us $2,000,000 in cash at the closing and assumed certain liabilities of PFO. The cash consideration is subject to certain working capital adjustments within one hundred twenty days after closing. The proceeds received were swept into a money market account.

Our discontinued operations had net revenue of $1,266,000 and $6,433,000 for the three and nine months ended September 30, 2011, respectively, as compared to $2,224,000 and $6,766,000 for the corresponding periods of 2010. We had net income of $1,590,000 and $1,770,000 for our discontinued operations for the three and nine months ended September 30, 2011, respectively, as compared to net loss of $101,000 and $708,000 for the three and nine months ended September 30, 2010, respectively. Our net income for the three and nine months ended September 30, 2011 included a gain on disposal of $1,777,000 (net of taxes of $812,000) from the divestiture of PFFL as mentioned above.

Assets and liabilities related to discontinued operations total $4,196,000 and $4,381,000 as of September 30, 2011, respectively and $7,433,000 and $5,747,000 as of December 31, 2010, respectively.

Liquidity and Capital Resources of the Company

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

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At September 30, 2011, we had cash of $10,641,000. The following table reflects the cash flow activities during the nine months of 2011.

(In thousands)	2011
Cash provided by operating activities of continuing operations	$ 14,104
Cash provided by operating activities of discontinued operations	1,036
Gain on disposal of discontinued operations	(1,777)
Cash used in investing activities of continuing operations	(3,953)
Cash provided by investing activities of discontinued operations	6
Net proceeds from sale of capital stock of discontinued operations	5,370
Cash used in financing activities of continuing operations	(4,097)
Principal repayment of long-term debt for discontinued operations	(149)
Increase in cash	$ 10,540

As of November 2, 2011, we have a positive cash position of approximately $6,000,000 after the acquisition of SEHC and its subsidiaries as discussed previously. We attempt to move all excess cash into a Money Market Sweep account in order to maximize the interest earned. When we are in a net borrowing position, we 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 September 30, 2011, primarily represents cash provided by operations, remaining proceeds received from the divestiture of our PFFL subsidiary after pay off of our revolver debt, and minor petty cash and local account balances used for miscellaneous services and supplies.

Operating Activities

Accounts Receivable, net of allowances for doubtful accounts, totaled $17,032,000 at September 30, 2011, an increase of $8,491,000 over the December 31, 2010 balance of $8,541,000. The increase was primarily within the Nuclear Segment, which experienced an increase of approximately $8,373,000 primarily due to increased revenue. The Engineering Segment experienced an increase of approximately $118,000 due mainly to increased revenue.

Unbilled receivables are generated by differences between invoicing timing and our performance based methodology used for revenue recognition purposes. As major processing phases are completed and the costs incurred, we recognize the corresponding percentage of revenue. We experience delays in processing invoices due to the complexity of the documentation that is required for invoicing, as well as the difference between completion of revenue recognition milestones and agreed upon invoicing terms, which results in unbilled receivables. The timing differences occur for several reasons: partially from delays in the final processing of all wastes associated with certain work orders and partially from delays for analytical testing that is required after we have processed waste but prior to our release of waste for disposal. The tasks relating to these delays usually take several months to complete. As of September 30, 2011, unbilled receivables totaled $9,447,000, a decrease of $2,545,000 from the December 31, 2010 balance of $11,992,000, which reflects our continued efforts to reduce this balance. The delays in processing invoices, as mentioned above, usually take several months to complete and the related receivables are normally considered collectible within twelve months. However, as we have historical data to review the timing of these delays, we realize that certain issues, including, but not limited to delays at our third party disposal site, can extend collection of some of these receivables greater than twelve months. Therefore, we have segregated the unbilled receivables between current and long term. The current portion of the unbilled receivables as of September 30, 2011 is $8,665,000, a decrease of $771,000 from the balance of $9,436,000 as of December 31, 2010. The long term portion as of September 30, 2011 is $782,000, a decrease of $1,774,000 from the balance of $2,556,000 as of December 31, 2010.

As of September 30, 2011, total consolidated accounts payable was $5,286,000, an increase of $395,000 from the December 31, 2010 balance of $4,891,000. The increase was the result of increased vendor invoices from increases in revenue and our continued management of payment terms with our vendors to maximize our cash position throughout all segments.

Accrued expenses as of September 30, 2011, totaled $10,501,000, an increase of $4,505,000 over the December 31, 2010 balance of $5,996,000. Accrued expenses are made up of accrued compensation, interest payable, insurance payable, certain tax accruals, and other miscellaneous accruals. The increase was primarily due to income taxes payable resulting from significantly higher net income, higher payroll accrual for costs incurred in connection with reduction in workforce related to our CHPRC subcontract, and renewal of the Company's general insurance in September 2011. Also, we recorded approximately $840,000 in earn-out amount payable during the second quarter of 2011 for measurement period ended June 30, 2011 in connection with the acquisition of PFNWR facility in June 2007 (see "Liquidity and Capital Resources of the Company – Financing Activities" for further information regarding this earn-out amount).

Disposal/transportation accrual as of September 30, 2011, totaled $2,673,000, an increase of $485,000 over the December 31, 2010 balance of $2,188,000. Our disposal accrual can vary based on revenue mix and the timing of waste shipment for final disposal. During the first nine months of 2011, we had less waste shipped for disposal as compared to 2010 year end which increased the amount of waste on site or in-transit that needed to be accrued.

Our working capital was $8,930,000 (which includes working capital of our discontinued operations) as of September 30, 2011, as compared to a working capital of $2,329,000 as of December 31, 2010. The improvement in our working capital was primarily due to the increase in our trade receivables from increased revenue and the final principal installment payment of approximately $833,000 on the $2,500,000 note we entered into in connection with the acquisition of PFNWR and PFNW in June 2007. Our working capital was negatively impacted by the increase in our unearned revenue and increases in our accounts payable and accruals as discussed above. See "Acquisition of Safety and Ecology Holdings Corporation" above for a discussion of working capital of SEHC.

Investing Activities

Our purchases of capital equipment for the nine months ended September 30, 2011 totaled approximately $1,999,000, of which $1,995,000 and $4,000 was for our continuing and discontinued operations, respectively. These expenditures were for improvements to operations primarily within the Nuclear Segment. These capital expenditures were funded by the cash provided by operating activities. We have budgeted approximately $2,600,000 for 2011 capital expenditures for our segments to expand our operations into new markets, reduce the cost of waste processing and handling, expand the range of wastes that can be accepted for treatment and processing, and to maintain permit compliance requirements. Certain of these budgeted projects are discretionary and may either be delayed until later in the year or deferred altogether, thus, it is not unusual for actual capital spending totals for a given year to be less than the budget amount. The initiation and timing of projects are also determined by financing alternatives or funds available for such capital projects.

The Company has a 25-year finite risk insurance policy entered into in June 2003 with Chartis, a subsidiary of American International Group, Inc. ("AIG"), which provides financial assurance to the applicable states for our permitted facilities in the event of unforeseen closure. 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, as amended in 2009, provides for a maximum allowable coverage of $39,000,000 and has available capacity to allow for annual inflation and other performance and surety bond requirements. This finite risk insurance policy requires the following payments:

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- an upfront payment of $4,000,000, of which $2,766,000 represents the full premium for the 25-year term of the policy, and the remaining $1,234,000, is to be deposited in a sinking fund account representing a restricted cash account;
- seven annual installments of $1,004,000 starting February 2004, of which $991,000 is to be deposited in a sinking fund account, with the remaining $13,000 representing a terrorism premium;
- a payment of $2,000,000 due on March 6, 2009, of which approximately $1,655,000 is to be deposited into a sinking fund account, with the remaining representing a fee payable to Chartis;
- three yearly payments of approximately $1,073,000 payable starting December 31, 2009, of which $888,000 is be deposited into a sinking fund account, with the remaining representing a fee payable to Chartis. The second of the third payments was made in January 2011; and
- a payment of $2,008,000 (payable in February 2011), of which $1,982,000 is to be deposited in a sinking fund account, with the remaining $26,000 representing a terrorism premium.

During February 2011, the $2,008,000 and the $1,073,000 installment payments which had remained payable on the closure policy were amended, subject to finalization of the closure policy modification, as follows: $1,004,000 was to be paid by February 2011, of which $991,000 was to be deposited into a sinking fund, with the remaining $13,000 representing a terrorism premium; $1,073,000 is due December 2011, of which $888,000 is to be deposited into a sinking fund account, with the remaining representing a fee payable to Chartis; and a final payment of $1,054,000 due February 2012, of which $991,000 is to be deposited into a sinking fund, $13,000 representing a terrorism premium, and the remaining $50,000 representing a fee payable to Chartis. In February 2011, we paid the $1,004,000 under the amended terms. As a result of the revision to the payment terms, the maximum allowable coverage under this closure policy was revised to $36,431,000 as of February 2011, with such maximum allowable coverage increased to $37,300,000 in March 2011. The maximum allowable coverage will be increased to $39,000,000 upon final payment of the $1,054,000 in February 2012.

As of September 30, 2011, our total financial coverage amount under this policy totaled $36,696,000. We have recorded $13,465,000 in our sinking fund related to the policy noted above on the balance sheet, which includes interest earned of $872,000 on the sinking fund as of September 30, 2011. Interest income for the three and nine months ended September 30, 2011, was approximately $8,000 and $26,000, respectively. On the fourth and subsequent anniversaries of the contract inception, we may elect to terminate this contract. If we so elect, Chartis is obligated to pay us an amount equal to 100% of the sinking fund account balance in return for complete releases of liability from both us and any applicable regulatory agency using this policy as an instrument to comply with financial assurance requirements.

In August 2007, we entered into a second finite risk insurance policy for our PFNWR facility with Chartis. The policy provides an initial $7,800,000 of financial assurance coverage with an annual growth rate of 1.5%, which at the end of the four year term policy, will provide maximum coverage of $8,200,000. We have the option to renew this policy at the end of the four year term. The policy requires total payments of $7,158,000, consisting of an initial payment of $1,363,000 ($1,106,000 represented premium on the policy and the remaining was deposited into a sinking fund account), two annual payments of $1,520,000 (for each annual payment, $1,344,000 was deposited into a sinking fund and the remaining represented premium), and an additional $2,755,000 payment (paid quarterly and all deposited into a sinking fund). We have made all of the payments. As of September 30, 2011, we have recorded $5,877,000 in our sinking fund related to this policy on the balance sheet, which includes interest earned of $177,000 on the sinking fund as of September 30, 2011. Interest income for the three and nine months ended September 30, 2011 totaled approximately $4,000 and $13,000, respectively. On July 31, 2011, the policy was renewed for an additional year which required a $46,000 fee. We have the option to renew this policy annually going forward with a similar fee which will be determined at the time of renewal. All other terms of the policy remain substantially unchanged.

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Financing Activities
On December 22, 2000, we entered into a Revolving Credit, Term Loan and Security Agreement ("Loan Agreement") with PNC Bank, National Association (“PNC”), a national banking association acting as agent ("Agent") for lenders, and as issuing bank, as amended. The Agreement provided for a term loan ("Term Loan") in the amount of $7,000,000, which requires monthly installments of $83,000. The Agreement also provided for a revolving line of credit ("Revolving Credit") with a maximum principal amount outstanding at any one time of $18,000,000, as amended. The Revolving Credit advances are subject to limitations of an amount up to the sum of (a) up to 85% of Commercial Receivables aged 90 days or less from invoice date, (b) up to 85% of Commercial Broker Receivables aged up to 120 days from invoice date, (c) up to 85% of acceptable Government Agency Receivables aged up to 150 days from invoice date, and (d) up to 50% of acceptable unbilled amounts aged up to 60 days, less (e) reserves the Agent reasonably deems proper and necessary. As of September 30, 2011, the excess availability under our Revolving Credit was $13,092,000 based on our eligible receivables.

In connection with the acquisition of SEHC and its subsidiaries as discussed above, the Company entered into an Amended and Restated Revolving Credit, Term Loan and Security Agreement, dated October 31, 2011 (“Amended Loan Agreement”), with its lender, PNC Bank, National Association (“PNC”), replacing its previous Loan Agreement with PNC discussed above. The Amended Loan Agreement provides the Company with the following credit facilities:

- up to $25,000,000 revolving credit facility, subject to the amount of borrowings based on a percentage of eligible receivables and subject to certain reserves;
- a term loan of $16,000,000, which requires monthly installments of approximately $190,000; and
- equipment line of credit up to $2,500,000, subject to certain limitations.

The Amended Loan Agreement terminates as of October 31, 2016, unless sooner terminated.

The Company has the option of paying an annual rate of interest due on the revolving credit facility at prime plus 2% or London Inter Bank Offer Rate (“LIBOR”) plus 3% and the term and equipment credit facilities at prime plus 2.5% or LIBOR plus 3.5%.

As a condition of the Amended Loan Agreement, the Company paid the remaining balance due under the term loan of its previous Loan Agreement totaling $3,833,346, and paid PNC a fee of $217,500 plus it’s out of pocket legal fees using its credit facilities under the Amended Loan Agreement.

The Company financed the acquisition of SEHC utilizing its credit facilities under the Amended Loan Agreement. As of the close of business on October 31, 2011, after utilizing its credit facilities under the Amended Loan Agreement in connection with the acquisition of SEHC and payments discussed in the preceding paragraph, the Company’s excess availability under its revolving credit facility as provided in the Amended Loan Agreement was approximately $18,708,000 based on the amount of the Company’s eligible receivables.

Pursuant to the Amended Loan Agreement, the Company may terminate the Amended Loan Agreement upon 90 days’ prior written notice upon payment in full of its obligations under the Amended Loan Agreement. The Company has agreed to pay PNC 1.0% of the total financing in the event it pays off its obligations on or before October 31, 2012 and 1/2% of the total financing if it pays off its obligations after October 31, 2012 but prior to or on October 31, 2013. No early termination fee shall apply if the Company pays off its obligations after October 31, 2013.

Our credit facility with PNC Bank contains certain financial covenants, along with customary representations and warranties. A breach of any of these financial covenants, unless waived by PNC, could result in a default under our credit facility triggering our lender to immediately require the repayment of all outstanding debt under our credit facility and terminate all commitments to extend further credit. We met our financial covenants in each of the quarters in 2010, and we expect to meet our financial covenants in 2011. The following table illustrates the most significant financial covenants under our credit facility and reflects the quarterly compliance required by the terms of our senior credit facility as of September 30, 2011:

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(Dollars in thousands) PNC Credit Facility	Quarterly Requirement (dollars in thousands)	1st Quarter Actual (dollars in thousands)	2nd Quarter Actual (dollars in thousands)	3rd Quarter Actual (dollars in thousands)
Fixed charge coverage ratio	1:25:1	1:35:1	1:54:1	2.89:1
Minimum tangible adjusted net worth	$ 30,000	$ 61,707	$ 63,585	$ 69,717

In conjunction with our acquisition of Perma-Fix Northwest, Inc. ("PFNW"), we agreed to pay shareholders of Nuvotec (n/k/a PFNW) that qualified as accredited investors (which includes Mr. Robert Ferguson, a member of our Board of Directors), pursuant to Rule 501 of Regulation D promulgated under the Securities Act of 1933, $2,500,000, with principal payable in equal installments of $833,333 on June 30, 2009, June 30, 2010, and June 30, 2011. Interest is accrued on the outstanding principal balance at 8.25% starting in June 2007 and is payable on June 30, 2008, June 30, 2009, June 30, 2010, and June 30, 2011. On June 30, 2011, we made the final principal installment of $833,333 plus accrued interest of $69,000. See "Related Party Transactions" in this section for information regarding Mr. Robert Ferguson.

The Company has a promissory note dated May 8, 2009, with William N. Lampson and Diehl Rettig (collectively, the "Lenders") for $3,000,000. The Lenders were formerly shareholders of PFNW prior to our acquisition of PFNW and PFNWR and are also stockholders of the Company having received shares of our Common Stock in connection with our acquisition of PFNW and PFNWR. The promissory note provided for monthly principal repayment of approximately $87,000 plus accrued interest, starting June 8, 2009, with interest payable at LIBOR plus 4.5%, with LIBOR at least 1.5%. Any unpaid principal balance along with accrued interest was due May 8, 2011. We paid approximately $22,000 in closing costs on the promissory note which was being amortized over the term of the note. The promissory note may be prepaid at any time by the Company without penalty. As consideration of the Company receiving this loan, we issued a Warrant to Mr. Lampson and a Warrant to Mr. Diehl to purchase up to 135,000 and 15,000 shares, respectively, of the Company's Common Stock at an exercise price of $1.50 per share. The Warrants were exercisable six months from May 8, 2009 and were to expire on May 8, 2011. We also issued an aggregate of 200,000 shares of the Company's Common Stock, with Mr. Lampson receiving 180,000 shares and Mr. Rettig receiving 20,000 shares of the Company's Common Stock. The fair value of the Common Stock and Warrants on the date of issuance was estimated to be $476,000 and $190,000, respectively. The fair value of the Common Stock and Warrants was recorded as a debt discount and was being amortized over the term of the loan as interest expense – financing fees. On April 18, 2011, we entered into an amendment to the promissory note whereby the remaining principal balance on the promissory note of approximately $990,000 is to be repaid in twelve monthly principal payments of approximately $82,500 plus accrued interest, starting May 8, 2011, with interest payable at the same rate of the original loan. As consideration of the amended loan, the original Warrants issued to Mr. Lampson and to Mr. Rettig which were to expire on May 8, 2011, were extended to May 8, 2012 at the same exercise price (Mr. Rettig is now deceased; accordingly, the amended Warrant and the remaining portion of the note payable to Mr. Rettig is now held by and payable to his personal representative or estate). We accounted for the amended loan as a modification in accordance with ASC 470-50, "Debt – Modifications and Extinguishments". At the date of the loan modification, unamortized debt discount and fees on the original loan and the fair value of the modified Warrants were determined to be approximately $42,000, which is being amortized as debt discount over the term of the modified loan as interest expense-financing fees in accordance to ASC 470-50. See "Related Party Transactions" in this section for Mr. Robert Ferguson's (a member of our Board of Directors) acquisition of one-half of Mr. Lampson's Warrant to purchase up to 65,000 shares of the Company's Common Stock).

In connection with the acquisition of PFNW and PFNWR in June 2007, we are required to pay to those former shareholders of Nuvotec (including Mr. Robert Ferguson, a member of our Board of Directors) an earn-out amount upon meeting certain conditions for each measurement year ended June 30, 2008 to June 30, 2011, with the aggregate of the full earn-out amount not to exceed $4,552,000, pursuant to the Merger Agreement, as amended ("Agreement") (See "Related Party Transactions" in this section for further information regarding Mr. Ferguson). Under the Agreement, the earn-out amount to be paid for any particular measurement year is to be an amount equal to 10% of the amount that the revenues for our nuclear business (as defined) for such measurement year exceeds the budgeted amount of revenues for our nuclear business for that particular period. No earn-out was required to be paid for measurement year 2008, and we paid $734,000 in earn out for measurement year 2009 in 2009. We were required to pay $2,978,000 in earn-out prior to the Offset Amounts as discussed below for measurement year ended June 30, 2010. Pursuant to the Agreement, any indemnification obligations payable to the Company by the former shareholders of Nuvotec will be deducted ("Offset Amount") from any earn-out amounts payable by the Company for the measurement year ended June 30, 2010 and June 30, 2011. Pursuant to the Agreement, the aggregate amount of any Offset Amount may total up to $1,000,000, except an Offset Amount is unlimited as to indemnification relating to liabilities for taxes, misrepresentation or inaccuracies with respect to the capitalization of Nuvotec or PEcoS (n/k/a "PFNWR") or for willful or reckless misrepresentation of any representation, warranty or covenant. For the $2,978,000 in earn-out for measurement year ended June 30, 2010, we identified an Offset Amount of approximately $93,000 relating to an excise tax issue and a refund request from a PEcoS customer in connection with services for waste treatment prior to our acquisition of PFNWR and PFNW. We also identified an anticipated Offset Amount of $563,000 in connection with the receipt of nonconforming waste at the PFNWR facility prior to our acquisition of PFNWR and PFNW. We are currently involved in litigation with the party that delivered the nonconforming waste to the facility prior to our acquisition of PFNWR and PFNW. After the Offset Amount of $93,000 and the anticipated Offset Amount of $563,000, we were required to pay $2,322,000 in earn-out amount for measurement year ended June 30, 2010. In September 2010, we paid $1,000,000 of the $2,322,000 in earn-out amount, with the remaining $1,322,000 payable in a promissory note at an annual interest rate of 6.0%, as permitted under the Agreement, as amended. The promissory note provides for thirty six equal monthly payments of approximately $40,000, consisting of interest and principal, starting October 15, 2010. The promissory note may be prepaid at any time without penalty. For measurement year ended June 30, 2011, we determined that the remaining $840,000 in earn-out amount was earned, which we paid on October 3, 2011.

See "Overview - Acquisition of Safety and Ecology Holdings Corporation" for a discussion of the $2,500,000 promissory note entered into by the Company resulting from the acquisition of Safety and Ecology Holdings Corporation and its subsidiaries.

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. This disclosure shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such state.

On October 7, 2011, the Company's Board of Directors authorized a repurchase program of up to $3,000,000 of the Company's Common Stock. The Company may purchase Common Stock through open market and privately negotiated transactions at prices deemed appropriate by management. The timing, the amount of repurchase transactions and the prices paid for the stock under this program will depend on market conditions as well as corporate

and regulatory limitations, including blackout period restrictions. The Board approved the repurchase plan in consideration of the Company's improved cash position and current market volatility. We plan to fund any repurchases under this program through our internal cash flow and/or borrowing under our line of credit. As of the date of this report, we have not repurchased any of our Common Stock under the program as we continue to evaluate this repurchase program within our internal cash flow and/or borrowings under our line of credit.

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In summary, we believe that we have made significant progress and continue to take steps to improve our operations and liquidity and to invest working capital into our facilities to fund capital additions in our Segments. We currently are in a positive cash position immediately following the acquisition of SEHC. We paid off our revolver debt from cash collected from the reduction in our unbilled receivables, proceeds received from the sale of our discontinued operations, and cash generated from the increase in revenue, especially during the third quarter of 2011. Although there are no assurances, we believe that our cash flows from operations and our available liquidity from amended and restated line of credit are sufficient to service the Company's current obligations and the current obligations resulting from the acquisition of SEHC and its subsidiaries.

Contractual Obligations

The following table summarizes our contractual obligations at September 30, 2011, and the effect such obligations are expected to have on our liquidity and cash flow in future periods, (in thousands):

	Payments due by period				
Contractual Obligations	Total	2011	2012- 2014	2015 - 2016	After 2016
Long-term debt (1)	$5,584	$635	$4,949	$¾	$¾
Interest on fixed rate long-term debt (2)	59	13	46	¾	—
Interest on variable rate debt (3)	140	49	91	¾	¾
Operating leases	1,937	151	1,131	532	123
Finite risk policy (4)	2,127	1,073	1,054	¾	¾
Pension withdrawal liability (5)	574	41	533	¾	¾
Environmental contingencies (6)	652	189	339	77	47
Earn Out Amount - PFNWR (7)	840	840	—	—	—
Total contractual obligations (8)	$11,913	$2,991	$8,143	$609	$170

(1) Amount excludes debt discount of approximately $22,000 in connection with an amended loan dated April 18, 2011, between the Company and Mr. William Lampson and the estate of Mr. Diehl Rettig. See "Liquidity and Capital Resources of the Company – Financing Activities" earlier in this Management's Discussion and Analysis for further discussion on the debt discount.

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

(3) We have variable interest rates on our Term Loan and Revolving Credit of 2.5% and 2.0% over the prime rate of interest, respectively, or variable interest rates on our Term Loan and Revolving Credit of 3.5% and 3.0%, respectively, over the minimum floor base LIBOR of 1.0%, as amended. Our calculation of interest on our Term Loan and Revolving Credit was estimated using the more favorable LIBOR option of approximately 4.5% and 4.0%, respectively, in years 2011 through July. In addition, we have a $990,000 promissory note dated April 18, 2011, as amended, with Mr. William Lampson and the estate of Mr. Diehl Rettig which pays interest at LIBOR plus 4.5%, with LIBOR of at least 1.5%. See "Liquidity and Capital Resources – Financing Activities" for further information on this promissory note and for the Amended and Restated Revolving Credit, Term Loan and Security Agreement entered into with PNC Bank on October 31, 2011.

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

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

(6) The environmental contingencies and related assumptions are discussed further in the Environmental Contingencies section of this Management's Discussion and Analysis, and are based on estimated cash flow spending for these liabilities. The environmental contingencies noted here are for PFMI, PFM, and PFD which are the financial obligations of the Company. The environmental liability, as it relates to the remediation of the EPS site assumed by the Company as a result of the original acquisition of the PFD facility, was retained by the Company upon the sale of PFD in March 2008. The environmental liabilities of PFSG are excluded as they are classified as held for sale.

(7) In connection with the acquisition of PFNW and PFNWR in June 2007, we are required to pay to those former shareholders of PFNW immediately prior to our acquisition, if certain revenue targets are met, an earn-out amount for each measurement year ending June 30, 2008, to June 30, 2011, with the aggregate of the full earn-out amount not to exceed $4,552,000, pursuant to the Merger Agreement, as amended. The amount noted for measurement year ended June 30, 2011 of $840,000 was earned as of June 30, 2011 and remained payable as of September 30, 2011. We paid the amount on October 3, 2011. See "Liquidity and Capital Resources of the Company - Financing Activities" in this "Management and Discussion and Analysis of Financial Condition and Results of Operations" for further information on the earn-out amount.

(8) Excludes the contractual obligations resulting from the acquisition of SEHC and its subsidiaries on October 31, 2011, which include a $2,500,000 promissory note entered into by the Company as discussed in "Overview - Acquisition of Safety and Holdings Corporation". The Company has agreed to prepay $500,000 of the principal amount of the promissory note within 10 days of the closing of the acquisition. The table also excludes the credit facility obligations due under the Amended and Restated Revolving Credit, Term Loan and Security Agreement entered into with PNC Bank on October 31, 2011.

Critical Accounting Estimates

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

Revenue Recognition Estimates. We utilize a performance based methodology for purposes of revenue recognition in our Nuclear Segment. As we accept more complex waste streams in this segment, the treatment of those waste streams becomes more complicated and time consuming. We have continued to enhance our waste tracking capabilities and systems, which has enabled us to better match the revenue earned to the processing phases achieved using a proportional performance method. The major processing phases are receipt, treatment/processing and shipment/final disposition. Upon receiving mixed waste we recognize a certain percentage (ranging from 14% to 33%) of revenue as we incur costs for transportation, analytical and labor associated with the receipt of mixed waste. As the waste is processed, shipped and disposed of we recognize the remaining revenue and the associated costs of transportation and burial. We review and evaluate our revenue recognition estimates and policies on a quarterly basis. Under our subcontract awarded by CHPRC in 2008, we are reimbursed for costs incurred plus a certain percentage markup for

indirect costs, in accordance with contract provisions. Costs incurred in excess of contract funding may be renegotiated for reimbursement. We also earn a fee based on the approved costs to complete the contract. We recognize this fee using the proportion of costs incurred to total estimated contract costs.

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Allowance for Doubtful Accounts. The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts, which is a valuation allowance that reflects management's best estimate of the amounts that are uncollectible. We regularly review all accounts receivable balances that exceed 60 days from the invoice date and based on an assessment of current credit worthiness, estimate the portion, if any, of the balances that are uncollectible. Specific accounts that are deemed to be uncollectible are reserved at 100% of their outstanding balance. The remaining balances aged over 60 days have a percentage applied by aging category (5% for balances 61-90 days, 20% for balances 91-120 days and 40% for balances over 120 days aged), based on a historical valuation, that allows us to calculate the total reserve required. This allowance was approximately 0.2% of revenue for 2010 and 2.5%, of accounts receivable as of December 31, 2010. Additionally, this allowance was approximately 0.2% of revenue for the nine months ended September 30, 2011, and 1.2% of accounts receivable as September 30, 2011.

Intangible Assets. Intangible assets relating to acquired businesses consist primarily of the cost of purchased businesses in excess of the estimated fair value of net identifiable assets acquired or goodwill and the recognized value of the permits required to operate the business. We continually reevaluate the propriety of the carrying amount of permits and goodwill to determine whether current events and circumstances warrant adjustments to the carrying value. We test each Segment's (or Reporting Unit's) goodwill and permits, separately, for impairment, annually as of October 1. Our annual impairment test as of October 1, 2010 and 2009 resulted in no impairment of goodwill and permits. The methodology utilized in performing this test estimates the fair value of our operating segments using a discounted cash flow valuation approach. Those cash flow estimates incorporate assumptions that marketplace participants would use in their estimates of fair value. The most significant assumptions used in the discounted cash flow valuation regarding each of the Segment's fair value in connection with goodwill valuations are: (1) detailed five year cash flow projections, (2) the risk adjusted discount rate, and (3) the expected long-term growth rate. Intangible assets that have definite useful lives are amortized using the straight-line method over the estimated useful lives and are excluded from our annual intangible asset valuation review conducted as of October 1.

Property and Equipment
Property and equipment expenditures are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets for financial statement purposes, while accelerated depreciation methods are principally used for income tax purposes. Generally, annual depreciation rates range from ten to forty years for buildings (including improvements and asset retirement costs) and three to seven years for office furniture and equipment, vehicles, and decontamination and processing equipment. Leasehold improvements are capitalized and amortized over the lesser of the term of the lease or the life of the asset. Maintenance and repairs are charged directly to expense as incurred. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts, and any gain or loss from sale or retirement is recognized in the accompanying consolidated statements of operations. Renewals and improvement, which extend the useful lives of the assets, are capitalized. We include within buildings, asset retirement obligations, which represents our best estimates of the cost to close, at some undetermined future date, our permitted and/or licensed facilities.

Accrued Closure Costs. Accrued closure costs represent a contingent environmental liability to clean up a facility in the event we cease operations in an existing facility. The accrued closure costs are estimates based on guidelines developed by federal and/or state regulatory authorities under the Resource Conservation and Recovery Act ("RCRA"). Such costs are evaluated annually and adjusted for inflationary factors (for 2011, the average inflationary factor was approximately 1.01%) and for approved changes or expansions to the facilities. Increases or decreases in accrued closure costs resulting from changes or expansions at the facilities are determined based on specific RCRA guidelines applied to the requested change. This calculation includes certain estimates, such as disposal pricing, external labor, analytical costs and processing costs, which are based on current market conditions.

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Accrued Environmental Liabilities. We have four remediation projects currently in progress, which are all within our discontinued operations. The current and long-term accrual amounts for the projects are our best estimates based on proposed or approved processes for clean-up. The circumstances that could affect the outcome range from new technologies that are being developed every day to reduce our overall costs, to increased contamination levels that could arise as we complete remediation which could increase our costs, neither of which we anticipate at this time. In addition, significant changes in regulations could adversely or favorably affect our costs to remediate existing sites or potential future sites, which cannot be reasonably quantified. In connection with the sale of our PFD facility in March 2008, the Company retained the environmental liability for the remediation of an independent site known as Environmental Processing Services ("EPS"). This liability was assumed by the Company as a result of the original acquisition of the PFD facility. The environmental liabilities of PFM, PFMI, and PFD remain the financial obligations of the Company. The environmental liabilities of PFSG are classified as held for sale within our discontinued operations.

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

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

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

Income Taxes. The provision for income tax is determined in accordance with ASC 740, "Income Taxes", and ASC 270, "Interim Reporting". As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. We record this amount as a provision or benefit for income taxes. This process involves estimating our actual current income tax exposure, including assessing the risks associated with income tax audits, and assessing temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred income tax assets and liabilities. We periodically assess the likelihood that our deferred income tax assets will be recovered from future taxable income and, provide a valuation allowance to the extent that we believe recovery is not likely.

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Known Trends and Uncertainties
Seasonality. Historically, we have experienced reduced activities and related billable hours throughout the November and December holiday periods within our Engineering Segment. The DOE and the U.S. Department of Defense (“DOD”) represent major customers for the Nuclear Segment. In conjunction with the federal government’s September 30 fiscal year-end, the Nuclear Segment historically experienced seasonably large shipments during the third quarter, leading up to this government fiscal year-end, as a result of incentives and other quota requirements. Correspondingly for a period of approximately three months following September 30, the Nuclear Segment generally slows down, as the government budgets are still being finalized, planning for the new year is occurring, and we enter the holiday season. This trend generally continues into the first quarter of the new year as government entities evaluate their spending priorities. Because government spending is contingent upon its annual budget and allocation of funding, we cannot provide assurance that we will not have large fluctuations in the quarters in the near future. In addition, higher government (specifically DOE) funding made available through the economic stimulus package (American Recovery and Reinvestment Act) enacted by Congress in February 2009, could result in large fluctuations in the remainder of 2011.

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

The higher government funding made available to remediate DOE sites under the economic stimulus package (American Recovery and Reinvestment Act), enacted by the Congress in February 2009, is scheduled to reduce after 2011 as the DOE has committed to spend most of its cleanup funds by the end of September 2011. The availability of additional general funding that will be available for DOE’s cleanup projects will depend on future funding and its annual budgets. Therefore, we expect that demand for our services within our Nuclear Segment will be subject to fluctuations due to a variety of factors beyond our control, including our national debt, the current economic conditions, and the manner in which the government will be required to spend funding to remediate federal sites. Our operations depend, in large part, upon governmental funding, particularly funding levels at the DOE. In addition, our governmental contracts and subcontracts relating to activities at governmental sites are subject to termination or renegotiation on 30 days notice at the government’s option. Significant reductions in the level of governmental funding or specifically mandated levels for different programs that are important to our business could have a material adverse impact on our business, financial position, results of operations and cash flows.

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

Safety and Eclogy Holdings Corporation ("SEHC")

On October 24, 2011, prior to our acquisition of SEHC, First Fidelity Lending Corp. ("First Fidelity") filed a complaint for Declaratory Relief and Breach of Contract against SEC and Leichtweis alleging SEC and Leichtweis breached the General Agreement of Indemnity with the surety of the performance bonds relating to certain projects being remediated by SEC as a result of refusal to allow the surety to perform an inspection of SEC's records and failure to pay the surety $50,000 in cost to perform such inspection. In order to obtain the surety's consent to the acquisition of SEHC and SEC, as required under the General Agreement of Indemnity, we agreed that after closing of the acquisition of SEHC, the surety could inspect SEC records and we paid the surety $50,000. The performance and payment bonds are required by the owner or general contractor in order to perform work on and to complete these projects. This lawsuit is still pending in the Circuit Court for the 15th Judicial District of Palm Beach County, Florida.

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

We performed services relating to waste generated by the federal government, either directly or indirectly as a subcontractor (including CHPRC as discussed below) to the federal government, representing approximately $28,381,000 or 86.6% and $71,956,000 or 84.3% (within our Nuclear Segment) of our total revenue from continuing operations during the three and nine months ended September 30, 2011, respectively, as compared to $18,699,000 or 81.8% and $59,548,000 or 82.4% of our total revenue from continuing operations during the corresponding period of 2010.

The U.S. Department of Energy ("DOE") has advised the subsidiary of SEHC performing remediation work on a particular DOE project that there are substantial deficiencies and cost overruns by the subsidiary in connection with its performance on this project and that the subsidiary is substantially behind schedule on this project, resulting in the DOE indicating that the subsidiary's performance on this project was unsatisfactory to DOE. Since our acquisition of SEHC and its subsidiaries, we are attempting to resolve these issues with the DOE relating to this project.

Another subsidiary of SEHC has been advised by the general contractor on a separate project of deficiencies and cost overruns by the subsidiary on that project. We believe, based on information provided to us by SEHC, that the deficiencies have been corrected. As a result of the cost overruns, as of the date of this report, the subsidiary has submitted a Request for Equitable Adjustment to the general contractor to recover up to approximately $5,000,000 of the cost overruns. Due to the occurrence of the deficiencies, however, the subsidiary may not recover all or a portion of these cost overruns.

A subsidiary of SEHC is remediating a third project. There have been numerous deficiencies and cost overruns on this project by SEHC's subsidiaries. The contract relating to this project with the SEHC's subsidiary is terminating. We have agreed with Homeland that if certain conditions are not met by December 31, 2011, regarding this project, we can recover from the escrow amount held under the Escrow Agreement executed in connection with the Purchase Agreement the sum of $1,500,000. See discussion under "Acquisition of Safety & Ecology Holdings Corporation" relating to this matter.

During the second quarter of 2008, our M&EC subsidiary 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 located in the state of Washington. 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 unless funding is reduced for this project due to budget issues relating to the federal government. 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 assumed responsibility for three existing Nuclear Segment waste processing contracts that were previously managed by DOE's general contractor prior to CHPRC. These three contracts were renegotiated and extended through September 30, 2013. Revenues from CHPRC totaled $19,570,000 or 59.7% and $50,403,000 or 59.1% of our total revenue from continuing operations for three and nine months ended September 30, 2011, respectively, as compared to $13,880,000 or 60.7% and $37,881,000 or 52.4% for the corresponding period of 2010.

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Insurance. We maintain insurance coverage similar to, or greater than, the coverage maintained by other companies of the same size and industry, which complies with the requirements under applicable environmental laws. We evaluate our insurance policies annually to determine adequacy, cost effectiveness and desired deductible levels. Due to the continued uncertainty in the economy, changes within the environmental insurance market, and the past financial difficulties of AIG, whose subsidiary Chartis, is the provider of our financial assurance policies, we have no guarantees as to continued coverage by Chartis, that we will be able to obtain similar insurance in future years, or that the cost of such insurance will not increase materially.

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

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

Environmental Contingencies

We are engaged in the waste management services segment of the pollution control industry. As a participant in the on-site treatment, storage and disposal market and the off-site treatment and services market, we are subject to rigorous federal, state and local regulations. These regulations mandate strict compliance and therefore are a cost and concern to us. Because of their integral role in providing quality environmental services, we make every reasonable attempt to maintain complete compliance with these regulations; however, even with a diligent commitment, we, along with many of our competitors, may be required to pay fines for violations or investigate and potentially remediate our waste management facilities.

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

We budgeted for 2011, $615,000 in environmental remediation expenditures to comply with federal, state and local regulations in connection with remediation of certain contaminates at our facilities within our discontinued operations. Our facilities where the remediation expenditures will be made are the Leased Property in Dayton, Ohio (EPS), a former RCRA storage facility as operated by the former owners of PFD, PFM's facility in Memphis, Tennessee, PFSG's facility in Valdosta, Georgia, and PFMI's facility in Detroit, Michigan. The environmental liability of PFD (as it relates to the remediation of the EPS site assumed by the Company as a result of the original acquisition of the PFD facility) was retained by the Company upon the sale of PFD in March 2008. All of the environmental reserves remain the obligations of the Company with the exception of PFSG, which is classified as held for sale. While no assurances can be made that we will be able to do so, we expect to fund the expenses to remediate these sites from funds generated internally.

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At September 30, 2011, we had total accrued environmental remediation liabilities of $2,149,000 of which $1,232,000 is recorded as a current liability, which reflects a decrease of $107,000 from the December 31, 2010, balance of $2,256,000. The net decrease represents payment on remediation projects of $320,000 and increases to the reserve of $50,000 and $163,000 at PFMI and PFM, respectively, made in the second quarter of 2011 due to reassessment of our remediation reserves. The September 30, 2011, current and long-term accrued environmental balance is recorded as follows (in thousands):

	Current Accrual	Long-term Accrual	Total
PFD	$ 231	$ 137	$ 368
PFM	136	89	225
PFSG	806	691	1,497
PFMI	59		59
Total Liability	$ 1,232	$ 917	$ 2,149

Related Party Transactions

On June 13, 2007, we acquired Nuvotec (n/k/a Perma-Fix Northwest, Inc. or “PFNW”) and Nuvotec's wholly owned subsidiary, PEcoS (n/k/a Perma-Fix Northwest Richland, Inc. or “PFNWR”), pursuant to the terms of the Merger Agreement, as amended, between us, Nuvotec, PEcoS, and our wholly owned subsidiaries. At the time of the acquisition, Robert L. Ferguson was the Chairman, Chief Executive Officer, and individually or through entities controlled by him, the owner of approximately 21.29% of Nuvotec’s outstanding common stock. In connection with the acquisition, Mr. Ferguson was nominated to serve as a Director and subsequently was elected annually as a director at our Annual Meeting of Stockholders until his resignation in February 2010. Mr. Ferguson was recommended by the Corporate Governance and Nominating Committee and the Board of Directors nominated Mr. Ferguson to stand for election as a Director again at our 2011 Annual Meeting of Stockholders. Mr. Ferguson was subsequently elected as a Director at the August 24, 2011 Annual Meeting of Stockholders. See discussion under “Liquidity and Capital Resources of the Company – Financing Activities” of this Management Discussion and Analysis of Financial Condition and Results of Operations” as to Mr. Ferguson’s interest in consideration paid and to be paid by us in connection with our acquisition of PFNWR and PFNW.

Effective June 29, 2011, Mr. Ferguson acquired from Mr. William Lampson one-half of a Warrant (the “Lampson Warrant”) for the purchase of up to 135,000 of the Company’s Common Stock at $1.50 per share. We originally issued the Lampson Warrant to Mr. Lampson as consideration for a loan in the principal amount of $3,000,000 on May 8, 2009 from Mr. Lampson and Mr. Diehl Rettig. The terms of the loan were amended on April 18, 2011, to provide that the remaining principal balance of $990,000 is payable in 12 monthly principal payments plus accrued interest starting May 8, 2011. In connection with the loan amendment, the expiration date of the Lampson Warrant was extended one year to May 8, 2012. As a result of the acquisition of one-half of the Lampson Warrant, Mr. Ferguson and Mr. Lampson each now holds a Warrant for the purchase of up to 67,500 shares of Common Stock at $1.50 per share and with an expiration date of May 8, 2012. See discussion under “Liquidity and Capital Resources of the Company – Financing Activities” of this Management Discussion and Analysis of Financial Condition and Results of Operations” for further information regarding the original Lampson Warrant.

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Upon the closing of the acquisition of SEHC on October 31, 2011, Mr. Christopher Leichtweis ("Leichtweis"), a former officer and director of Homeland, was appointed a Senior Vice President of the Company and President of SEC, pursuant to the terms of a four year employment agreement. In connection with Leichtweis' employment on October 31, 2011, we granted Leichtweis a non-qualified stock option (the "Option") to purchase up to 250,000 shares of our Common Stock as reported on the Nasdaq on the grant date, which was $1.35. The Option has a term of 10 years from grant date, with 25% yearly vesting over a four-year period. The Option was granted in accordance with, and is subject to, Non-Qualified Stock Option Agreement, dated October 31, 2011.

Under an agreement of indemnity, SEC, Leichtweis and his spouse, jointly and severally, agreed to indemnify the individual surety with respect to contingent liabilities that may be incurred by the individual surety under certain of SEC's bonded projects. In addition, SEC has agreed to indemnify Leichtweis against judgments, penalties, fines, and expense associated with those SEC performance bonds that Leichtweis has agreed to indemnify in the event SEC cannot perform, which has an aggregate bonded amount of approximately $14,000,000. The indemnification agreement provided by SEC to Leichtweis also provides for compensating the Leichtweis at a rate of 0.75% of the value of bonds (60% having been paid previously and the balance at substantial completion of the contract).

Under a Lease Agreement, dated June 1, 2008 (the "Lease"), between Leichtweis Enterprises, LLC, as lessor, and SEHC, as lessee, SEHC is obligated to make lease payments of approximately $29,000 per month through June 2018. The Lease covers SEHC's principal offices in Knoxville, Tennessee. Leichtweis Enterprises is owned by Leichtweis.

As a member of the Management Investors who purchased in a private placement restricted shares of the Company's Common Stock pursuant to the Purchase Agreement, as discussed in "Overview - Acquisition of Safety and Ecology Holdings Corporation", Leichtweis purchased 747,112 shares of the Company's Common Stock for the aggregate purchase price of approximately $918,948 or $1.23 per share. The purchase price for these shares was deducted from the consideration paid to Homeland for the acquisition of SEHC.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

The Company is exposed to certain market risks arising from adverse changes in interest rates, primarily due to the potential effect of such changes on our variable rate loan arrangements with PNC and with Mr. William Lampson and Mr. Diehl Rettig (who is now deceased and the loan is payable to his representative or estate). The interest rates payable to PNC are based on a spread over prime rate or a spread over a minimum floor base LIBOR of 1.0% and the interest rates payable on the promissory note to Mr. Lampson and Mr. Rettig is based on a spread over a minimum floor base LIBOR of 1.5%. As of September 30, 2011, the Company had approximately $4,495,000 in variable rate borrowing. Assuming a 1% change in the average interest rate as of September 30, 2011, our interest cost would change by approximately $45,000. As of September 30, 2011, we had no interest swap agreement outstanding.

Item 4. Controls and Procedures

(a)Evaluation of disclosure controls, and procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports filed with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to our management. As of the end of the period covered by this report, we carried out an evaluation with the participation of our Principal Executive Officer and Principal Financial Officer. Based on this recent assessment, our Principal Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15 and 15d-15 of the Securities

Exchange Act of 1934, as amended) were effective, as of September 30, 2011.

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(b)Changes in internal control over financial reporting.

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) in the nine months ended September 30, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

There are no additional material legal proceedings pending against us and/or our subsidiaries or material developments with regard to such legal proceedings not previously reported by us in Item 3 of our Form 10-K for the year ended December 31, 2010, and Item 1, Part II of our Form 10-Qs for the period ended March 31, 2011 and June 30, 2011, which are incorporated herein by reference, except the following:.

On October 24, 2011, prior to our acquisition of SEHC, First Fidelity Lending Corp. ("First Fidelity") filed a complaint for Declaratory Relief and Breach of Contract against SEC and Leichtweis alleging SEC and Leichtweis breached the General Agreement of Indemnity with the surety of the performance bonds relating to certain projects being remediated by SEC as a result of refusal to allow the surety to perform an inspection of SEC's records and failure to pay the surety $50,000 in cost to perform such inspection. In order to obtain the surety's consent to the acquisition of SEHC and SEC, as required under the General Agreement of Indemnity, we agreed that after closing of the acquisition of SEHC, the surety could inspect SEC records and we paid the surety $50,000. The performance and payment bonds are required by the owner or general contractor in order to perform work on and to complete these projects. This lawsuit is still pending in the Circuit Court for the 15th Judicial District of Palm Beach County, Florida.

Item 1A. Risk Factors

There has been no other material change from the risk factors previously disclosed in our Form 10-K for the year ended December 31, 2010.

Item 6. Exhibits
(a) Exhibits

2.1	Asset Purchase Agreement By and Among Triumvirate Environmental, Inc., Triumvirate Environmental (Florida), Inc. and Perma-Fix Environmental Services, Inc., and Perma-Fix of Orlando, Inc., dated August 12, 2011 which was filed as Exhibit 99.1 to the Company's 8-K filed on August 17, 2011 and incorporated herein by reference .
2.2	Stock Purchase Agreement, dated July 15, 2011, by and among Perma-Fix Environmental Services, Inc., Homeland Security Capital Corporation and Safety and Ecology Holdings Corporation, which was filed as Exhibit 2.1 to the Company's 8-K filed on July 20, 2011 and incorporated herein by reference.
2.3	Escrow Agreement, dated October 31, 2011, between the Company, Homeland Security Capital Corporation, and Suntrust Bank, which was filed as Exhibit 2.3 to the Company's 8-K filed on November 4, 2011.
2.4	Letter Agreement (Net Working Capital Adjustments), dated October 31, 2011, between the Company, Safety & Ecology Holdings Corporation and Homeland Security Capital Corporation, which was filed as Exhibit 2.4 to the Company's 8-K filed on November 4, 2011.

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2.5	Letter Agreement (Escrow), dated October 31, 2011, between the Company, Safety & Ecology Holdings Corporation and Homeland Security Capital Corporation, which was filed as Exhibit 2.5 to the Company's 8-K filed on November 4, 2011.
2.6	Letter Agreement (Note Prepayment), dated October 31, 2011, between the Company, Safety & Ecology Holdings Corporation and Homeland Security Capital Corporation, which was filed as Exhibit 2.6 to the Company's 8-K filed on November 4, 2011.
4.1	Amended and Restated Revolving Credit, Term Loan and Security Agreement between Perma-Fix Environmental Services, Inc. and PNC Bank, National Association (as Lender and as Agent), dated October 31, 2011, which was filed as Exhibit 99.4 to the Company's 8-K filed on November 4, 2011.
4.2	Non-negotiable Promissory Note issued by Perma-Fix Environmental Services, Inc., to Homeland Security Capital Corporation, dated October 31, 2011, which was filed as Exhibit 2.2 to the Company's 8-K filed on November 4, 2011 and incorporated herein by reference.
10.1	Employment Agreement between Perma-Fix Environmental Services, Inc. and Christopher Leichtweis, dated October 31, 2011, which was filed as Exhibit 99.1 to the Company's 8-K filed on November 4, 2011 and incorporated herein by reference.
10.2	Management Incentive Plan for Christopher Leichtweis, dated November 1, 2011, which was filed as Exhibit 99.3 to the Company's 8-K filed on November 4, 2011 and incorporated herein by reference.
10.3	Non-Qualified Stock Option Agreement between Perma-Fix Environmental Services, Inc. and Christopher Leichtweis, dated October 31, 2011, which was filed as Exhibit 99.2 to the Company's 8-K filed on November 4, 2011 and incorporated herein by reference.
10.4	Indemnification Agreement, dated February 21,2011, between Safety and Ecology Holdings Corporation, Safety and Ecology Corporation, Inc., and Christopher P. Leichtweis and Myra Leichtweis, which was filed as Exhibit 99.5 to the Company's 8-K filed on November 4, 2011 and incorporated herein by reference.
31.1	Certification by Dr. Louis F. Centofanti, Chief Executive Officer of the Company pursuant to Rule 13a-14(a) or 15d-14(a).
31.2	Certification by Ben Naccarato, Chief Financial Officer of the Company pursuant to Rule 13a-14(a) or 15d-14(a).
32.1	Certification by Dr. Louis F. Centofanti, Chief Executive Officer of the Company furnished pursuant to 18 U.S.C. Section 1350.
32.2	Certification by Ben Naccarato, Chief Financial Officer of the Company furnished pursuant to 18 U.S.C. Section 1350.
101 .INS	XBRL Instance Document*
101 .SCH	XBRL Taxonomy Extension Schema Document*
101 .CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101 .DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101 .LAB	XBRL Taxonomy Extension Labels Linkbase Document*
101 .PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

*Pursuant to Rule 406T of Regulation S-T, the Interactive Data File in Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purpose of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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SIGNATURES

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

	PERMA-FIX ENVIRONMENTAL SERVICES	
Date: November 7, 2011	By:	/s/ Dr. Louis F. Centofanti Dr. Louis F. Centofanti Chairman of the Board Chief Executive Officer
Date: November 7, 2011	By:	/s/ Ben Naccarato Ben Naccarato Chief Financial Officer and Chief Accounting Officer