

PERMA FIX ENVIRONMENTAL SERVICES INC  
Form 10-K/A  
April 21, 2008

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

FORM 10-K/A  
Amendment No. 1

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

For the fiscal year ended December 31, 2007

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-11596

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

**Delaware**

*State or other jurisdiction  
of incorporation or organization*

**58-1954497**

*(IRS Employer Identification Number)*

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

**30350**  
*(Zip Code)*

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

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

Title of each class

Name of each exchange on which registered

Common Stock, \$.001 Par Value

NASDAQ Capital Markets

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

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

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Act) Large accelerated filer o Accelerated filer x Non-accelerated filer o Smaller reporting company o

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

The aggregate market value of the Registrant's voting and non-voting common equity held by nonaffiliates of the Registrant computed by reference to the closing sale price of such stock as reported by NASDAQ as of the last business day of the most recently completed second fiscal quarter (June 30, 2007), was approximately \$152,855,000. For the purposes of this calculation, all executive officers and directors of the Registrant (as indicated in Item 12) are deemed to be affiliates. Such determination should not be deemed an admission that such directors or officers, are, in fact, affiliates of the Registrant. The Company's Common Stock is listed on the NASDAQ Capital Markets.

As of March 10, 2008, there were 53,704,516 shares of the registrant's Common Stock, \$.001 par value, outstanding.

Documents incorporated by reference: none

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Explanatory Note

This Amendment (“Form 10-K/A – Amendment No.1”) is being filed to amend our Form 10-K for the year ended December 31, 2007 which was originally filed on April 1, 2008.

We are filing this Form 10-K/A – Amendment No.1 to amend Part I, Item 1A, Risk Factors; Part II, Item 6, Selected Financial Data; Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations; Special Note Regarding Forward-Looking Statements contained in Part II; Item 8, Financial Statements and Supplementary Data; and Item 9A, Controls and Procedures.

As disclosed in our Form 10-K filed on April 1, 2008, our fixed charge coverage ratio fell below the minimum requirement pursuant to our PNC loan covenant as of December 31, 2007. Although we obtained a waiver from our lender for this non-compliance as of December 31, 2007, we were not able to demonstrate that we would be able to comply with the fixed charge coverage ratio in our loan agreement as of the end of the first and second quarters of 2008. As a result, we were required under generally accepted accounting principles to reclassify approximately \$11.4 million of our indebtedness to certain of our lenders from long-term to current as of December 31, 2007. As a result of our inability to demonstrate that we would be able to comply with the fixed charge coverage ratio as of the end of the first and second quarters of 2008 and our working deficit of approximately \$17.2 million, our independent registered public accounting firm included an explanatory paragraph addressing the Company’s ability to continue as a going concern, as disclosed in our Form 10-K, filed with the Securities and Exchange Commission on April 1, 2008. On April 4, 2008 however, our lender further revised our loan covenant which has now enabled us to demonstrate, based on our projections, the likelihood of us meeting our minimum fixed charge coverage ratio in 2008. Consequently, our independent registered public accounting firm amended its report as of December 31, 2007 to exclude the explanatory paragraph on the Company’s ability to continue as a going concern.

For the convenience of the reader, this Form 10-K/A – Amendment No. 1, sets forth the original Form 10-K in its entirety, as filed on April 1, 2008, as amended by this 10-K/A – Amendment No. 1. However, this Form 10-K/A – Amendment No. 1 amends only the Parts and Items as noted above solely as a result of the April 4<sup>th</sup>, 2008 revision to our loan covenants and modification of our independent registered public accounting firm’s report. In addition, exhibit 4.15 and exhibit 23.1 as filed originally in our Form 10-K on April 1, 2008, have been amended by this Form 10K/A - Amendment No.1. All other exhibits as filed in our Form 10-K on April 1, 2008 are hereby incorporated by reference as to such.

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## PART I

### ITEM 1. BUSINESS

#### Company Overview and Principal Products and Services

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

- Nuclear Waste Management Services (“Nuclear Segment”), which includes:
  - o Treatment, storage, processing and disposal of mixed waste (which is waste that contains both low-level radioactive and hazardous waste) including on and off-site waste remediation and processing;
  - o Nuclear, low-level radioactive, and mixed waste treatment, processing and disposal; and
  - o Research and development of innovative ways to process low-level radioactive and mixed waste.
- Consulting Engineering Services (“Engineering Segment”), which includes:
  - o Consulting services regarding broad-scope environmental issues, including environmental management programs, regulatory permitting, compliance and auditing, landfill design, field testing and characterization.

On May 18, 2007, our Board of Directors authorized the divestiture of our Industrial Segment. Our Industrial Segment provides treatment, storage, processing, and disposal of hazardous and non-hazardous waste, wastewater management services, and environmental services, which includes emergency response, vacuum services, marine environmental and other remediation services. The decision to sell our Industrial Segment is based on our belief that our Nuclear Segment represents a sustainable long-term growth driver of our business. During 2007, we have entered into several letters of intent to sell various portions of our Industrial Segment. All of the letters of intent have expired or terminated without being completed, except: we completed, on January 8, 2008, the sale of substantially all of the assets of Perma-Fix Maryland, Inc. (“PFMD”) for \$3,825,000 in cash, subject to a working capital adjustment during 2008, and assumption by the buyer of certain liabilities of PFMD, and during March 2008, we completed the sale of substantially all of the assets of Perma-Fix of Dayton, Inc. (“PFD”) for approximately \$2,143,000 in cash, subject to certain working capital adjustments after the closing, plus assumption by the buyer of certain of PFD’s liabilities and obligations, (including, without limitation, certain obligations under the Settlement Agreement entered into by PFD in connection with the settlement of plaintiff’s claims under the Fisher Lawsuit, as discussed and defined in “Legal Proceedings”, and approximately \$562,000 in PFD’s obligations for and relating to supplemental environmental projects that PFD is obligated to perform under the Consent Decree entered into with the federal government in settlement of the Government’s Lawsuit as discussed and defined in “Legal Proceedings”) in connection with the Fisher Lawsuit. We are negotiating the sale of Perma-Fix South Georgia, Inc. (“PFSG”). We anticipate that the sale of PFSG will be completed by end of May 2008. The terms of the sale of PFSG are subject to being finalized. We are attempting to sell the other companies and/or operations within our Industrial Segment, but as of the date of this report, we have not entered into any agreements regarding these other companies or operations within our Industrial Segment.

At May 25, 2007, the Industrial Segment met the held for sale criteria under Statement of Financial Accounting Standards (“SFAS”) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”, and therefore, certain assets and liabilities of the Industrial Segment are reclassified as discontinued operations in the Consolidated Balance Sheets, and we have ceased depreciation of the Industrial Segment’s long-lived assets classified as held for sale. The results of operations and cash flows of the Industrial Segment have been reported in the Consolidated Financial Statements as discontinued operations for all periods presented.

We believe that the divestiture of certain facilities within our Industrial Segment has not occurred within the anticipated time period due to the current state of our economy which has impacted potential buyers’ ability to obtain financing. In addition, the original letter of intent entered between us and a potential buyer included the majority of the companies within our Industrial Segment. This sale did not materialize, leading us to pursue the potential sale of

each company individually. Although this process has taken more time than anticipated for numerous reasons, we continue to market the facilities within our Industrial Segment for eventual sale.

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Our present objective is to focus on the efficient operation of our existing facilities within our Nuclear and Engineering Segments, evaluate strategic acquisitions within the Nuclear Segments, and to continue the research and development of innovative technologies for the treatment of nuclear waste, mixed waste and industrial waste. On June 13, 2007, we completed the acquisition of Nuvotec USA, Inc. (k/n/a Perma-Fix of Northwest, Inc. – “PFNW”) and its wholly owned subsidiary, Pacific EcoSolutions, Inc (PEcoS) (k/n/a Perma-Fix of Northwest Richland, Inc. – “PFNWR”) for \$17.3 million. PFNWR is a hazardous waste, low level radioactive waste and mixed waste (containing both hazardous waste and low level radioactive waste) management company based in Richland, Washington, adjacent to the Department of Energy’s (“DOE”) Hanford facility. This acquisition provides us with a number of strategic benefits. Foremost, this acquisition secured PFNWR’s radioactive and hazardous waste permits and licenses, which further solidified our position within the mixed waste industry. Additionally, the PFNWR facility is located adjacent to the Hanford site, which represents one of the largest environmental clean-up projects in the nation and is expected to be one of the most expansive of DOE’s nuclear weapons’ facilities to remediate. In addition, the acquisition of PFNWR facility introduced our west coast presence and increases our treatment capacity for radioactive only waste. For 2007, PFNWR generated \$8,439,000 in revenue, which represents 15.6% of our consolidated revenue from continuing operations.

We service research institutions, commercial companies, public utilities and governmental agencies nationwide. The distribution channels for our services are through direct sales to customers or via intermediaries.

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

#### **Website access to Company's reports**

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

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

#### **Segment Information and Foreign and Domestic Operations and Export Sales**

During 2007, we were engaged in two operating segments. Pursuant to FAS 131, we define an operating segment as:

- a business activity from which we may earn revenue and incur expenses;
- whose operating results are regularly reviewed by the president and chief operating officer to make decisions about resources to be allocated and assess its performance; and
- for which discrete financial information is available.

We therefore define our operating segments as each business line that we operate. These segments, however, exclude the corporate and operation headquarters, which do not generate revenue and our Industrial Segment, our discontinued operations, as discussed above.



Most of our activities are conducted nationwide. We do not own any foreign operations and we had no export sales during 2007.

### **Operating Segments**

We have two operating segments, which represent each business line that we operate. The Nuclear Segment, which operates four facilities (including our newly acquired PFNWR facility, as mentioned below), and the Consulting Engineering Services Segment as described below:

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

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

Diversified Scientific Services, Inc. ("DSSI") located in Kingston, Tennessee, specializes in the storage, processing, and destruction of certain types of mixed waste. DSSI, like PFF, is one of only a few facilities nationally to operate under both a hazardous waste permit and a radioactive materials license. Additionally, DSSI is the only commercial facility of its kind in the U.S. that is currently operating and licensed to destroy liquid organic mixed waste, through such a treatment unit. DSSI provides mixed waste disposal services for nuclear utilities, commercial generators, prominent pharmaceutical companies, and agencies and contractors of the U.S. government, including the DOE and the Department of Defense ("DOD"). We are currently working toward permitting the facility for Polychlorinated Biphenyls (PCB) destruction.

East Tennessee Materials & Energy Corporation ("M&EC"), located in Oak Ridge, Tennessee, is another mixed waste facility. M&EC also operates under both a hazardous waste permit and radioactive materials license. M&EC represents the largest of our four mixed waste facilities, covering 150,000 sq. ft., and is located in leased facilities at the DOE East Tennessee Technology Park. In addition to providing mixed waste treatment services to commercial generators, nuclear utilities and various agencies and contractors of the U.S. Government, including the DOD, M&EC was awarded three contracts to treat DOE mixed waste by Bechtel-Jacobs Company, LLC, DOE's Environmental Program Manager, which covers the treatment of mixed waste throughout all DOE facilities. Two of these contracts have been extended through September 2009. In 2007, M&EC completed its facility expansion ("SouthBay") to treat DOE special process wastes from the DOE Portsmouth Gaseous Diffusion Plant located in Piketon, Ohio under the subcontract awarded by LATA/Parallax Portsmouth LLC to our Nuclear Segment in 2006. LATA/Parallax performs environmental remediation services, including groundwater cleanup and waste management activities, under contract to DOE at the Portsmouth site.



PFNWR, which we acquired in June 2007, is located in Richland, Washington. PFNWR is a permitted hazardous, low level radioactive and mixed waste treatment, storage and disposal facility located at the Hanford U.S. DOE site in the eastern part of the state of Washington. The DOE's Hanford site is subject to one of the largest, most complex, and most costly DOE clean up plans. The strategic addition of PFNWR facility provides the Company with immediate access to treat some of the most complex nuclear waste streams in the nation. PFNWR predominately provides waste treatment services to contractors of government agencies, in addition to commercial generators.

For 2007, the Nuclear business (including \$8,439,000 in revenue of our PFNWR facility) accounted for \$51,704,000 (or 95.6%) of total revenue from continuing operations, as compared to \$49,423,000 (or 93.6%) of total revenue for 2006. See “ – Dependence Upon a Single or Few Customers” and “Financial Statements and Supplementary Data” for further details and a discussion as to our Nuclear Segment's contracts with the federal government or with others as a subcontractor to the federal government.

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

Schreiber, Yonley & Associates (“SYA”) is located in Ellisville, Missouri. SYA specializes in environmental management programs, permitting, compliance and auditing, in addition to landfill design, field investigation, testing and monitoring. SYA clients are primarily industrial, including many within the cement manufacturing industry. SYA also provides the necessary support, compliance and training as required by our operating facilities.

During 2007, environmental engineering and regulatory compliance consulting services accounted for approximately \$2,398,000 (or 4.4%) of our total revenue from continuing operations, as compared to approximately \$3,358,000 (or 6.4%) in 2006. See “Financial Statements and Supplementary Data” for further details.

### **Discontinued Operations**

As stated above, our Industrial Segment, which provides management of hazardous waste, non-hazardous waste, and waste water, are classified as discontinued operations. At the beginning of 2007, the Industrial Segment consisted of six (6) operating companies, as well as two non-operational companies. As stated above, during the first quarter of 2008, we sold PFMD and PFD and are attempting to sell the remaining companies/operations within the Industrial Segment.

Our discontinued operations generated \$30,407,000, \$35,148,000 and \$41,489,000 of revenue in 2007, 2006, and 2005, respectively.

### **Importance of Patents, Trademarks and Proprietary Technology**

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

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

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

### **Permits and Licenses**

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

#### *Operating Segments:*

PFF operates its hazardous, mixed and low-level radioactive waste activities under a RCRA Part B permit and a radioactive materials license issued by the State of Florida.

DSSI operates hazardous, mixed and low-level radioactive waste activities under a RCRA Part B permit and a radioactive materials license issued by the State of Tennessee. We are working toward permitting our DSSI facility for PCB destruction. The permit is expected by mid year 2008.

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

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

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

#### *Perma-Fix of South Georgia, Inc (“PFSG”)*

Our internal consulting firm, SYA, concluded that a certain air permit at PFSG had expired. PFSG is part of the Industrial Segment, which has been classified as a discontinued operation. An inquiry to the Georgia Environmental Protection Division (“GaEPD”) resulted in their determination that the permit was still valid. However, since changes to the operations of the facility had occurred since approval of the air permit, the Company submitted a revised permit application in January 2008. The review of the submitted revised permit application with GaEPD indicated that the changes were deemed relatively minor, as determined by GaEPD. GaEPD has subsequently notified PFSG that the application would be given a low priority for review.



### **Seasonality**

Historically, we have experienced reduced activities and related billable hours throughout the November and December holiday periods within our Engineering Segment. The DOE and DOD represent major customers for the Nuclear Segment. In conjunction with the federal government's September 30 fiscal year-end, the Nuclear Segment historically experienced seasonably large shipments during the third quarter, leading up to this government fiscal year-end, as a result of incentives and other quota requirements. Correspondingly for a period of approximately three months following September 30, the Nuclear Segment is generally seasonably slow, as the government budgets are still being finalized, planning for the new year is occurring and we enter the holiday season. Since 2005, due to our efforts to work with the various government customers to smooth these shipments more evenly throughout the year, we have seen less fluctuation in the quarters. In 2007, the US Congress did not pass the fiscal year 2007 budget which resulted in no increase of funding to DOE from the previous years 2006 budget allocation. This resulted in a decrease of the start up of new projects; however, we continued to see shipments at expected levels as compared to 2006. The 2008 budget was signed by the President in December 2007 which provides funding for the start of new projects in 2008. We do not anticipate big fluctuations within 2008 even with the passing of the 2008 budget; however, we cannot provide assurance this will be the case.

### **Backlog**

The Nuclear Segment of our Company maintains a backlog of stored waste, which represents waste that has not been processed. The backlog is principally a result of the timing and complexity of the waste being brought into the facilities and the selling price per container. As of December 31, 2007, our Nuclear Segment had a backlog of approximately \$14.6 million, which includes \$4.7 million for our newly acquired PFNWR facility, as compared to approximately \$12.5 million, as of December 31, 2006. Additionally the time it takes to process mixed waste from the time it arrives may increase due to the types and complexities of the waste we are currently receiving. We typically process our backlog during periods of low waste receipts, which historically has been in the first or fourth quarter.

### **Dependence Upon a Single or Few Customers**

Our Nuclear Segment is not dependent upon a single customer, or a few customers; however, our Nuclear Segment has a significant relationship with the federal government, and continues to enter into, contracts with (directly or indirectly as a subcontractor) the federal government. The contracts that we are a party to with the federal government or with others as a subcontractor to the federal government generally provide that the government may terminate 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 to the federal government, which represented approximately \$30,000,000 (includes approximately \$5,568,000 from PFNWR facility) or 55.5% of our total revenue from continuing operations during 2007, as compared to \$33,226,000 or 63.0% of our total revenue from continuing operations during 2006, and \$29,555,000 or 59.0% of our total revenue from continuing operations during 2005.

Included in the amounts discussed above, are revenues from LATA/Parallax Portsmouth LLC ("LATA/Parallax"). LATA/Parallax is a manager for environmental programs for various agencies of the federal government. Our revenues from LATA/Parallax, as a subcontractor to perform remediation services at certain federal sites, contributed \$8,784,000 or 16.2% and \$10,341,000 or 19.6% of our revenues from continuing operations for 2007 and 2006, respectively. Our contract with LATA/Parallax is expected to be completed in September 2008. As with most contracts relating to the federal government, LATA/Parallax can terminate the contract with us at any time for convenience, which could have a material adverse effect on our operations.

Our Nuclear Segment has had a significant relationship with Bechtel Jacobs Company, LLC. (“Bechtel Jacobs”). Bechtel Jacobs is the government-appointed manager of the environmental program for Oak Ridge, Tennessee to perform certain treatment and disposal services relating to Oak Ridge, and our Nuclear Segment has been awarded three subcontracts by Bechtel Jacobs to perform certain environmental services at DOE’s Oak Ridge, Tennessee sites. Two of our Oak Ridge contracts have been amended for pricing modifications in 2007 and have been extended through September 2009. Our revenues from Bechtel Jacobs have continued to decrease as the DOE site in Oak Ridge continues to complete certain of its clean-up milestones and moves toward completing its closure efforts. As with most such blanket processing agreements, the Oak Ridge contracts contain no minimum or maximum processing guarantees, and may be terminated at any time pursuant to federal contracting terms and conditions. The Nuclear Segment continues to pursue other similar or related services for environmental programs at other DOE and government sites. Consolidated revenues from Bechtel Jacobs for 2007, total \$1,812,000 or 3.3% of total revenues from continuing operations, as compared to \$6,705,000 or 12.6% for the year ended December 31, 2006 and \$14,940,000 or 29.8% for the year ended December 31, 2005.

Our Nuclear Segment has provided treatment of mixed low-level waste, as a subcontractor, for Fluor Hanford since 2004. However, with the acquisition of our PFNWR facility, we now have a significant relationship with Fluor Hanford, a prime contractor to the DOE since 1996. Fluor Hanford manages several major activities at the DOE’s Hanford Site, including dismantling former nuclear processing facilities, monitoring and cleaning up the site’s contaminated groundwater, and retrieving and processing transuranic waste for off-site shipment. The Hanford site is one of DOE’s largest nuclear weapon environmental remediation projects. Our PFNWR facility is located adjacent to the Hanford site and provides treatment of low level radioactive and mixed wastes. We currently have three contracts with Fluor Hanford at our PFNWR facility, with the initial contract dating back to 2003. These three contracts have since been extended to September 2008. As the DOE is currently in the process of re-bidding its contracts with current prime contractors, our future revenue beyond September 2008 from Fluor Hanford is uncertain at this time. Revenues from Fluor Hanford totaled \$6,985,000 (approximately \$3,100,000 from PFNWR) or 12.9%, \$1,229,000 or 2.3%, and \$1,732,000 or 3.5% of consolidated revenue from continuing operations for the year ended December 31, 2007, 2006, and 2005, respectively. As with most contracts relating to the federal government, Fluor Hanford can terminate the contracts with us at any time for convenience, which could have a material adverse effect on our operations. See “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” — “Significant Customers” for discussion on our relationship with Bechtel Jacobs, LATA/Parallax, Fluor Hanford, and our government contract or subcontracts involving the federal government.

### **Competitive Conditions**

The Nuclear Segment has few competitors and in some niche area does not currently experience significant competitive pressures. This segment’s largest competitor is EnergySolutions, which provides treatment and disposal at its Clive, Utah disposal facility and presents the largest challenge in the market. At present, EnergySolutions’ Clive, Utah facility is one of the few radioactive disposal sites in the country in which our Nuclear Segment can dispose of its nuclear waste. If EnergySolutions should refuse to accept our waste or cease operations at its Clive, Utah facility, such would have a material adverse effect on us. Our Nuclear Segment solicits business on a nationwide basis.

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

Environmental engineering and consulting services provided by us through SYA involve competition with larger engineering and consulting firms. We believe that we are able to compete with these firms based on our established reputation in these market areas and our expertise in several specific elements of environmental engineering and consulting such as environmental applications in the cement industry.

**Capital Spending, Certain Environmental Expenditures and Potential Environmental Liabilities**