CAMDEN PROPERTY TRUST
Form 10-K
February 24, 2011

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2010

OR

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

For the transition period from __________ to __________

Commission file number: 1-12110

CAMDEN PROPERTY TRUST

(Exact name of registrant as specified in its charter)

Texas	**76-6088377**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3 Greenway Plaza, Suite 1300 Houston, Texas	**77046**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: (713) 354-2500

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

Title of each class	Name of each exchange on which registered
Common Shares of Beneficial Interest, $.01 par value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

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

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

Indicate by check mark whether 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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in the Rule 12b-2 of the Act). Yes o No þ
The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant was $2,690,865,073 based on a June 30, 2010 share price of $40.85.
On February 17, 2011, 69,780,732 common shares of the registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s Proxy Statement in connection with its Annual Meeting of Shareholders to be held May 11, 2011 are incorporated by reference in Part III.

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PART I

Item 1. Business

General Development of Business

Formed on May 25, 1993, Camden Property Trust, a Texas real estate investment trust (REIT), is engaged in the ownership, management, development, acquisition, and construction of multifamily apartment communities. Unless the context requires otherwise, we, our, us, and the Company refer to Camden Property Trust and its consolida subsidiaries. Our multifamily apartment communities are referred to as communities, multifamily communities, properties, or multifamily properties in the following discussion.

Our executive offices are located at 3 Greenway Plaza, Suite 1300, Houston, Texas 77046 and our telephone number is (713) 354-2500. Our website is located at www.camdenliving.com. On our website we make available free of charge our annual, quarterly, and current reports, and amendments to such reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (the SEC). We also make available, free of charge on our website, our Guidelines on Governance, Code of Business Conduct and Ethics, Code of Ethical Conduct for Senior Financial Officers, and the charters of each of our Audit, Compensation, Nominating, and Corporate Governance Committees.

Our annual, quarterly, and current reports, proxy statements, and other information are electronically filed with the SEC. You may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Please contact the SEC at 1-800-SEC-0330 for further information about the operation of the SEC s Public Reference Room. The SEC also maintains a website at www.sec.gov which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Financial Information about Segments

We are primarily engaged in the ownership, management, development, acquisition, and construction of multifamily apartment communities. As each of our communities has similar economic characteristics, residents, amenities, and services, our operations have been aggregated into one reportable segment. See our consolidated financial statements and notes included thereto in Item 15 of this Annual Report on Form 10-K for certain information required by Item 1.

Narrative Description of Business

As of December 31, 2010, we owned interests in, operated, or were developing 188 multifamily properties comprising 63,923 apartment homes across the United States. Of these 188 properties, two properties were under development and when completed will consist of a total of 607 apartment homes. In addition, we own land parcels we may develop into multifamily apartment communities.

Operating Strategy

We believe producing consistent earnings growth through property operations, development and acquisitions, achieving market balance, and recycling capital are crucial factors to our success. We rely heavily on our sophisticated property management capabilities and innovative operating strategies to help us maximize the earnings potential of our communities.

Real Estate Investments and Market Balance. We believe we are well positioned in our current markets and have the expertise to take advantage of new opportunities as they arise. These capabilities, combined with what we believe is a conservative financial structure, should allow us to concentrate our growth efforts toward selective opportunities to enhance our strategy of having a geographically diverse portfolio of assets which meet the requirements of our residents.

We continue to operate in our core markets which we believe provides an advantage due to economies of scale. We believe, where possible, it is best to operate with a strong base of properties in order to benefit from the personnel allocation and the market strength associated with managing several properties in the same market. However, consistent with our goal of generating sustained earnings growth, we intend to selectively dispose of properties and redeploy capital for various strategic reasons, including if we determine a property cannot meet long-term earnings growth expectations.

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Subject to market conditions, we intend to continue to look for opportunities to develop and acquire existing communities through our discretionary investment funds (the Funds), expand our development pipeline, and complete selective dispositions.

We intend to continue to focus on strengthening our capital and liquidity positions by generating positive cash flows from operations, reducing outstanding debt and leverage ratios, and controlling overhead costs. We intend to meet our liquidity requirements through available cash balances, cash flows generated from operations, draws on our unsecured credit facility, proceeds from property dispositions and secured mortgage notes, and the use of debt and equity offerings under our automatic shelf registration statement.

Sophisticated Property Management. We believe the depth of our organization enables us to deliver quality services, promote resident satisfaction, and retain residents, thereby reducing operating expenses. We manage our properties utilizing a staff of professionals and support personnel, including certified property managers, experienced apartment managers and leasing agents, and trained apartment maintenance technicians. Our on-site personnel are trained to deliver high quality services to our residents. We strive to motivate our on-site employees through incentive compensation arrangements based upon property operational results, rental rate increases, and level of lease renewals achieved.

Operations. We believe an intense focus on operations is necessary to realize consistent, sustained earnings growth. Ensuring resident satisfaction, increasing rents as market conditions allow, maximizing rent collections, maintaining property occupancy at optimal levels, and controlling operating costs comprise our principal strategies to maximize property financial results. We believe our web-based property management and revenue management systems strengthen on-site operations and allow us to quickly adjust rental rates as local market conditions change. Lease terms are generally staggered based on vacancy exposure by apartment type so lease expirations are matched to each property s seasonal rental patterns. We generally offer leases ranging from six to fifteen months with individual property marketing plans structured to respond to local market conditions. In addition, we conduct ongoing customer service surveys to ensure timely response to residents changing needs and a high level of satisfaction.

Investments in Joint Ventures. We have entered into, and may continue in the future to enter into, joint ventures through which we own an indirect economic interest of less than 100% of the community or communities owned directly by the joint venture. See Note 8, Investments in Joint Ventures, and Note 14, Commitments and Contingencies, of the Notes to Consolidated Financial Statements for further discussion of our investments in joint ventures.

Competition

There are numerous housing alternatives which compete with our communities in attracting residents. Our properties compete directly with other multifamily properties as well as with condominiums and single-family homes which are available for rent or purchase in the markets in which our communities are located. This competitive environment could have a material adverse effect on our ability to lease apartment homes at our present communities or any newly developed or acquired community, as well as on the rents charged.

Employees

At December 31, 2010, we had approximately 1,750 employees, including executive, administrative, and community personnel.

Qualification as a Real Estate Investment Trust

As of December 31, 2010, we met the qualification of a REIT under Sections 856-860 of the Internal Revenue Code of 1986, as amended (the Code). As a result, we, with the exception of our taxable REIT subsidiaries, will not be subject to federal income tax to the extent we continue to meet certain requirements of the Code.

Item 1A. Risk Factors

In addition to the other information contained in this Form 10-K, the following risk factors should be considered carefully in evaluating our business. Our business, financial condition, or results of operations could be materially adversely affected by any of these risks. Additional risks not presently known to us, or which we currently consider immaterial, may also impair our business and operations.

Risks Associated with Real Estate, Real Estate Capital, and Credit Markets

Volatility in capital and credit markets, or other unfavorable changes in economic conditions could adversely impact us.

The capital and credit markets experienced volatility and disruption particularly in the latter half of 2008 through the first quarter of 2010. This caused the spreads on prospective debt financings to fluctuate and made it more difficult to borrow money. In the event of renewed market disruption and volatility, we may not be able to obtain new debt financing or refinance our existing debt on favorable terms or at all, which would adversely affect our liquidity, our ability to make distributions to shareholders, acquire and dispose of assets and continue our development pipeline. Other weakened economic conditions, including job losses and high unemployment rates have adversely affected rental rates and occupancy levels. Unfavorable changes in economic conditions may have a material adverse impact on our cash flows and operating results.

Additional key economic risks which may affect conditions in the markets in which we operate include the following:

- local conditions, such as an oversupply of apartments or other housing available for rent, or a reduction in demand for apartments in the area;
- declines in the financial condition of our tenants, which may make it more difficult for us to collect rents from some tenants;
- changes in market rental rates;
- declines in mortgage interest rates and home pricing, making alternative housing more affordable;
- government or builder incentives which enable home buyers to put little or no money down, making alternative housing options more attractive;
- regional economic downturns which simultaneously affect one or more of our geographical markets; and
- increased operating costs, if these costs cannot be passed through to residents.

Short-term leases expose us to the effects of declining market rents.

Substantially all of our apartment leases are for a term of fifteen months or less. As these leases generally permit the residents to leave at the end of the lease term without penalty, our rental revenues are impacted by declines in market rents more quickly than if our leases were for longer terms.

We face risks associated with land holdings and related activities.

We hold land for future development and may in the future acquire additional land holdings. The risks inherent in purchasing, owning, and developing land increase as demand for apartments, or rental rates, decrease. Real estate markets are highly uncertain and, as a result, the value of undeveloped land has fluctuated significantly and may continue to fluctuate. In addition, carrying costs can be significant and can result in losses or reduced profitability. As a result, we hold certain land, and may in the future acquire additional land, in our development pipeline at a cost we may not be able to fully recover or at a cost which precludes our developing a profitable multifamily community. Given the uncertainty and volatility of the current economic environment, there is less market information available to us to utilize in estimating the fair value of our holdings; if additional market information becomes available in future periods which impacts our estimates of fair value, we may be required to take future impairment charges.

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Difficulties of selling real estate could limit our flexibility.

We intend to continue to evaluate the potential disposition of assets which may no longer meet our objectives. When we decide to sell an asset, we may encounter difficulty in finding buyers in a timely manner as real estate investments generally cannot be disposed of quickly, especially when market conditions are poor. These factors may limit our ability to vary our portfolio promptly in response to changes in economic or other conditions and may also limit our ability to utilize sales proceeds as a source of liquidity, which would adversely affect our ability to make distributions to shareholders or repay debt. In addition, the provisions of the Code relating to REITs limit our ability to earn a gain on the sale of property (unless we own the property through a subsidiary which will incur a taxable gain upon sale) if we have held the property less than two years, and this limitation may affect our ability to sell properties without adversely affecting returns to shareholders.

***We could be negatively impacted by the condition of Fannie Mae or Freddie Mac*.**

Fannie Mae and Freddie Mac are a major source of financing for secured multifamily real estate. We and other multifamily companies depend heavily on Fannie Mae and Freddie Mac to finance growth by purchasing or guaranteeing apartment loans. In February 2011, the Obama administration released a report proposing Fannie Mae and Freddie Mac be gradually eliminated. The report proposed three possible courses for long-term reform of housing finance. A final decision by the government to eliminate Fannie Mae or Freddie Mac or reduce their acquisitions or guarantees of apartment loans may adversely affect interest rates, capital availability, and the development of multifamily communities.

Compliance or failure to comply with laws requiring access to our properties by disabled persons could result in substantial cost.

The Americans with Disabilities Act (ADA), the Fair Housing Amendments Act of 1988 (FHAA), and other federal, state, and local laws, rules, and regulations generally require public accommodations and apartment homes be made accessible to disabled persons. Noncompliance could result in the imposition of fines by the government or the award of damages to private litigants. These laws may require us to modify our existing properties. These laws may also restrict renovations by requiring improved access to such buildings by disabled persons or may require us to add other structural features which increase our construction costs. Legislation or regulations adopted in the future may impose further costs and obligations or restrictions on us with respect to improved access by disabled persons. We may incur unanticipated expenses which may be material to our financial condition or results of operations to comply with ADA, FHAA, and other federal, state, and local laws, or in connection with lawsuits brought by the government or private litigants.

Competition could limit our ability to lease apartments or increase or maintain rental income.

There are numerous housing alternatives which compete with our properties in attracting residents. Our properties compete directly with other multifamily properties as well as condominiums and single family homes which are available for rent or purchase in the markets in which our properties are located. This competitive environment could have a material adverse effect on our ability to lease apartment homes at our present properties or any newly developed or acquired property, as well as on the rents charged.

Risks Associated with Our Operations

Development and construction risks could impact our profitability.

We intend to continue to develop and construct multifamily apartment communities for our portfolio, and expect higher levels of development activity in 2011 as compared to recent years. Our development and construction activities may be exposed to a number of risks which may increase our construction costs and decrease our profitability including the following:

- inability to obtain, or delays in obtaining, necessary zoning, land-use, building, occupancy, and other required permits and authorizations;

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- increased materials, labor, problems with subcontractors, or other costs due to errors and omissions which occur in the design or construction process;
- inability to obtain financing with favorable terms for the development of a community;
- inability to complete construction and lease-up of a community on schedule;
- the expected occupancy and rental rates may differ from the actual results;
- incurring costs related to the abandonment of development opportunities which we have pursued and subsequently deemed unfeasible; and
- inability to successfully implement our development and construction strategy could adversely affect our results of operations and our ability to satisfy our financial obligations and pay distributions to shareholders.

One of our wholly-owned subsidiaries is engaged in the business of providing general contracting services under construction contracts entered into between it and third-parties (including nonconsolidated subsidiaries). The terms of those construction contracts generally require this subsidiary to estimate the time and costs to complete a project, and to assume the risk the time and costs associated with its performance may be greater than anticipated. As a result, profitability on those contracts is dependent on the ability to accurately predict such factors. The time and costs necessary to complete a project may be affected by a variety of factors, including those listed above, many of which are beyond this subsidiary s control. In addition, the terms of those contracts generally require this subsidiary to warrant its work for a period of time during which it may be required to repair, replace, or rebuild defective work. Further, additional trailing liabilities, based on various legal theories such as claims of negligent construction, may result from such projects, and these trailing liabilities may go on for a number of years depending on the length of the statutes of repose in various jurisdictions.

Our acquisition strategy may not produce the cash flows expected.

Subject to the requirements of the Funds, we may acquire additional operating properties on a select basis. Our acquisition activities are subject to a number of risks, including the following:

- we may not be able to successfully integrate acquired properties into our existing operations;
- our estimates of the costs, if any, of repositioning or redeveloping the acquired property may prove inaccurate;
- the expected occupancy and rental rates may differ from the actual results; and
- we may not be able to obtain adequate financing.

With respect to acquisitions of operating companies, we may not be able to identify suitable candidates on terms acceptable to us or may not achieve expected returns and other benefits as a result of integration challenges, such as personnel and technology.

Competition could adversely affect our ability to acquire properties.

We expect other real estate investors, including insurance companies, pension and investment funds, private investors, and other apartment REITs, will compete with us to acquire additional operating properties. This competition could increase prices for the type of properties we would likely pursue and adversely affect our ability to acquire these properties or the profitability of such properties upon acquisition.

Losses from catastrophes may exceed our insurance coverage.

We carry comprehensive property and liability insurance on our properties, which we believe is of the type and amount customarily obtained on similar real property assets by similar types of owners. We intend to obtain similar coverage for properties we acquire or develop in the future. However, some losses, generally of a catastrophic nature such as losses from floods, hurricanes, or earthquakes, may be subject to coverage limitations. We exercise our discretion in determining amounts, coverage limits, and deductible provisions of insurance to maintain appropriate insurance on our investments at a reasonable cost and on suitable terms. If we suffer a substantial loss, our insurance coverage may not be sufficient to pay the full current market value or current replacement value of our lost investment, as well as the anticipated future revenues from the property. Inflation, changes in building codes and ordinances, environmental considerations, and other factors also may reduce the feasibility of using insurance proceeds to replace a property after it has been damaged or destroyed.

Investments through joint ventures involve risks not present in investments in which we are the sole investor.
We have invested and may continue to invest as a joint venture partner in joint ventures. These investments involve risks, including the possibility the other joint venture partner may have business goals which are inconsistent with ours, be in a position to take action or withhold consent contrary to our requests, or become insolvent and require us to assume and fulfill the joint venture s financial obligations. We and our joint venture partner may each have the right to initiate a buy-sell arrangement, which could cause us to sell our interest, or acquire our joint venture partner s interest, at a time when we otherwise would not have entered into such a transaction. Each joint venture agreement is individually negotiated, and our ability to operate, finance, and/or dispose of a community in our sole discretion may be limited to varying degrees depending on the terms of the joint venture agreement.
We face risks associated with investments in and management of discretionary funds.
We have formed the Funds which, through wholly-owned subsidiaries, we manage as the general partner and advisor. We have committed to invest 20% of the total equity interest in each of the Funds, up to $75 million in the aggregate; each of the Funds has total capital commitments of $187.5 million or $375 million in the aggregate. There are risks associated with the investment in and management of the Funds, including the following:

- investors in the Funds may fail to make their capital contributions when due and, as a result, the Funds may be unable to execute their investment objectives;
- the general partner of the Funds, our wholly-owned subsidiary, has unlimited liability for the third-party debts, obligations, and liabilities of the Funds pursuant to partnership law;
- investors in the Funds (other than us), by majority vote, may remove our subsidiary as the general partner of the Funds with or without cause and the Funds advisory boards, by a majority vote of their members, may remove our subsidiary as the general partner of the Funds at any time for cause;
- while we have broad discretion to manage the Funds and make investment decisions on behalf of the Funds, the investors or the advisory boards must approve certain matters, and as a result we may be unable to cause the Funds to make certain investments or implement certain decisions we consider beneficial;
- we are permitted to acquire land and develop communities outside of the Funds, but are generally prohibited from acquiring fully developed multifamily properties outside of the Funds until the earlier of (i) April 8, 2012, or (ii) such time as 90% of the Funds committed capital is invested, subject to certain exceptions;
- our ability to redeem all or a portion of our investments in the Funds is subject to significant restrictions; and
- we may be liable if the Funds fail to comply with various tax or other regulatory matters.

We depend on our key personnel.
Our success depends in part on our ability to attract and retain the services of executive officers and other personnel. There is substantial competition for qualified personnel in the real estate industry, and the loss of several of our key personnel could have an adverse effect on us.

Changes in litigation risks could affect our business.

As a large publicly-traded owner of multifamily properties, we may become involved in legal proceedings, including consumer, employment, tort, or commercial litigation, which if decided adversely to or settled by us, could result in liability which is material to our financial condition or results of operations.

Tax matters, including failure to qualify as a REIT, could have adverse consequences.

We may not continue to qualify as a REIT in the future. The Internal Revenue Service may challenge our qualification as a REIT for prior years and new legislation, regulations, administrative interpretations, or court decisions may change the tax laws or the application of the tax laws with respect to qualification as a REIT or the federal tax consequences of such qualification.

For any taxable year we fail to qualify as a REIT and do not qualify under statutory relief provisions:

- we would be subject to federal income tax on our taxable income at regular corporate rates, including any applicable alternative minimum tax;
- we would be disqualified from treatment as a REIT for the four taxable years following the year in which we failed to qualify, thereby reducing our net earnings available for operations, including any distributions to shareholders, as we would be required to pay significant income taxes for the year or years involved; and
- our ability to expand our business and raise capital would be impaired, which may adversely affect the value of our common shares.

We may face other tax liabilities in the future which may impact our cash flow. These potential tax liabilities may be calculated on our income or property values at either the corporate or individual property levels. Any additional tax expense incurred would decrease the cash available for distribution to our shareholders.

Risks Associated with Our Indebtedness and Financing

Insufficient cash flows could limit our ability to make required payments for debt obligations or pay distributions to shareholders.

Substantially all of our income is derived from rental and other income from our multifamily communities. As a result, our performance depends in large part on our ability to collect rent from residents, which could be negatively affected by a number of factors, including the following:

- delay in resident lease commencements;
- decline in occupancy;
- failure of residents to make rental payments when due;
- the attractiveness of our properties to residents and potential residents;
- our ability to adequately manage and maintain our communities;
- competition from other available apartments and housing alternatives; and
- changes in market rents.

Cash flow could be insufficient to meet required payments of principal and interest with respect to debt financing. In order for us to continue to qualify as a REIT we must meet a number of organizational and operational requirements, including a requirement to distribute annual dividends to our shareholders equal to a minimum of 90% of our REIT taxable income, computed without regard to the dividends paid deduction and our net capital gains. This requirement limits the cash flow available to meet required principal payments on our debt.

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We have significant debt, which could have important adverse consequences.

As of December 31, 2010, we had outstanding debt of approximately $2.6 billion. This indebtedness could have important consequences, including:

- if a property is mortgaged to secure payment of indebtedness, and if we are unable to meet our mortgage obligations, we could sustain a loss as a result of foreclosure on the mortgaged property;
- our vulnerability to general adverse economic and industry conditions is increased; and
- our flexibility in planning for, or reacting to, changes in business and industry is limited.

The mortgages on our properties subject to secured debt, our unsecured credit facility, and the indentures under which our unsecured debt was issued contain customary restrictions, requirements, and other limitations, as well as certain financial and operating covenants including maintenance of certain financial ratios. Maintaining compliance with these provisions could limit our financial flexibility. A default in these provisions, if uncured, could require us to repay the indebtedness before the scheduled maturity date, which could adversely affect our liquidity and increase our financing costs.

We may be unable to renew, repay, or refinance our outstanding debt.

We are subject to the risk that indebtedness on our properties or our unsecured indebtedness will not be renewed, repaid, or refinanced when due or the terms of any renewal or refinancing will not be as favorable as the existing terms of such indebtedness. If we are unable to refinance our indebtedness on acceptable terms, or at all, we might be forced to dispose of one or more of the properties on disadvantageous terms, which might result in losses to us. Such losses could have a material adverse effect on us and our ability to make distributions to our shareholders and pay amounts due on our debt. Furthermore, if a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the mortgagee could foreclose on the property, appoint a receiver and exercise rights under an assignment of rents and leases, or pursue other remedies, all with a consequent loss of our revenues and asset value. Foreclosures could also create taxable income without accompanying cash proceeds, thereby hindering our ability to meet the REIT distribution requirements of the Code.

Variable rate debt is subject to interest rate risk.

We have mortgage debt with varying interest rates dependent upon various market indexes. In addition, we have a revolving credit facility bearing interest at a variable rate on all amounts drawn on the facility. We may incur additional variable rate debt in the future. Increases in interest rates on variable rate debt would increase our interest expense, unless we make arrangements which hedge the risk of rising interest rates, which would adversely affect net income and cash available for payment of our debt obligations and distributions to shareholders.

We may incur losses on interest rate hedging arrangements.

Historically, we have entered into agreements to reduce the risks associated with changes in interest rates, and we may continue to do so in the future. Although these agreements may partially protect against rising interest rates, they may also reduce the benefits to us if interest rates decline. If a hedging arrangement is not indexed to the same rate as the indebtedness which is hedged, we may be exposed to losses to the extent which the rate governing the indebtedness and the rate governing the hedging arrangement change independently of each other. Additionally, nonperformance by the other party to the hedging arrangement may subject us to increased credit risks.

Issuances of additional debt may adversely impact our financial condition.

Our capital requirements depend on numerous factors, including the rental and occupancy rates of our apartment properties, dividend payment rates to our shareholders, development and capital expenditures, costs of operations, and potential acquisitions. If our capital requirements vary materially from our plans, we may require additional financing earlier than anticipated. If we issue more debt, we could become more leveraged, resulting in increased risk of default on our obligations and an increase in our debt service requirements, both of which could adversely affect our financial condition and ability to access debt and equity capital markets in the future.

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Failure to maintain our current credit ratings could adversely affect our cost of funds, related margins, liquidity, and access to capital markets.

Moody s and Standard & Poor s, the major debt rating agencies, routinely evaluate our debt and have given us ratings of Baa1 and BBB, respectively, with stable outlooks, on our senior unsecured debt. These ratings are based on a number of factors, which include their assessment of our financial strength, liquidity, capital structure, asset quality, and sustainability of cash flow and earnings. Due to changes in market conditions, we may not be able to maintain our current credit ratings, which could adversely affect our cost of funds and related margins, liquidity, and access to capital markets.

Risks Associated with Our Shares

Share ownership limits and our ability to issue additional equity securities may prevent takeovers beneficial to shareholders.

For us to maintain our qualification as a REIT, we must have 100 or more shareholders during the year and not more than 50% in value of our outstanding shares may be owned, directly or indirectly, by five or fewer individuals. As defined for federal income tax purposes, the term individuals includes a number of specified entities. To minimize the possibility of us failing to qualify as a REIT under this test, our declaration of trust includes restrictions on transfers of our shares and ownership limits. The ownership limits, as well as our ability to issue other classes of equity securities, may delay, defer, or prevent a change in control. These provisions may also deter tender offers for our common shares which may be attractive to you or limit your opportunity to receive a premium for your shares which might otherwise exist if a third party were attempting to effect a change in control transaction.

Our share price will fluctuate.

The market price and trading volume of our common shares are subject to fluctuation due to general market conditions, the risks discussed in this report and other matters, including the following:

- operating results which vary from the expectations of securities analysts and investors;
- investor interest in our property portfolio;
- the reputation and performance of REITs;
- the attractiveness of REITs as compared to other investment vehicles;
- the results of our financial condition and operations;
- the perception of our growth and earnings potential;
- dividend payment rates;
- increases in market interest rates, which may lead purchasers of our common shares to demand a higher yield; and
- changes in financial markets and national economic and general market conditions.

The form, timing and/or amount of dividend distributions in future periods may vary and be impacted by economic and other considerations.

The form, timing and/or amount of dividend distributions will be declared at the discretion of our Board of Trust Managers and will depend on actual cash from operations, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and other factors as the Board of Trust Managers may consider relevant. The Board of Trust Managers may modify the form, timing and/or amount of dividends from time to time.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Properties

Our properties typically consist of mid-rise buildings or two and three story buildings in a landscaped setting and provide residents with a variety of amenities. Most of the properties have one or more swimming pools and a clubhouse and many have whirlpool spas, weight room facilities, and controlled-access gates. Many of the apartment homes offer additional features such as fireplaces, vaulted ceilings, microwave ovens, covered parking, icemakers, washers and dryers, and ceiling fans.

Operating Properties (including properties held through unconsolidated joint ventures)

The 186 operating properties in which we owned interests and operated at December 31, 2010 averaged 922 square feet of living area per apartment home. For the year ended December 31, 2010, no single operating property accounted for greater than 1.6% of our total revenues. Our operating properties had a weighted average occupancy rate of approximately 93.3% for each of the years ended December 31, 2010 and 2009, and an average annual rental revenue per apartment home of $928 and $946 for the years ended December 31, 2010 and 2009, respectively. Resident lease terms generally range from six to fifteen months. One hundred and fifty-nine of our operating properties have over 200 apartment homes, with the largest having 904 apartment homes. Our operating properties have an average age of 11 years (calculated on the basis of investment dollars). Our operating properties were constructed and placed in service as follows:

Year Placed in Service	Number of Operating Properties
2006-2010	25
2001-2005	28
1996-2000	57
1991-1995	19
1986-1990	38
Prior to 1985	19

Property Table

The following table sets forth information with respect to our 186 operating properties at December 31, 2010:

OPERATING PROPERTIES

Property and Location	Year Placed In Service	Average Apartment Size (Sq. Ft.)	Number of Apartments	2010 Average Occupancy (1)	2010 Average Monthly Rental Rate per Apartment
ARIZONA					
Phoenix					
Camden Copper Square	2000	786	332	92.5%	$ 749
Camden Fountain Palms (7)	1986/1996	1,050	192	89.6	657
Camden Legacy	1996	1,067	428	94.1	834
Camden Pecos Ranch (7)	2001	924	272	94.5	737
Camden San Paloma	1993/1994	1,042	324	94.2	866
Camden Sierra (7)	1997	925	288	90.3	639
Camden Towne Center (7)	1998	871	240	91.8	657
Camden Vista Valley	1986	923	357	90.1	601
CALIFORNIA					
Los Angeles/Orange County					

Camden Crown Valley	2001	1,009	380	93.8	1,501
Camden Harbor View	2004	975	538	94.2	1,852

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OPERATING PROPERTIES

Property and Location	Year Placed In Service	Average Apartment Size (Sq. Ft.)	Number of Apartments	2010 Average Occupancy (1)	2010 Average Monthly Rental Rate per Apartment
Camden Main & Jamboree (12)	2008	1,011	290	94.0%	$ 1,787
Camden Martinique	1986	794	714	92.3	1,242
Camden Parkside (7)	1972	836	421	93.5	1,168
Camden Sea Palms	1990	891	138	94.4	1,427
San Diego/Inland Empire					
Camden Old Creek	2007	1,037	350	93.9	1,515
Camden Sierra at Otay Ranch	2003	962	422	93.2	1,472
Camden Tuscany	2003	896	160	93.7	1,801
Camden Vineyards	2002	1,053	264	91.5	1,191
COLORADO					
Denver					
Camden Caley	2000	925	218	96.2	852
Camden Centennial	1985	744	276	94.0	658
Camden Denver West (8)	1997	1,015	320	93.8	1,036
Camden Highlands Ridge	1996	1,149	342	94.7	1,081
Camden Interlocken	1999	1,022	340	95.7	1,075
Camden Lakeway	1997	932	451	92.9	877
Camden Pinnacle	1985	748	224	93.8	672
WASHINGTON DC METRO					
Camden Ashburn Farms	2000	1,062	162	96.7	1,318
Camden Clearbrook	2007	1,048	297	95.5	1,210
Camden College Park (12)	2008	942	508	94.6	1,514
Camden Dulles Station (3)	2009	984	366	96.2	1,466
Camden Fair Lakes	1999	1,056	530	95.8	1,473
Camden Fairfax Corner	2006	934	488	95.9	1,521
Camden Fallsgrove	2004	996	268	96.7	1,515
Camden Grand Parc	2002	674	105	96.5	2,267
Camden Lansdowne	2002	1,006	690	96.2	1,246
Camden Largo Town Center	2000/2007	1,027	245	93.7	1,508
Camden Monument Place	2007	856	368	94.9	1,395
Camden Potomac Yard	2008	835	378	94.3	1,812
Camden Roosevelt	2003	856	198	97.9	2,248
Camden Russett	2000	992	426	93.9	1,331
Camden Silo Creek	2004	975	284	97.2	1,257
Camden Summerfield	2008	957	291	92.1	1,512
FLORIDA					
Southeast Florida					
Camden Aventura	1995	1,108	379	94.7	1,313
Camden Brickell	2003	937	405	97.2	1,342
Camden Doral	1999	1,120	260	95.4	1,426

Camden Doral Villas	2000	1,253	232	96.3	1,536
Camden Las Olas	2004	1,043	420	94.0	1,505
Camden Plantation	1997	1,201	502	94.7	1,235
Camden Portofino	1995	1,112	322	94.6	1,265
Orlando					
Camden Club	1986	1,077	436	93.5	810
Camden Hunter s Creek	2000	1,075	270	94.0	911
Camden Lago Vista	2005	955	366	93.8	844
Camden Landings	1983	748	220	93.1	638
Camden Lee Vista	2000	937	492	93.7	802
Camden Orange Court	2008	812	261	93.9	1,032
Camden Renaissance	1996/1998	899	578	92.5	747
Camden Reserve	1990/1991	824	526	92.8	684
Camden World Gateway	2000	979	408	94.3	879
Tampa/St. Petersburg					
Camden Bay	1997/2001	943	760	94.5	788
Camden Bay Pointe	1984	771	368	92.7	642
Camden Bayside	1987/1989	748	832	93.7	687
Camden Citrus Park	1985	704	247	93.4	628
Camden Lakes	1982/1983	732	688	92.3	633
Camden Lakeside	1986	729	228	91.4	702
Camden Live Oaks	1990	1,093	770	93.3	758

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OPERATING PROPERTIES

Property and Location	Year Placed In Service	Average Apartment Size (Sq. Ft.)	Number of Apartments	2010 Average Occupancy (1)	2010 Average Monthly Rental Rate per Apartment
Camden Preserve	1996	942	276	94.4%	$ 952
Camden Providence Lakes	1996	1,024	260	92.8	850
Camden Royal Palms	2006	1,017	352	93.2	899
Camden Westshore	1986	728	278	94.9	771
Camden Woods	1986	1,223	444	94.2	776
GEORGIA					
Atlanta					
Camden Brookwood	2002	912	359	94.5	906
Camden Dunwoody	1997	1,007	324	95.5	832
Camden Deerfield	2000	1,187	292	93.7	875
Camden Ivy Hall (2) (6) (14)	2010	1,181	110	Lease-Up	1,682
Camden Midtown Atlanta	2001	935	296	92.1	924
Camden Peachtree City	2001	1,027	399	93.6	829
Camden River	1997	1,103	352	94.1	820
Camden Shiloh	1999/2002	1,143	232	93.0	797
Camden St. Clair	1997	999	336	94.4	852
Camden Stockbridge	2003	1,009	304	91.7	726
Camden Sweetwater	2000	1,151	308	91.4	697
KENTUCKY					
Louisville					
Camden Brookside (9)	1987	732	224	94.7	663
Camden Meadows (9)	1987/1990	746	400	95.1	671
Camden Oxmoor (9)	2000	903	432	95.6	811
Camden Prospect Park (9)	1990	916	138	95.4	753
MISSOURI					
Kansas City					
Camden Passage (9)	1989/1997	834	596	92.9	643
St. Louis					
Camden Cedar Lakes (9)	1986	852	420	92.5	612
Camden Cove West (9)	1990	828	276	94.9	818
Camden Cross Creek (9)	1973/1980	947	591	93.9	737
Camden Westchase (9)	1986	945	160	96.4	841
NEVADA					
Las Vegas					
Camden Bel Air	1988/1995	943	528	93.1	743
Camden Breeze	1989	846	320	92.9	733
Camden Canyon	1995	987	200	94.0	867
Camden Commons	1988	936	376	91.9	758
Camden Cove	1990	898	124	92.1	739
Camden Del Mar	1995	986	560	94.4	895
Camden Fairways	1989	896	320	94.5	879
Camden Hills	1991	439	184	89.3	529

Camden Legends	1994	792	113	91.0	823
Camden Palisades	1991	905	624	91.9	747
Camden Pines (7)	1997	982	315	93.8	797
Camden Pointe	1996	983	252	92.0	758
Camden Summit (7)	1995	1,187	234	94.0	1,094
Camden Tiara (7)	1996	1,043	400	92.7	856
Camden Vintage	1994	978	368	90.2	731
Oasis Bay (10)	1990	876	128	95.8	764
Oasis Crossings (10)	1996	983	72	92.0	782
Oasis Emerald (10)	1988	873	132	91.4	659
Oasis Gateway (10)	1997	1,146	360	92.7	803
Oasis Island (10)	1990	901	118	92.5	654
Oasis Landing (10)	1990	938	144	92.6	702
Oasis Meadows (10)	1996	1,031	383	89.3	739
Oasis Palms (10)	1989	880	208	90.7	689
Oasis Pearl (10)	1989	930	90	93.1	733
Oasis Place (10)	1992	440	240	91.1	527
Oasis Ridge (10)	1984	391	477	87.1	438
Oasis Sierra (10)	1998	923	208	92.7	801
Oasis Springs (10)	1988	838	304	89.1	614

OPERATING PROPERTIES

Property and Location	Year Placed In Service	Average Apartment Size (Sq. Ft.)	Number of Apartments	2010 Average Occupancy (1)	2010 Average Monthly Rental Rate per Apartment
Oasis Vinings (10)	1994	1,152	234	89.0%	$ 751
NORTH CAROLINA					
Charlotte					
Camden Ballantyne	1998	1,045	400	95.2	799
Camden Cotton Mills	2002	905	180	97.3	1,045
Camden Dilworth	2006	857	145	97.1	1,034
Camden Fairview	1983	1,036	135	95.7	752
Camden Forest	1989	703	208	90.5	548
Camden Foxcroft	1979	940	156	95.4	699
Camden Grandview	2000	1,057	266	97.2	1,150
Camden Habersham	1986	773	240	94.6	586
Camden Park Commons	1997	861	232	92.5	626
Camden Pinehurst	1967	1,147	407	94.2	708
Camden Sedgebrook	1999	972	368	94.6	734
Camden Simsbury	1985	874	100	95.3	680
Camden South End Square	2003	882	299	94.8	940
Camden Stonecrest	2001	1,098	306	94.1	843
Camden Touchstone	1986	899	132	95.0	700
Raleigh					
Camden Crest	2001	1,013	438	94.2	731
Camden Governor s Village	1999	1,046	242	95.0	806
Camden Lake Pine	1999	1,066	446	94.8	752
Camden Manor Park	2006	966	484	94.6	793
Camden Overlook	2001	1,060	320	95.1	839
Camden Reunion Park	2000/2004	972	420	93.6	655
Camden Westwood	1999	1,027	354	92.2	722
PENNSYLVANIA					
Camden Valleybrook	2002	992	352	94.7	1,250
TEXAS					
Austin					
Camden Amber Oaks (3) (6)	2009	862	348	94.1	779
Camden Cedar Hills	2008	911	208	93.9	909
Camden Gaines Ranch	1997	955	390	93.3	922
Camden Huntingdon	1995	903	398	94.7	697
Camden Laurel Ridge	1986	702	183	92.8	562
Camden Ridgecrest	1995	855	284	93.2	652
Camden South Congress (6)	2001	975	253	93.0	1,284
Camden Stoneleigh	2001	908	390	94.9	841
Corpus Christi					
Camden Breakers	1996	868	288	94.0	878
Camden Copper Ridge	1986	775	344	93.3	665
Camden Miramar (5)	1994-2010	485	816	80.9	901

Camden South Bay (6) (14)	2007	1,055	270	95.5	1,016
Dallas/Fort Worth					
Camden Addison (7)	1996	942	456	94.4	766
Camden Buckingham	1997	919	464	95.2	757
Camden Centreport	1997	911	268	93.5	756
Camden Cimarron	1992	772	286	94.9	754
Camden Farmers Market	2001/2005	932	904	93.9	847
Camden Gardens	1983	652	256	94.4	521
Camden Glen Lakes	1979	877	424	93.5	720
Camden Legacy Creek	1995	831	240	95.7	799
Camden Legacy Park	1996	871	276	95.9	816
Camden Springs	1987	713	304	93.0	538
Camden Valley Creek	1984	855	380	92.5	630
Camden Valley Park (4)	1986	743	516	93.7	692
Camden Valley Ridge	1987	773	408	92.2	568
Camden Westview	1983	697	335	91.4	577
Houston					
Camden Baytown	1999	844	272	88.1	802
Belle Meade (3) (11)	2010	1,414	119	93.3	2,645
Braeswood Place (2) (11)	2009	1,042	340	Lease-Up	1,388

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OPERATING PROPERTIES

Property and Location	Year Placed In Service	Average Apartment Size (Sq. Ft.)	Number of Apartments	2010 Average Occupancy (1)	2010 Average Monthly Rental Rate per Apartment
Camden City Centre	2007	932	379	93.2%	$ 1,273
Camden Creek	1984	639	456	90.8	575
Camden Greenway	1999	861	756	94.4	1,011
Camden Holly Springs (7)	1999	934	548	92.9	863
Camden Midtown	1999	844	337	96.1	1,172
Camden Oak Crest	2003	870	364	92.6	811
Camden Park (7)	1995	866	288	93.0	766
Camden Plaza (12)	2007	915	271	92.6	1,217
Camden Royal Oaks	2006	923	236	91.0	1,103
Camden Steeplechase	1982	748	290	89.4	621
Camden Stonebridge	1993	845	204	95.1	788
Camden Sugar Grove (7)	1997	921	380	93.8	861
Camden Travis Street (3) (13)	2010	819	253	97.3	1,312
Camden Vanderbilt	1996/1997	863	894	95.0	1,103
Camden Whispering Oaks	2008	934	274	92.1	971
Camden Yorktown (6) (14)	2008	995	306	95.6	934

(1) Represents average physical occupancy for the year except as noted below.

(2) Properties under lease-up at December 31, 2010.

(3) Development property stabilized during 2010 average occupancy calculated from date at which occupancy exceeded 90% through year-end.

(4) Redevelopment completed during 2010 average occupancy calculated from date at which occupancy exceeded 90% through year-end.

(5) Miramar is a student housing project for Texas A&M at Corpus Christi. Average occupancy includes summer which is normally subject to high vacancies.

(6) Properties owned through a joint venture in which we own a 20% interest. The remaining interest is owned by an unaffiliated private pension fund.

(7) Properties owned through a joint venture in which we own a 20% interest. The remaining interest is owned by an unaffiliated private investor.

(8) Property owned through a joint venture in which we own a 50% interest. The remaining interest is owned by an unaffiliated private investor.

(9) Properties owned through a joint venture in which we own a 15% interest. The remaining interest is owned by an unaffiliated private investor.

(10) *Properties owned through a joint venture in which we own a 20% interest. The remaining interest is owned by an unaffiliated private pension fund.*

(11) *Property owned through a joint venture in which we own a 72% interest. The remaining interest is owned by an unaffiliated private investor.*

(12) *Property owned through a fully-consolidated joint venture in which we own a 99.99% interest. The remaining interest is owned by an unaffiliated private investor.*

(13) *Property owned through a fully-consolidated joint venture in which we own a 25% interest. The remaining interest is owned by an unaffiliated private investor.*

(14) *Property acquired during 2010 average occupancy calculated from date at which property was acquired, unless otherwise noted.*

Item 3. Legal Proceedings

For discussion regarding legal proceedings, see Note 14, Commitments and Contingencies, of the Notes to Consolidated Financial Statements.

Item 4. Reserved

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PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The high and low closing prices per share of our common shares, as reported on the New York Stock Exchange composite tape under the symbol CPT, and distributions per share declared for the quarters indicated are as follows:

	High	Low	Distributions
2010 Quarters:			
First	$ 43.94	$ 36.77	$ 0.45
Second	51.50	40.85	0.45
Third	49.90	39.15	0.45
Fourth	54.13	48.18	0.45
2009 Quarters:			
First	$ 30.63	$ 17.56	$ 0.70
Second	30.99	21.71	0.45
Third	42.73	25.10	0.45
Fourth	44.01	35.24	0.45

This graph assumes the investment of $100 on December 31, 2005 and quarterly reinvestment of dividends. (Source: SNL Financial LC)

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	Years Ended December 31,				
Index	**2006**	**2007**	**2008**	**2009**	**2010**
Camden Property Trust	132.17	90.19	63.05	91.40	121.09
FTSE NAREIT Equity	135.06	113.87	70.91	90.76	116.13
S&P 500	115.79	122.16	76.96	97.33	111.99
Russell 2000	118.37	116.51	77.15	98.11	124.46
MSCI US REIT (RMS) Index	135.92	113.06	70.13	90.20	115.89

As of February 17, 2011, there were 585 shareholders of record and approximately 19,335 beneficial owners of our common shares.

In January 2008, our Board of Trust Managers approved an increase of the April 2007 repurchase plan to allow for the repurchase of up to $500 million of our common equity securities through open market purchases, block purchases, and privately negotiated transactions. Under this program, we have repurchased 4.3 million shares for a total of approximately $230.2 million from April 2007 IDTH: 1%">

Balance at December 31, 2015

11,551,232 $11 $105,556 (88)(117)

(137)(60,808)$44,417

Net loss

—

—

—

— —

(173) (3,840) (4,013)

Foreign currency translation

—

—

—

— 52

— — 52

Issuance of Common Stock for services

14,354 —

55 — —

— — 55

Stock-Based Compensation

—

—

28 — —

— — 28

Balance at March 31, 2016

11,565,586 $11 $105,639 (88)(65)

(310)(64,648)$40,539

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

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.

Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended	
	March 31,	
(Amounts in Thousands)	2016	2015
Cash flows from operating activities:		
Net loss	$(4,013)	$(2,237)
Less: loss from discontinued operations, net of taxes	(167)	(223)
Loss from continuing operations, net of taxes	(3,846)	(2,014)
Adjustments to reconcile loss from continuing operations to cash provided by (used in) operating activities :		
Depreciation and amortization	884	966
Amortization of debt discount	21	22
Deferred tax expense	36	36
Provision (recovery of) bad debt reserves	8	(34)
Loss on disposal of plant, property, and equipment	5	—
Issuance of common stock for services	55	70
Stock-based compensation	28	33
Changes in operating assets and liabilities of continuing operations		
Restricted cash	35	—
Accounts receivable	1,143	(267)
Unbilled receivables	1,829	(170)
Prepaid expenses, inventories and other assets	599	(4)
Accounts payable, accrued expenses and unearned revenue	(546)	(1,334)
Cash provided by (used in) continuing operations	251	(2,696)
Cash used in discontinued operations	(184)	(232)
Cash provided by (used in) operating activities	67	(2,928)
Cash flows from investing activities:		
Purchases of property and equipment	(9)	(121)
Proceeds from sale of plant, property, and equipment	1	—
Payment to finite risk sinking fund	(16)	(7)
Cash used in investing activities	(24)	(128)
Cash flows from financing activities:		
Repayments of revolving credit borrowings	(13,853)	(14,263)
Borrowing on revolving credit	14,022	15,808
Proceeds from issuance of common stock	—	3
	64	—

Release of proceeds for stock subscription for Perma-Fix Medical S.A. previously held in escrow		
Principal repayments of long term debt	(577)	(587)
Principal repayments of long term debt - related party	(375)	(375)
Cash (used in) provided by financing activities	(719)	586
Effect of exchange rate changes on cash	39	(82)
Decrease in cash	(637)	(2,552)
Cash at beginning of period	1,435	3,680
Cash at end of period	$798	$1,128
Supplemental disclosure:		
Interest paid	$100	$132
Income taxes paid	5	10

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

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.

Notes to Consolidated Condensed Financial Statements

March 31, 2016

(Unaudited)

Reference is made herein to the notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015.

1. Basis of Presentation

The consolidated condensed financial statements included herein have been prepared by the Company (which may be referred to as we, us or our), without an audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“the Commission”). Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been condensed or omitted pursuant to such rules and regulations, although the Company believes the disclosures which are made are adequate to make the information presented not misleading. Further, the consolidated condensed financial statements reflect, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position and results of operations as of and for the periods indicated. The results of operations for the three months ended March 31, 2016 are not necessarily indicative of results to be expected for the fiscal year ending December 31, 2016.

The Company suggests that these consolidated condensed financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. As disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015, the Company determined that the operations of its majority-owned subsidiary, Perma-Fix Medical S.A. (“PF Medical”), which has not generated any revenues as it continues to be primarily in the research and development (“R&D”) stage, meet the definition of a reportable segment in accordance with Accounting Standards Codification (“ASC”) 280, “Segment Reporting.” Accordingly, as detailed on Note 9 – “Operation Segments,” all of the historical numbers presented in the consolidated financial statements have been recast to include the operations of PF Medical as a separate reportable segment (“Medical Segment”).

Reclassification

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

2. **Summary of Significant Accounting Policies**

Our accounting policies are as set forth in the notes to the December 31, 2015 consolidated financial statements referred to above. During the first quarter of 2016, all of the restricted cash previously held in escrow at December 31, 2015 was released. Such amount represented $35,000 held in escrow for our worker's compensation policy with the remaining representing proceeds held in escrow resulting from stock subscription agreements executed in connection with the sale of common stock by PF Medical in previous years.

Recently Adopted Accounting Standards

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-03, "Simplifying the Presentation of Debt Issuance Costs." ASU 2015-03 amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge asset. It is effective for annual reporting periods beginning after December 15, 2015 (including interim reporting periods), but early adoption is permitted. The Company adopted ASU 2015-03 retroactively in the first quarter of 2016. The adoption of ASU 2015-03 did not have a material impact to the Company's results of operations, cash flows or financial position. The adoption of ASU 2015-03 resulted in a decrease in prepaid and other assets of approximately $152,000, a decrease in current portion of long-term debt of $27,000, and a decrease in long-term debt, less current portion of $125,000 for the balances as of December 31, 2015 in the accompanying Consolidated Balance Sheets.

Recently Issued Accounting Standards – Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09 provides a single, comprehensive revenue recognition model for all contracts with customers. The revenue guidance contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. In July 2015, the FASB deferred the effective date to annual reporting periods beginning after December 15, 2017 (including interim reporting periods within those periods). Early adoption is permitted to the original effective date of periods beginning after December 15, 2016 (including interim reporting periods within those periods). The ASU may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Company is still evaluating the potential impact of adopting this guidance on our financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." ASU 2014-15 requires management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosure in certain circumstances. The new standard will be effective for all entities in the first annual period ending after December 15, 2016. The Company is still evaluating the potential impact of adopting this guidance on our financial statements.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory." ASU 2015-11 requires that inventory within the scope of this update be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments in this update do not apply to inventory that is measured using last-in, first-out ("LIFO") or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out ("FIFO") or average cost. For all entities, the guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. Early adoption is permitted. The Company is still evaluating the potential impact of adopting this guidance on our financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". Under ASU 2016-02, an entity will be required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. ASU 2016-02 offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. For public companies, ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. The Company is still evaluating the potential impact of adopting this guidance on our financial statements.

In March 2016, the FASB issued ASU 2016-07, "Investments- Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting." ASU 2016-07 eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. ASU 2016-07 is effective for interim and annual periods beginning after December 15, 2016. The Company is still evaluating the potential impact of adopting this guidance on our financial statements.

In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)." ASU 2016-08 does not change the core principle of the guidance stated in ASU 2014-09; instead, the amendments in this ASU are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations and whether an entity reports revenue on a gross or net basis. ASU 2016-08 will have the same effective date and transition requirements as the new revenue standard issued in ASU 2014-09. The Company is still evaluating the potential impact of adopting this guidance on our financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting." ASU 2016-09 simplifies several aspects related to the accounting for share-based payment transactions, including the accounting for income taxes, statutory tax withholding requirements and classification on the statement of cash flows. ASU 2016-07 is effective for interim and annual periods beginning after December 15, 2016. The Company is still evaluating the potential impact of adopting this guidance on our financial statements.

3. <u>Intangible Assets</u>

The following table summarizes information relating to the Company's definite-lived intangible assets:

		March 31, 2016			December 31, 2015		
	Useful Lives (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangibles (amount in thousands)							
Patent	8- 18	$546	$ (212)	$ 334	$539	$ (203)	$ 336
Software	3	395	(367)	28	395	(364)	31
Customer relationships	12	3,370	(1,747)	1,623	3,370	(1,671)	1,699
Permit	10	545	(386)	159	545	(373)	172
Total		$4,856	$ (2,712)	$ 2,144	$4,849	$ (2,611)	$ 2,238

The intangible assets noted above are amortized on a straight-line basis over their useful lives with the exception of customer relationships which are being amortized using an accelerated method. The Company has only one definite-lived permit that is subject to amortization.

The following table summarizes the expected amortization over the next five years for our definite-lived intangible assets (including the one definite-lived permit):

Year	Amount (In thousands)
2016 (remaining)	$ 319
2017	373
2018	334
2019	247
2020	221
	$ 1,494

Amortization expenses relating to the definite-lived intangible assets as discussed above were $101,000 and $127,000 for the three months ended March 31, 2016 and 2015, respectively.

4. <u>Capital Stock, Stock Plans and Stock Based Compensation</u>

The Company has certain stock option plans under which it awards incentive and non-qualified stock options to employees, officers, and outside directors. No stock options were granted during the first quarter of 2016 and 2015.

The summary of the Company's total Stock Option Plans as of March 31, 2016, as compared to March 31, 2015, and changes during the periods then ended, are presented below. The Company's Plans consist of the 2010 Stock Option Plan and the 2003 Outside Directors Stock Plan ("2003 Plan"):

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value [2]
Options outstanding January 1, 2016	218,200	$ 7.65		
Granted				
Exercised				
Forfeited/expired				
Options outstanding end of period [1]	218,200	$ 7.65	4.6	$ 13,980
Options exercisable at March 31, 2016[1]	181,533	$ 8.18	4.6	$ 13,980
Options exercisable and expected to be vested at March 31, 2016	212,333	$ 7.72	4.6	$ 13,980

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value [2]
Options outstanding Janury 1, 2015	239,023	$ 7.81		
Granted				
Exercised	(1,257)	2.79		$ 2,043
Forfeited/expired	(15,000)	7.10		
Options outstanding end of period [1]	222,766	7.89	5.0	$ 22,616
Options exercisable at March 31, 2015[1]	167,766	$ 8.84	4.9	$ 22,616
Options exercisable and expected to be vested at March 31, 2015	213,966	$ 8.01	5.0	$ 22,616

[1] Options with exercise prices ranging from $2.79 to $14.75

[2] The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option.

The following table summarizes stock-based compensation recognized for the three months ended March 31, 2016 and 2015 for our employee and director stock options.

Stock Options	Three Months Ended March 31,	
	2016	2015
Employee Stock Options	$13,000	$13,000
Director Stock Options	15,000	20,000
Total	$28,000	$33,000

As of March 31, 2016, the Company has approximately $59,000 of total unrecognized compensation cost related to unvested options, of which $40,000 is expected to be recognized in remaining 2016, with the remaining $19,000 in 2017.

During the three months ended March 31, 2016, the Company issued a total of 14,354 shares of our Common Stock under the 2003 Plan to our outside directors as compensation for serving on our Board of Directors. The Company has recorded approximately $60,000 in compensation expenses (included in selling, general and administration expenses) in connection with the issuance of these shares of our Common Stock to our outside directors.

5. Loss Per Share

Basic loss per share is calculated based on the weighted-average number of outstanding common shares during the applicable period. Diluted loss per share is based on the weighted-average number of outstanding common shares plus the weighted-average number of potential outstanding common shares. In periods where they are anti-dilutive, such amounts are excluded from the calculations of dilutive earnings per shares. The following table reconciles the loss and average share amounts used to compute both basic and diluted loss per share:

	Three Months Ended March 31, (Unaudited)	
(Amounts in Thousands, Except for Per Share Amounts)	2016	2015
Net loss attributable to Perma-Fix Environmental Services, Inc., common stockholders:		
Loss from continuing operations attributable to Perma-Fix Environmental Services, Inc. common stockholders	$(3,673)	$(1,842)
Loss from discontinuing operations attributable to Perma-Fix Environmental Services, Inc. common stockholders	(167)	(223)
Net loss attributable to Perma-Fix Environmental Services, Inc. common stockholders	$(3,840)	$(2,065)
Basic loss per share attributable to Perma-Fix Environmental Services, Inc. common stockholders	$(.33)	$(.18)
Diluted loss per share attributable to Perma-Fix Environmental Services, Inc. common stockholders	$(.33)	$(.18)
Weighted average shares outstanding:		
Basic weighted average shares outstanding	11,557	11,486
Add: dilutive effect of stock options	—	—
Add: dilutive effect of warrants	—	—
Diluted weighted average shares outstanding	11,557	11,486

Potential shares excluded from above weighted average share calcualtions due to their anti-dilutive effect include:

Stock options	183	186

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6. Long Term Debt

Long-term debt consists of the following at March 31, 2016 and December 31, 2015:

(Amounts in Thousands)	March 31, 2016		December 31, 2015	
Revolving Credit facility dated October 31, 2011, as amended, borrowings based upon eligible accounts receivable, subject to monthly borrowing base calculation, variable interest paid monthly at option of prime rate (3.50% at March 31, 2016) plus 1.75% or London Interbank Offer Rate ("LIBOR") plus 2.75%, balance due March 24, 2021. Effective interest rate for first quarter of 2016 was 4.6%. (1) (2)	$2,518		$ 2,349	
Term Loan dated October 31, 2011, as amended, payable in equal monthly installments of principal of $190, balance due on March 24, 2021, variable interest paid monthly at option of prime rate plus 2.25% or LIBOR plus 3.25%. Effective interest rate for first quarter of 2016 was 3.6%. (1) (2)	5,974	(5)	6,514	(5)
Promissory Note dated August 2, 2013, payable in twelve monthly installments of interest only, starting September 1, 2013 followed with twenty-four monthly installments of $125 in principal plus accrued interest. Interest accrues at annual rate of 2.99%. (3) (4)	596		950	
Capital lease (interest at rate of 6.0%)	17		23	
	9,105		9,836	
Less current portion of long-term debt	1,808		2,431	
Long-term debt	$7,297		$ 7,405	

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

(2) See below “Revolving Credit and Term Loan Agreement” for payment interest options prior to March 24, 2016. Effective April 1, 2016, the monthly installment payment under the Term Loan became $101,600 as a result of the March 24, 2016 amendment to the loan agreement as discussed below.

(3) Uncollateralized note.

(4) Net of debt discount of ($29,000) and ($50,000) at March 31, 2016 and December 31, 2015, respectively. See “Promissory Notes and Installment Agreements” below for additional information.

(5) Net of debt issuance costs of ($121,000) and ($152,000) at March 31, 2016 and December 31, 2015, respectively.

Revolving Credit and Term Loan Agreement

The Company entered into an Amended and Restated Revolving Credit, Term Loan and Security Agreement, dated October 31, 2011 (“Loan Agreement”), with PNC National Association (“PNC”), acting as agent and lender. The Loan Agreement, as subsequently amended (“Amended Loan Agreement”), provided the Company with the following Credit Facility: (a) up to $12,000,000 revolving credit (“Revolving Credit”), subject to the amount of borrowings based on a percentage of eligible receivables (as defined) and (b) a term loan (“Term Loan”) of $16,000,000, which required monthly installments of approximately $190,000 (based on a seven-year amortization).

Under the Amended Loan Agreement, the Company had the option of paying an annual rate of interest due on the Revolving Credit at prime plus 2% or London Inter Bank Offer Rate (“LIBOR”) plus 3% and the Term Loan at prime plus 2.5% or LIBOR plus 3.5%.

On March 24, 2016, the Company entered into an amendment to the Amended Loan Agreement with PNC which provided, among other things, the following (the amendment, together with the Amended Loan Agreement is collectively known as the “Revised Loan Agreement”):

extended the due date of our Credit Facility from October 31, 2016 to March 24, 2021 (“maturity date”);

amended the Term loan to approximately $6,100,000, which requires monthly payments of $101,600 (based on a five-year amortization) and which approximated the term loan balance under the existing Credit Facility at the date of the amendment. The revolving line of credit remains at up to $12,000,000 (subject to the amount of borrowings based on a percentage of eligible receivables as previously defined under the Amended Loan Agreement);

released $1,000,000 of the $1,500,000 borrowing availability restriction that the lender had previously placed on the Company in connection with the insurance settlement proceeds received on July 28, 2014 by our PFSG facility, which suffered a fire in 2013. The Company's lender had authorized the Company to use such proceeds for working capital purposes but had placed an indefinite reduction on our borrowing availability of $1,500,000;

revised the interest payment options to paying an annual rate of interest due on the Revolving Credit at prime plus 1.75% or LIBOR plus 2.75% and the Term Loan at prime plus 2.25% or LIBOR plus 3.25%; and

revised our annual capital spending maximum limit from $6,000,000 to $3,000,000.

In connection with the amendment, the Company paid PNC a closing fee of $70,000. As a result of the amendment dated March 24, 2016, the Company recorded approximately $68,000 in loss on extinguishment of debt in accordance with ASC 470-50, "Debt – Modifications and Extinguishments," which has been included in interest expense in the accompanying Consolidated Statements of Operations.

Pursuant to the amendment, the Company may terminate the Revised Loan Agreement upon 90 days' prior written notice upon payment in full of its obligations under the Revised Loan Agreement. The Company has agreed to pay PNC 1.0% of the total financing in the event the Company pays off its obligations on or before March 23, 2017, .50% of the total financing if the Company pays off its obligations after March 23, 2017 but prior to or on March 23, 2018, and .25% of the total financing if the Company pays off its obligations after March 23, 2018 but prior to or on March 23, 2019. No early termination fee shall apply if the Company pays off its obligations after March 23, 2019.

All other terms of the Amended Loan Agreement remain principally unchanged.

As of March 31, 2016, the availability under our revolving credit was $2,740,000, based on our eligible receivables and includes the remaining indefinite reduction of borrowing availability of $500,000 as discussed above.

The Company's Credit Facility with PNC 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 allowing our lender to immediately require the repayment of all outstanding debt under our Credit Facility and terminate all commitments to extend further credit. The Company met its quarterly financial covenants in the first quarter of 2016 with the exception of its minimum quarterly fixed charge coverage ratio requirement of 1.15:1. The Company has obtained a waiver from its lender for this non-compliance (see Note 11- "Subsequent Events – Credit Facility"). The Company expects to meet its quarterly financial covenants in each of the remaining quarters of 2016.

Promissory Note

The Company entered into a $3,000,000 loan dated August 2, 2013 with Messrs. Robert Ferguson and William Lampson (each known as the "Lender"). As consideration for the Company receiving the loan, the Company issued to each Lender a Warrant to purchase up to 35,000 shares of the Company's Common at an exercise price of $2.23 per share. The Warrants expire on August 2, 2016. As further consideration for the loan, the Company also issued to each Lender 45,000 shares of the Company's Common Stock. The fair value of the Warrants and Common Stock and the related closing fees incurred from this transaction were recorded as a debt discount, which is being amortized using the effective interest method over the term of the loan as interest expense – financing fees.

7. Commitments and Contingencies

Hazardous Waste

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

Legal Matters

In the normal course of conducting our business, we are involved in various litigation. We are not a party to any litigation or governmental proceeding which our management believes could result in any judgments or fines against us that would have a material adverse effect on our financial position, liquidity or results of future operations.

Insurance

The Company has a 25-year finite risk insurance policy entered into in June 2003 with American International Group, Inc. ("AIG"), which provides financial assurance to the applicable states for our permitted facilities in the event of unforeseen closure. The policy, as amended, provides for a maximum allowable coverage of $39,000,000 and has available capacity to allow for annual inflation and other performance and surety bond requirements. All of the required payments for this finite risk insurance policy, as amended, have been made by the Company. As of March 31, 2016, our financial assurance coverage amount under this policy totaled approximately $38,874,000. The Company has recorded $15,474,000 in sinking fund related to this policy in other long term assets on the accompanying Consolidated Balance Sheets, which includes interest earned of $1,003,000 on the sinking fund as of March 31, 2016. Interest income for the three months ended March 31, 2016 and 2015 was approximately $14,000 and $6,000, respectively. If the Company so elects, AIG is obligated to pay the Company an amount equal to 100% of the sinking fund account balance in return for complete release 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, the Company entered into a second finite risk insurance policy for our PFNWR facility with AIG. The policy provided an initial $7,800,000 of financial assurance coverage with an annual growth rate of 1.5%, which at the end of the four year term policy, provides maximum coverage of $8,200,000. The Company has made all of the required payments on this policy. As of March 31, 2016, the Company has recorded $5,922,000 in our sinking fund related to this policy in other long term assets on the accompanying Consolidated Balance Sheets, which includes interest earned of $222,000 on the sinking fund as of March 31, 2016. Interest income for the three months ended March 31, 2016 and 2015 was approximately $2,000 and $1,000, respectively. This policy is renewed annually at the end of the four year term with a nominal fee for the variance between the coverage requirement and the sinking fund balance. The Company has renewed this policy annually from 2011 to 2015 (with fees ranging from $41,000 to $46,000 annually). All other terms of the policy remain substantially unchanged.

Letters of Credit and Bonding Requirements

From time to time, we are required to post standby letters of credit and various bonds to support contractual obligations to customers and other obligations, including facility closures. As of March 31, 2016, the total amount of these bonds and letters of credit outstanding was approximately $1,539,000, of which the majority of the amount relates to various bonding requirements.

8. Discontinued Operations

The Company's discontinued operations consist of all our subsidiaries included in our Industrial Segment: (1) subsidiaries divested in 2011 and prior, (2) two previously closed locations, and (3) our PFSG facility which suffered a fire and explosion on August 14, 2013 and is currently undergoing closure, subject to regulatory approval.

The Company's discontinued operations had losses of $167,000 and $223,000 for the three months ended March 31, 2015 and 2014 (net of taxes of $0 for each period). The losses were primarily due to costs incurred in the administration and continued monitoring of our discontinued operations. The Company's discontinued operations had no revenues for each of the periods noted above.

The following table presents the major class of assets of discontinued operations that are classified as held for sale as of March 31, 2016 and December 31, 2015. The asset held for sale is the property which Perma-Fix Michigan, Inc. ("PFMI" – a closed location) formerly operated on (see Note 11- "Subsequent Events – PFMI" for further information on the sale of this property).

(Amounts in Thousands)	March 31, 2016	December 31, 2015
Property	$ 450	$ 450
Total assets held for sale	$ 450	$ 450

The following table presents the major classes of assets and liabilities of discontinued operations that are not held for sale as of March 31, 2016 and December 31, 2015:

(Amounts in Thousands)	March 31, 2016	December 31, 2015
Current assets		
Other assets	$29	34
Total current assets	29	34
Long-term assets		
Property, plant and equipment, net [(1)]	81	81
Total long-term assets	81	81
Total assets not held for sale	$110	$ 115
Current liabilities		
Accounts payable	$70	$ 85
Accrued expenses and other liabilities	447	437
Environmental liabilities	9	9
Total current liabilities	526	531
Long-term liabilities		
Closure liabilities	156	173
Environmental liabilities	891	891
Total long-term liabilities	1,047	1,064

Total liabilities not held for sale	$1,573	$ 1,595

[1] net of accumulated depreciation of $10,000 for each period presented.

9. Operating Segments

In accordance with ASC 280, “Segment Reporting”, the Company defines an operating segment as a business activity: (a) from which we may earn revenue and incur expenses; (2) whose operating results are regularly reviewed by the chief operating decision maker (“CODM”) to make decisions about resources to be allocated to the segment and assess its performance; and (3) for which discrete financial information is available.

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Our reporting segments are defined as below:

TREATMENT SEGMENT reporting includes:

- nuclear, low-level radioactive, mixed, hazardous and non-hazardous waste treatment, processing and disposal services primarily through four uniquely licensed and permitted treatment and storage facilities; and
- R&D activities to identify, develop and implement innovative waste processing techniques for problematic waste streams.

SERVICES SEGMENT, which includes:

- On-site waste management services to commercial and government customers;
- Technical services, which include:
  - o professional radiological measurement and site survey of large government and commercial installations using advanced methods, technology and engineering;
  - o integrated Occupational Safety and Health services including industrial hygiene ("IH") assessments; hazardous materials surveys, e.g., exposure monitoring; lead and asbestos management/abatement oversight; indoor air quality evaluations; health risk and exposure assessments; health & safety plan/program development, compliance auditing and training services; and Occupational Safety and Health Administration ("OSHA") citation assistance;
  - o global technical services providing consulting, engineering, project management, waste management, environmental, and decontamination and decommissioning field, technical, and management personnel and services to commercial and government customers;
- Nuclear services, which include:
  - o technology-based services including engineering, decontamination and decommissioning ("D&D"), specialty services and construction, logistics, transportation, processing and disposal;
  - o remediation of nuclear licensed and federal facilities and the remediation cleanup of nuclear legacy sites. Such services capability includes: project investigation; radiological engineering; partial and total plant D&D; facility decontamination, dismantling, demolition, and planning; site restoration; site construction; logistics; transportation; and emergency response; and
- A company owned equipment calibration and maintenance laboratory that services, maintains, calibrates, and sources (i.e., rental) of health physics, IH and customized nuclear, environmental, and occupational safety and health ("NEOSH") instrumentation.

MEDICAL SEGMENT reporting includes: R&D costs for the new medical isotope production technology from our majority-owned Polish subsidiary, PF Medical. The Medical Segment has not generated any revenue as it continues to be primarily in the R&D stage. All costs incurred for the Medical Segment are reflected within R&D in the accompanying Consolidated Statements of Operations and consist primarily of employee salaries and benefits, laboratory costs, third party fees, and other related costs associated with the development of this new technology.

Our reporting segments exclude our corporate headquarters and our discontinued operations (see Note 8 – "Discontinued Operations") which do not generate revenues.

The table below presents certain financial information of our operating segments as of and for the three months ended March 31, 2016 and 2015 (in thousands).

Segment Reporting as of and for the Quarter Ended March 31, 2016

	Treatment	Services	Medical	Segments Total	Corporate (1)	Consolidated Total
Revenue from external customers	$ 7,204	$ 2,834	—	$ 10,038	$ —	$ 10,038
Intercompany revenues	4	5	—	9	—	—
Gross profit	(138)	172	—	34	—	34
Research and development	106	26	438	570	5	575
Interest income	—	—	—	—	16	16
Interest expense	(2)	—	—	(2)	(166)	(168)
Interest expense-financing fees	—	—	—	—	(57)	(57)
Depreciation and amortization	713	161	—	874	10	884
Segment loss before income taxes	(1,248)	(725)	(438)	(2,411)	(1,399)	(3,810)
Income tax expense	36	—	—	36	—	36
Segment loss	(1,284)	(725)	(438)	(2,447)	(1,399)	(3,846)
Expenditures for segment assets	8	—	1	9	—	9

Segment Reporting as of and for the Quarter Ended March 31, 2015

	Treatment	Services	Medical	Segments Total	Corporate (1)	Consolidated Total
Revenue from external customers	$ 9,749	$ 3,851	—	$ 13,600	$ —	$ 13,600
Intercompany revenues	2	8	—	10	—	—
Gross profit	1,235	243	—	1,478	—	1,478
Research and development	34	—	395	429	—	429
Interest income	—	—	—	—	8	8
Interest expense	(22)	—	—	(22)	(104)	(126)
Interest expense-financing fees	—	—	—	—	(58)	(58)
Depreciation and amortization	764	190	—	954	12	966
Segment income (loss) before income taxes	221	(303)	(395)	(477)	(1,501)	(1,978)
Income tax expense	36	—	—	36	—	36
Segment income (loss)	185	(303)	(395)	(513)	(1,501)	(2,014)
Expenditures for segment assets	104	16	—	120	1	121

(1) Amounts reflect the activity for corporate headquarters not included in the segment 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 was $36,000 and $36,000 for continuing operations for the three months ended March 31, 2016 and the corresponding period of 2015, respectively. The Company's effective tax rate was approximately (1.0%) for the three months ended March 31, 2016 as compared to a tax rate of approximately (.2.0%) for the corresponding period of 2015.

11. Subsequent Events

Credit Facility

As discussed in Note 6 – "Long Term Debt", on May 23, 2016, the Company's lender waived the Company's non-compliance with its minimum quarterly fixed charge coverage ratio for the first quarter of 2016. In connection with this waiver, the Company paid PNC a fee of $5,000.

Perma-Fix of Michigan, Inc. ("PFMI")

On May 2, 2016, PFMI entered into an Agreement as to the sale of the property which it formerly operated on for a sale price of $450,000 (see Note 8- "Discontinued Operations" for further information of PFMI). The Agreement provides for a down payment of approximately $75,000 which after certain closing and settlement costs, PFMI received approximately $36,000. The Agreement also provides for, among other things, the balance of the purchase price of $375,000 to be paid by the buyer in 60 equal monthly installment of approximately $7,250, with the first payment due June 15, 2016. PFMI retains legal title to the property until the buyer fulfills the obligations under the Contract except under limited conditions.

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Item 2. Management's Discussion and Analysis of Financial 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,

demand for our services;
reductions in the level of government funding in future years;
ability of PF Medical to fund its R&D program;
reducing operating costs;
expect to meet our quarterly financial covenant requirements in remaining 2016;
may not have liquidity to repay debt if our lender accelerates payment of our borrowings;
our cash flows from operations and our available liquidity from our Credit Facility are sufficient to service our Treatment and Services Segments' obligations;
manner in which the government will be required to spend funding to remediate federal sites;
reducing operating costs to bring them in line with revenue level, when necessary;
fund capital expenditures from cash from operations and/or financing;
fund remediation expenditures for sites from funds generated internally;
expect to receive certain large waste treatment shipments in the second and/or third quarters;
compliance with environmental regulations;
potential effect of being a PRP; and
potential sites for violations of environmental laws and remediation of our facilities.

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;
inability to maintain and obtain required permits and approvals to conduct operations;
public not accepting our new technology;
inability to develop new and existing technologies in the conduct of operations;
inability to maintain and obtain closure and operating insurance requirements;

inability 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;

delays at our third party disposal site can extend collection of our receivables greater than twelve months;
refusal of third party disposal sites to accept our waste;
changes in federal, state and local laws and regulations, especially environmental laws and regulations, or in interpretation of such;
requirements to obtain permits for TSD activities or licensing requirements to handle low level radioactive materials are limited or lessened;
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 be profitable on an annualized basis;
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;
federal government's inability or failure to provide necessary funding to remediate contaminated federal sites;
disposal expense accrual could prove to be inadequate in the event the waste requires re-treatment;
inability to raise capital on commercially reasonable terms;
inability to increase profitable revenue;
lender refuses to waive non-compliance or revises our covenant so that we are in compliance; and
risk factors and other factors set forth in "Special Note Regarding Forward-Looking Statements" contained in the Company's 2015 Form 10-K.

As disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, the Company determined that the operations of its majority-owned subsidiary, Perma-Fix Medical S.A. ("PF Medical"), which has not generated any revenues as it continues to be primarily in the research and development ("R&D") stage, meet the definition of a reportable segment in accordance with Accounting Standards Codification ("ASC") 280, "Segment Reporting." Accordingly, all of the historical numbers presented in the consolidated financial statements have been recast to include the operations of PF Medical as a separate reportable segment ("Medical Segment").

Overview

Revenue decreased $3,562,000 or 26.2% to $10,038,000 for the three months ended March 31, 2016 from $13,600,000 for the corresponding period of 2015. Revenue from our Treatment Segment decreased $2,545,000 or 26.1% primarily due to both lower averaged price waste and lower volume. Our first quarter 2016 financial results were impacted by the timing of certain large waste treatment shipments that were delayed to later this year. We expect to receive these shipments in the second and/or third quarters. Services Segment revenue decreased $1,017,000 or 26.4% primarily due to the completion of a certain large contract in December 2015 in the nuclear services area. Gross profit decreased $1,444,000 or 97.7% primarily due to reduced revenue. Selling, General, and Administrative (SG&A) expenses increased $209,000 or 7.3% for the three months ended March 31, 2016 as compared to the corresponding period of 2015.

Business Environment, Outlook and Liquidity

Our Treatment and Services Segments' business continues to be heavily dependent on services that we provide to governmental clients directly as the contractor or indirectly as a subcontractor. We believe demand for our services will continue to be subject to fluctuations due to a variety of factors beyond our control, including the current economic conditions and the manner in which the government will be required to spend funding to remediate federal sites. In addition, our governmental contracts and subcontracts relating to activities at governmental sites are generally 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.

Our cash flow requirements for remaining 2016 will consist primarily of general working capital needs, scheduled principal payments on our debt obligations and capital leases, remediation projects and planned capital expenditures which we plan to fund from operations and our Credit Facility availability. Our majority-owned Polish subsidiary, PF Medical, continues to dedicate resources to the R&D of the new medical isotope production technology and to take the necessary steps for eventual submission of this technology for U.S. Food and Drug Administration ("FDA") and other regulatory approval and commercialization of this technology. We believe that the need for capital by PF Medical will require PF Medical to obtain such capital requirements through obtaining its own credit facility or additional equity raise, which if such equity raise is successful, could dilute our ownership of PF Medical. If PF Medical is unable to raise the necessary capital, PF Medical may be required to reduce, delay or eliminate for a period of time its R&D program.

Results of Operations

The reporting of financial results and pertinent discussions are tailored to three reportable segments: The Treatment, Services, and Medical Segments. Our Medical Segment encompasses the operations of our majority-owned Polish subsidiary, PF Medical, which has not generated any revenue and all costs incurred are included within R&D.

	Three Months Ended March 31,			
Consolidated (amounts in thousands)	2016	%	2015	%
Net revenues	$10,038	100.0	$13,600	100.0
Cost of good sold	10,004	99.7	12,122	89.1
Gross profit	34	.3	1,478	10.9
Selling, general and administrative	3,055	30.4	2,846	20.9
Research and development	575	5.7	429	3.2
Loss on disposal of property and equipment	5	—	—	—
Loss from operations	$(3,601)	(35.8)	$(1,797)	(13.2)
Interest income	16	.2	8	—
Interest expense	(168)	(1.7)	(126)	(.9)
Interest expense-financing fees	(57)	(.6)	(58)	(.4)
Foreign currency loss	—	—	(5)	—
Loss from continuing operations before taxes	(3,810)	(37.9)	(1,978)	(14.5)
Income tax expense	36	.4	36	.3
Loss from continuing operations	$(3,846)	(38.3)	$(2,014)	(14.8)

Summary – Three Months Ended March 31, 2016 and 2015

Consolidated revenues decreased $3,562,000 for the three months ended March 31, 2016, compared to the three months ended March 31, 2015, as follows:

(In thousands)	2016	% Revenue	2015	% Revenue	Change	% Change
Treatment						
Government waste	$4,968	49.5	$7,054	51.9	$(2,086)	(29.6)
Hazardous/non-hazardous	1,085	10.8	997	7.3	88	8.8
Other nuclear waste	1,151	11.5	1,698	12.5	(547)	(32.2)
Total	7,204	71.8	9,749	71.7	(2,545)	(26.1)
Services						
Nuclear services	2,385	23.7	3,078	22.6	(693)	(22.5)
Technical services	449	4.5	773	5.7	(324)	(41.9)
Total	2,834	28.2	3,851	28.3	(1,017)	(26.4)
Total	$10,038	100.0	$13,600	100.0	$(3,562)	(26.2)

Net Revenue

Treatment Segment revenue decreased $2,545,000 or 26.1% for the three months ended March 31, 2016 over the same period in 2015. The revenue decrease was primarily due to lower revenue generated from government clients of approximately $2,086,000 or 29.6% due to both lower averaged price waste and lower volume. Other nuclear revenue decreased approximately $547,000 primarily due to lower averaged price waste. The Services Segment revenue decrease of $1,017,000 or 26.4% in the three months ended March 31, 2016 from the corresponding period of 2015 was primarily the result of the completion of a certain large project in the nuclear services area in December 2015. This project was awarded to us in the second half of 2014 and had generated revenue of approximately $1,900,000 in the first quarter of 2015.

Cost of Goods Sold

Cost of goods sold decreased $2,118,000 for the quarter ended March 31, 2016, compared to the quarter ended March 31, 2015, as follows:

(In thousands)	2016	% Revenue	2015	% Revenue	Change
Treatment	$7,342	101.9	$8,514	87.3	$(1,172)
Services	2,662	93.9	3,608	93.7	(946)
Total	$10,004	99.7	$12,122	89.1	$(2,118)

Cost of goods sold for the Treatment Segment decreased by $1,172,000 or 13.8% primarily due to lower revenue. We incurred lower disposal, transportation, lab, and material and supplies costs totaling approximately $850,000. Our overall fixed costs were lower by approximately $361,000. Salaries and payroll related expenses were lower by approximately $159,000 and general expenses were lower by approximately $56,000 in various categories as we continue to streamline our costs. Depreciation expense was lower by approximately $49,000 as certain assets became fully depreciated in the latter part of 2015. In addition, maintenance costs were lower by approximately $112,000. In the prior period of 2015, we incurred higher costs in connection with the maintenance of certain buildings and equipment. Services Segment cost of goods sold decreased $946,000 or 26.2% primarily due to the decrease in revenue as discussed above. The decrease in cost of goods sold was primarily in salaries and payroll related, travel, and outside services expenses totaling approximately $817,000. The remaining decrease was in material and supplies of approximately $85,000 and general expenses in various categories totaling approximately $28,000. Included within cost of goods sold is depreciation and amortization expense of $852,000 and $912,000 for the three months ended March 31, 2016, and 2015, respectively.

Gross Profit

Gross profit for the quarter ended March 31, 2016 decreased $1,444,000 over the corresponding period of 2015, as follows:

(In thousands)	2016	% Revenue	2015	% Revenue	Change
Treatment	$(138)	(1.9)	$1,235	12.7	$(1,373)
Services	172	6.1	243	6.3	(71)
Total	$34	0.3	$1,478	10.9	$(1,444)

Gross profit decreased primarily due to decreased revenue. Treatment Segment gross profit decreased $1,373,000 or 111.2% and gross margin decreased to (1.9%) from 12.7% primarily due to decreased revenue from both lower averaged price waste and volume and the impact of our fixed costs. In the Services Segment, the decreases in gross profit of $71,000 and gross margin from 6.3% to 6.1% was primarily due to the decrease in revenue as discussed above.

Selling, General and Administrative (“SG&A)

SG&A expenses increased $209,000 for the three months ended March 31, 2016, as compared to the corresponding period for 2015, as follows:

(In thousands)	2016	% Revenue	2015	% Revenue	Change
Administrative	$1,188	—	$1,349	—	$ (161)
Treatment	1,001	13.9	956	9.8	45
Services	866	30.6	541	14.0	325
Total	$3,055	30.4	$2,846	20.9	$ 209

The increase in total SG&A was primarily due to higher SG&A costs in the Services Segment with increased salary expense of approximately $229,000 related to bids and proposal work for potential projects. Outside services expenses were higher by approximately $70,000 resulting from more business/consulting/legal matters. Bad debt expense was higher by approximately $15,000. Treatment SG&A was higher primarily due to higher bad debt expense of approximately $28,000 with the remaining higher expense in marketing costs related to tradeshows. The decrease in administrative SG&A was primarily the result of lower outside services expenses by approximately $163,000 resulting from fewer consulting/business/legal matters. Included in SG&A expenses is depreciation and amortization expense of $32,000 and $54,000 for the three months ended March 31, 2016 and 2015, respectively.

R&D

(In thousands)	2016	2015	Change
Administrative	$5	—	$ 5
Treatment	106	34	72
Services	26	—	26
PF Medical	438	395	43
Total	$575	$429	$ 146

R&D costs increased $146,000 for the three months ended March 31, 2016, as compared to the corresponding period of 2015. Research and development costs consist primarily of employee salaries and benefits, laboratory costs, third party fees, and other related costs associated with the development of new technologies and technological enhancement of new potential waste treatment processes. The increase in R&D costs was primarily in the Treatment and Medical Segments for enhancement of treatment processes and the development of the new medical isotope technology, respectively.

Interest Expense

Interest expense increased $42,000 in the first quarter of 2016 as compared to the corresponding period of 2015 primarily due a $68,000 in loss on debt extinguishment (recorded as interest expense) incurred as result of the amendment dated March 24, 2016 that we entered into with our lender which extended the due date of our credit facility, among other things, to March 24, 2021. In addition, interest expense was higher resulting from higher average revolver loan balance over the period. The higher interest expense was partially offset by lower interest on our declining Term Loan balance and lower interest from the declining $3,000,000 loan dated August 2, 2013 (see "Liquidity and Capital Resources – Financing Activities" for the amendment that we entered with our lender on March 24, 2016).

Discontinued Operations

The Company's discontinued operations consist of all our subsidiaries included in our Industrial Segment: (1) subsidiaries divested in 2011 and prior, (2) two previously closed locations, and (3) our PFSG facility, which is currently undergoing closure, subject to regulatory approval.

We had net losses of $167,000 and $223,000 for our discontinued operations for the three months ended March 31, 2016 and 2015, respectively (net of taxes of $0 for each period). The losses were primarily due to costs incurred in the administration and continued monitoring of our discontinued operations. Our discontinued operations had no revenues for each of the periods noted above.

On May 2, 2016, PFMI entered into an Agreement as to the sale of the property which it formerly operated on for a sale price of $450,000. The Agreement provides for a down payment of approximately $75,000 which after certain closing and settlement costs, PFMI received approximately $36,000. The Agreement also provides for, among other things, the balance of the purchase price of $375,000 to be paid by the buyer in 60 equal monthly installment of approximately $7,250, with the first payment due June 15, 2016. PFMI retains legal title to the property until the buyer fulfills the obligations under the Contract except under limited conditions.

Liquidity and Capital Resources

Our cash flow requirements during the three months ended March 31, 2016 were primarily financed by our operations and Credit Facility availability. Our majority-owned Polish subsidiary, PF Medical, continues to dedicate resources to the R&D of the new medical isotope production technology and to take the necessary steps for eventual submission of this technology for FDA and other regulatory approval and commercialization of this technology. We believe that the need for capital by PF Medical will require PF Medical to obtain such capital requirements through obtaining its own credit facility or additional equity raise, which if such equity raise is successful, could dilute our ownership of PF Medical. If PF Medical is unable to raise the necessary capital, PF Medical may be required to reduce, delay or eliminate for a period of time its R&D program. We continue to explore all sources of increasing revenue. We are continually reviewing operating costs and are committed to further reducing operating costs to bring them in line with

revenue levels, when necessary. Our capital requirements consist of general working capital needs, scheduled principal payments on our debt obligations, remediation projects and planned capital expenditures. Although there are no assurances, we believe that our cash flows from operations and our available liquidity from our Credit Facility are sufficient to fund our Treatment and Services Segment operations.

The following table reflects the cash flow activities during the first three months of 2016:

(In thousands)	2016
Cash provided by operating activities of continuing operations	$251
Cash used in operating activities of discontinued operations	(184)
Cash used in investing activities of continuing operations	(24)
Cash used in financing activities of continuing operations	(719)
Effect of exchange rate changes in cash	39
Decrease in cash	$(637)

As of March 31, 2016, we were in a net borrowing position (Revolving Credit Facility). At March 31, 2016, we had cash on hand of approximately $798,000. The cash balance at March 31, 2016 was primarily cash received from the sale of certain equity by our majority-owned Polish subsidiary, PF Medical, and minor petty cash and local account balances used for miscellaneous services and supplies at our remaining subsidiaries. PF Medical is not a credit party under our Revised Loan Agreement with our lender.

Operating Activities

Accounts Receivable, net of allowances for doubtful accounts, totaled $8,522,000 at March 31, 2016, a decrease of $1,151,000 from the December 31, 2015 balance of $9,673,000. The decrease was primarily due to lower revenue and the timing of accounts receivable collections due to the variety of payment terms provided to our customers.

Accounts Payable, totaled $5,729,000 at March 31, 2016, a decrease of $380,000 from the December 31, 2015 balance of $6,109,000. The decrease was primarily due to pay down of our accounts payable. Also, we continue to manage payment terms with our vendors to maximize our cash position throughout all segments.

Disposal/transportation accrual as of March 31, 2016, totaled $1,473,000, an increase of $366,000 over the December 31, 2015 balance of $1,107,000. Our disposal accrual can vary based on revenue mix and the timing of waste shipments for final disposal. The increase was primarily due to additional disposal costs related to our processing revenues.

We had working capital of $275,000 (which included working capital of our discontinued operations) as of March 31, 2016, as compared to working capital of $2,966,000 as of December 31, 2015. Our working capital was negatively impacted primarily by reduced revenue and the net loss we incurred during the first three months of 2016.

Financing Activities

We entered into an Amended and Restated Revolving Credit, Term Loan and Security Agreement, dated October 31, 2011 (“Loan Agreement”), with PNC Bank, National Association (“PNC”), acting as agent and lender. The Loan Agreement, as subsequently amended (“Amended Loan Agreement”) provided us with the following Credit Facility: (a) up to $12,000,000 revolving credit (“Revolving Credit”), subject to the amount of borrowings based on a percentage of eligible receivables (as defined) and (b) a term loan (“Term Loan”) of $16,000,000, which required monthly installments of approximately $190,000 (based on a seven-year amortization).

Under the Amended Loan Agreement, we had the option of paying an annual rate of interest due on the Revolving Credit at prime plus 2% or London Inter Bank Offer Rate (“LIBOR”) plus 3% and the Term Loan at prime plus 2.5% or LIBOR plus 3.5%.

On March 24, 2016, we entered into an amendment to our Amended Loan Agreement with our lender which provided, among other things, the following (the amendment, together with the Amended Loan Agreement is collectively known as the “Revised Loan Agreement”):

extended the due date of our current Credit Facility from October 31, 2016 to March 24, 2021 ("maturity date");

amended the Term loan to approximately $6,100,000, which requires monthly payments of $101,600 (based on a five-year amortization) and which approximated the term loan balance under our existing Credit Facility at the date of the amendment. The revolving line of credit remains at up to $12,000,000 (subject to the amount of borrowings based on a percentage of eligible receivables as previously defined under the Amended Loan Agreement);

released $1,000,000 of the $1,500,000 borrowing availability restriction that the lender had previously placed on the Company in connection with the insurance settlement proceeds received by our PFSG facility, which suffered a fire in 2013. Our lender had authorized us to use such proceeds for working capital purposes but had placed an indefinite reduction on our borrowing availability of $1,500,000;

revised the interest payment options to paying an annual rate of interest due on the Revolving Credit at prime plus 1.75% or LIBOR plus 2.75% and the Term Loan at prime plus 2.25% or LIBOR plus 3.25%; and

revised our annual capital spending maximum limit from $6,000,000 to $3,000,000.

In connection with the amendment, we paid PNC a closing fee of $70,000. As a result of the amendment dated March 24, 2016, we recorded approximately $68,000 in loss on extinguishment of debt in accordance with ASC 470-50, "Debt – Modifications and Extinguishments," which has been included in interest expense in the accompanying Consolidated Statements of Operations.

Pursuant to the amendment, we may terminate the Revised Loan Agreement upon 90 days' prior written notice upon payment in full of its obligations under the Revised Loan Agreement. We have agreed to pay PNC 1.0% of the total financing in the event we pay off our obligations on or before March 23, 2017, .50% of the total financing if we pay off our obligations after March 23, 2017 but prior to or on March 23, 2018, and .25% of the total financing if we pays off our obligations after March 23, 2018 but prior to or on March 23, 2019. No early termination fee shall apply if we pay off its obligations after March 23, 2019.

All other terms of the Amended Loan Agreement remain principally unchanged.

As of March 31, 2016, the availability under our revolving credit was $2,740,000, based on our eligible receivables and includes the remaining indefinite reduction of borrowing availability of $500,000 as discussed above.

Our Credit Facility with PNC 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 allowing our lender to immediately require the repayment of all outstanding debt under our Credit Facility and terminate all commitments to extend further credit. The following table illustrates the quarterly financial covenant requirements under our Credit Facility as of March 31, 2016.

(Dollars in thousands)	Quarterly Requirement	1st Quarter Actual
Senior Credit Facility		
Fixed charge coverage ratio	1.15:1	0.91:1
Minimum tangible adjusted net worth	$ 30,000	$40,539

We did not meet our fixed charge coverage ratio in the first quarter of 2016. On May 23, 2016, our lender waived this non-compliance. In connection with this waiver, the Company paid PNC a fee of $5,000. We expect to meet our quarterly financial covenant requirements in each of the remaining quarters of 2016; however, if we fail to meet any of these quarterly financial covenant requirements in any of the remaining quarters in 2016 and our lender does not waive the non-compliance or revise our covenant so that we are in compliance, our lender could accelerate the repayment of borrowings under our Credit Facility. In the event that our lender accelerates the payment of our borrowings, we may not have sufficient liquidity to repay our debt under our credit facility and other indebtedness.

The Company entered into a $3,000,000 loan dated August 2, 2013 with Messrs. Robert Ferguson and William Lampson (each known as the "Lenders"). The loan is unsecured with a term of three years with interest payable at a fixed interest rate of 2.99% per annum. The loan requires monthly payments of accrued interest only during the first year of the loan with the first interest payment due September 1, 2013, and monthly payments of $125,000 in principal plus accrued interest for the second and third year of the loan. As consideration for the Company receiving the loan, the Company issued to each Lender a Warrant to purchase up to 35,000 shares of the Company's Common at an exercise price of $2.23 per share. The Warrants expire on August 2, 2016. As further consideration for the loan, the Company also issued to each Lender 45,000 shares of the Company's Common Stock. The fair value of the Warrants and Common Stock and the related closing fees incurred from this transaction were recorded as a debt discount, which is being amortized using the effective interest method over the term of the loan as interest expense – financing fees.

Investing Activities

For the three months ended March 31, 2016, our purchases of capital equipment totaled approximately $9,000. These expenditures were primarily for improvements in our Treatment Segment. These capital expenditures were funded by cash from operations. We have budgeted approximately $1,200,000 for 2016 capital expenditures for our Treatment and Services Segments to maintain operations and regulatory compliance requirements. Certain of these budgeted projects may either be delayed until later years or deferred altogether. We have traditionally incurred actual capital spending totals for a given year at less than the initial budgeted amount. We plan to fund our capital expenditures from cash from operations and/or financing. The initiation and timing of projects are also determined by financing alternatives or funds available for such capital projects.

Off Balance Sheet Arrangements

We have a number of routine operating leases, primarily related to office space rental, office equipment rental and equipment rental for contract projects as of March 31, 2016, which total approximately $1,417,000, payable as follows: $553,000 in remainder of 2016; $670,000 in 2017; with the remaining $194,000 in 2018.

From time to time, we are required to post standby letters of credit and various bonds to support contractual obligations to customers and other obligations, including facility closures. As of March 31, 2016, the total amount of these bonds and letters of credit outstanding was approximately $1,539,000, of which the majority of the amount relates to various bonds. Our Treatment Segment facilities operate under licenses and permits that require financial assurance for closure and post-closure costs. We provide for these requirements through financial assurance policies. As of March 31, 2016, the closure and post-closure requirements for these facilities were approximately $46,824,000. We have recorded approximately $21,396,000 in a sinking fund related to these policies in other long term assets on the accompanying Consolidated Balance Sheets.

Critical Accounting Policies and Estimates

There were no significant changes in our accounting policies or critical accounting estimates that are discussed in our Annual Report on Form 10-K for the year ended December 31, 2015.

Known Trends and Uncertainties

Significant Customers. Our Treatment and Services Segments have significant relationships with the federal government, and continue to enter into contracts, directly as the prime contractor or indirectly for others as a subcontractor, with the federal government. The U.S Department of Energy (“DOE”) and U.S. Department of Defense (“DOD”) represent major customers for our Treatment Segment and Services Segments. The contracts that we are a party to with the federal government or with others as a subcontractor to the federal government generally provide that the government may terminate or renegotiate the contracts on 30 days notice, at the government's election. Our inability to continue under existing contracts that we have with the federal government (directly or indirectly as a

subcontractor) or significant reductions in the level of governmental funding in any given year could have a material adverse impact on our operations and financial condition.

We performed services relating to waste generated by the federal government, either directly as a prime contractor or indirectly as a subcontractor to the federal government, representing approximately $6,364,000 or 63.4% of our total revenue from continuing operations during the three months ended March 31, 2016, as compared to $7,884,000 or 58.0% of our total revenue from continuing operations during the corresponding period of 2015.

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. 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 potentially responsible party ("PRP") at a remedial action site, which could have a material adverse effect.

Our subsidiaries where remediation expenditures will be made are at three sites within our discontinued operations. While no assurances can be made that we will be able to do so, we expect to fund the expenses to remediate these sites from funds generated internally.

At March 31, 2016, we had total accrued environmental remediation liabilities of $900,000, of which $9,000 is recorded as a current liability. No material changes in remediation liabilities have occurred since December 31, 2015.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

Not required for smaller reporting companies.

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(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended) were effective as of March 31, 2016.

(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 Company's most recent fiscal quarter 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 not previously reported by us in Item 3 of our Form 10-K for the year ended December 31, 2015, which is incorporated herein by reference.

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, 2015.

Item 6. <u>Exhibits</u>

(a) **<u>Exhibits</u>**

4.1	First Amendment to Amended and Restated Revolving Credit, Term Loan and Security Agreement between PNC Bank, National Association and Perma-Fix Environmental Services, Inc., dated November 7, 2012, as incorporated by reference from Exhibit 4.1 to the Company Form 10-Q for the quarter ended September 30, 2012, filed on November 8, 2012.
4.2	Second Amendment to Amended and Restated Revolving Credit, Term Loan and Security Agreement and Waiver between PNC Bank, National Association and Perma-Fix Environmental Services, Inc., dated May 9, 2013, as incorporated by reference from Exhibit 4.1 to the Company Form 10-Q for the quarter ended March 31, 2013, filed on May 10, 2013.
4.3	Third Amendment to Amended and Restated Revolving Credit, Term Loan and Security Agreement between PNC Bank, National Association and Perma-Fix Environmental Services, Inc., dated August 2, 2013, as incorporated by reference from Exhibit 4.1 to the Company Form 10-Q for the quarter ended June 30, 2013, filed on August 8, 2013.
4.4	Fourth Amendment to Amended and Restated Revolving Credit, Term Loan and Security Agreement and Waiver between PNC Bank, National Association and Perma-Fix Environmental Services, Inc., dated April 14, 2014, as incorporated by reference from Exhibit 4.17 to the Company 2013 Form 10-K, filed on April 15, 2014.
4.5	Fifth Amendment to Amended and Restated Revolving Credit, Term Loan and Security Agreement between PNC Bank, National Association and Perma-Fix Environmental Services, Inc., dated July 25, 2014, as incorporated by reference from Exhibit 4.1 to the Company Form 8-K, filed on July 31, 2014.
4.6	Sixth Amendment to Amended and Restated Revolving Credit, Term Loan and Security Agreement between PNC Bank, National Association and Perma-Fix Environmental Services, Inc., dated July 25, 2014, as incorporated by reference from Exhibit 4.2 to the Company Form 8-K, filed on July 31, 2014.
4.7	Seventh Amendment to Amended and Restated Revolving Credit, Term Loan and Security Agreement between PNC Bank, National Association and Perma-Fix Environmental Services, Inc., dated March 24, 2016, as incorporated by reference from Exhibit 4.17 to the Company 2015 Form 10-K filed on March 24, 2016.
	Waiver Letter from PNC dated May 23, 2016 for non-compliance of financial covenant.

4.8

10.1 2016 Incentive Plan for Chief Executive Officer, effective January 1, 2016, as incorporated by reference from Exhibit 99.1 to the Company's 8-K filed on February 10, 2016.

10.2 2016 Incentive Plan for Chief Operating Officer, effective January 1, 2016, as incorporated by reference from Exhibit 99.2 to the Company's 8-K filed on February 10, 2016.

10.3	2016 Incentive Plan for Chief Financial Officer, effective January 1, 2016, as incorporated by reference from Exhibit 99.3 to the Company's 8-K filed on February 10, 2016.
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.

SIGNATURES

Pursuant to the requirements of the Securities and 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: May 23, 2016 By: /s/ Dr. Louis F. Centofanti
Dr. Louis F. Centofanti

Chairman of the Board

Chief (Principal) Executive Officer

Date: May 23, 2016 By: /s/ Ben Naccarato
Ben Naccarato
Chief (Principal) Financial Officer and