PERMA FIX ENVIRONMENTAL SERVICES INC
Form 10-Q
November 04, 2015

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2015

Or

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______________ to__________

Commission File No. 111596

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

(Exact name of registrant as specified in its charter)

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

(770) 587-9898

(Registrant's telephone number)

N/A

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," “accelerated filer" and “smaller reporting company” in Rule 12b-2 of the

Exchange Act. (Check one):

Large accelerated filer
Accelerated Filer
Non-accelerated Filer
Smaller reporting company

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

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

Class	Outstanding at November 3, 2015
Common Stock, $.001 Par Value	11,543,590 shares of registrant’s Common Stock

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. – Financial Statements

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

Consolidated Balance Sheets

(Unaudited)

(Amounts in Thousands, Except for Share and per Share Amounts)	September 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash	$ 1,998	$ 3,680
Restricted cash	102	85
Accounts receivable, net of allowance for doubtful accounts of $1,880 and $2,170, respectively	8,462	8,272
Unbilled receivables - current	5,732	7,177
Inventories	350	498
Prepaid and other assets	3,696	3,010
Deferred tax asset - current	385	385
Current assets related to discontinued operations	37	20
Total current assets	20,762	23,127
Property and equipment:		
Buildings and land	20,196	20,362
Equipment	35,677	35,434
Vehicles	421	403
Leasehold improvements	11,628	11,613
Office furniture and equipment	1,832	1,799
Construction-in-progress	356	336
	70,110	69,947
Less accumulated depreciation and amortization	(49,575)	(47,123)
Net property and equipment	20,535	22,824
Property and equipment related to discontinued operations	531	681
Intangibles and other long term assets:		
Permits	16,775	16,709
Other intangible assets - net	2,124	2,435
Unbilled receivables – non-current	364	273

Finite risk sinking fund	21,364	21,334
Other assets	1,141	1,253
Total assets	$ 83,596	$ 88,636

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

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.

Consolidated Balance Sheets, Continued

(Unaudited)

(Amounts in Thousands, Except for Share and per Share Amounts)	September 30, 2015	December 31, 2014
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,908	$ 5,350
Accrued expenses	5,528	4,540
Disposal/transportation accrual	1,608	1,737
Deferred revenue	2,465	4,873
Current liabilities related to discontinued operations	1,491	2,137
Current portion of long-term debt	2,310	2,319
Current portion of long-term debt - related party	1,303	1,414
Total current liabilities	19,613	22,370
Accrued closure costs	5,248	5,508
Other long-term liabilities	851	803
Deferred tax liabilities	5,498	5,391
Long-term liabilities related to discontinued operations	1,184	590
Long-term debt, less current portion	5,264	6,690
Long-term debt, less current portion - related party	—	949
Total long-term liabilities	18,045	19,931
Total liabilities	37,658	42,301
Commitments and Contingencies (Note 8)		
Series B Preferred Stock of subsidiary, $1.00 par value; 1,467,396 shares authorized, 1,284,730 shares issued and outstanding, liquidation value $1.00 per share plus accrued and unpaid dividends of $851 and $803, respectively	1,285	1,285
Stockholders' Equity:		
Preferred Stock, $.001 par value; 2,000,000 shares authorized, no shares issued and outstanding	—	—
Common Stock, $.001 par value; 30,000,000 shares authorized; 11,535,367 and 11,476,485 shares issued, respectively; 11,527,725 and 11,468,843 shares outstanding, respectively	11	11
Additional paid-in capital	104,057	103,765
Accumulated deficit	(60,906)	(59,758)
Accumulated other comprehensive (loss) income	(81)	11
Less Common Stock in treasury, at cost; 7,642 shares	(88)	(88)

Total Perma-Fix Environmental Services, Inc. stockholders' equity	42,993	43,941
Non-controlling interest	1,660	1,109
Total stockholders' equity	44,653	45,050
Total liabilities and stockholders' equity	$ 83,596	$ 88,636

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

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Amounts in Thousands, Except for Per Share Amounts)	Three Months Ended September 30, 2015	2014	Nine Months Ended September 30, 2015	2014
Net revenues	$17,309	$16,905	$47,264	$40,106
Cost of goods sold	12,363	11,324	36,809	32,874
Gross profit	4,946	5,581	10,455	7,232
Selling, general and administrative expenses	2,887	2,733	8,663	8,916
Research and development	583	253	1,500	941
Impairment loss on goodwill	—	—	—	380
Gain on disposal of property and equipment	(23)	(25)	(23)	(41)
Income (loss) from operations	1,499	2,620	315	(2,964)
Other income (expense):				
Interest income	16	7	36	20
Interest expense	(124)	(138)	(390)	(505)
Interest expense - financing fees	(56)	(52)	(171)	(133)
Foreign currency loss	(2)	—	(7)	—
Other	4	(63)	19	(48)
Income (loss) from continuing operations before taxes	1,337	2,374	(198)	(3,630)
Income tax expense	53	30	124	90
Income (loss) from continuing operations, net of taxes	1,284	2,344	(322)	(3,720)
(Loss) income from discontinued operations, net of taxes	(377)	(473)	(1,313)	1,633
Net income (loss)	907	1,871	(1,635)	(2,087)
Net loss attributable to non-controlling interest	163	—	487	—
Net income (loss) attributable to Perma-Fix Environmental Services, Inc. common stockholders	$1,070	$1,871	$(1,148)	$(2,087)
Net income (loss) per common share attributable to Perma-Fix Environmental Services, Inc. stockholders - basic:				
Continuing operations	$.12	$.20	$.01	$(.32)
Discontinued operations	(.03)	(.04)	(.11)	.14
Net income (loss) per common share	$.09	$.16	$(.10)	$(.18)

Net income (loss) per common share attributable to Perma-Fix Environmental Services, Inc. stockholders - diluted:				
Continuing operations	$.12	$.20	$.01	$(.32)
Discontinued operations	(.03)	(.04)	(.11)	.14
Net income (loss) per common share	$.09	$.16	$(.10)	$(.18)
Number of common shares used in computing net income (loss) per share:				
Basic	11,526	11,449	11,506	11,434
Diluted	11,561	11,490	11,542	11,434

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

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PERMA-FIX ENVIRONMENTAL SERVICES, INC.

Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(Amounts in Thousands)	Three Months Ended September 30, 2015	2014	Nine Months Ended September 30, 2015	2014
Net income (loss)	$907	$1,871	$(1,635)	$(2,087)
Other comprehensive loss:				
Foreign currency translation loss	(17)	(2)	(92)	(8)
Comprehensive income (loss)	890	1,869	(1,727)	(2,095)
Comprehensive loss attributable to non-controlling interest	163	—	487	—
Comprehensive income (loss) attributable to Perma-Fix Environmental Services, Inc. stockholders	$1,053	$1,869	$(1,240)	$(2,095)

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

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PERMA-FIX ENVIRONMENTAL SERVICES, INC

Consolidated Statement of Stockholders' Equity

For the Nine Months Ended September 30, 2015

(Unaudited)

(Amounts in thousands, except for share amounts)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Common Stock Held In Treasury	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest in Subsidiary	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2014	11,476,485	$ 11	$ 103,765	$ (88)	$ 11	$ 1,109	$ (59,758)	$ 45,050
Net loss	—	—	—	—	—	(487)	(1,148)	(1,635)
Foreign currency translation	—	—	—	—	(92)	—	—	(92)
Perma-Fix Medical S.A. (proceeds from stock subscription, net of expenses of $29)	—	—	—	—	—	1,038	—	1,038
Issuance of Common Stock upon exercise of options	3,423	—	10	—	—	—	—	10
Issuance of Common Stock for services	55,459	—	220	—	—	—	—	220
Stock-Based Compensation	—	—	62	—	—	—	—	62
Balance at September 30, 2015	11,535,367	$ 11	$ 104,057	$ (88)	$ (81)	$ 1,660	$ (60,906)	$ 44,653

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

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30,	
(Amounts in Thousands)	2015	2014
Cash flows from operating activities:		
Net loss	$(1,635)	$(2,087)
Less: (loss) income on discontinued operations	(1,313)	1,633
Loss from continuing operations	(322)	(3,720)
Adjustments to reconcile net loss from continuing operations to cash provided by (used in) operations:		
Depreciation and amortization	2,821	3,282
Amortization of debt discount	65	65
Deferred tax expense	107	90
(Recovery of) provision for bad debt reserves	(27)	11
Impairment loss on goodwill	—	380
Gain on disposal of plant, property and equipment	(23)	(41)
Loss on sale of SYA subsidiary	—	48
Issuance of common stock for services	220	198
Stock-based compensation	62	(2)
Changes in operating assets and liabilities of continuing operations:		
Accounts receivable	(164)	(1,960)
Unbilled receivables	1,354	(1,246)
Prepaid expenses, inventories and other assets	795	709
Accounts payable, accrued expenses and unearned revenue	(3,404)	801
Cash provided by (used in) continuing operations	1,484	(1,385)
Cash used in discontinued operations	(1,233)	(1,959)
Cash provided by (used in) operating activities	251	(3,344)
Cash flows from investing activities:		
Purchases of property and equipment	(338)	(375)
Proceeds from sale of property and equipment	27	133
Proceeds from sale of SYA subsidiary (Note 11)	50	1,218
Payment to finite risk sinking fund	(30)	(19)
Cash (used in) provided by investing activities of continuing operations	(291)	957
Proceeds from property insurance claims of discontinued operations	—	5,727
Cash (used in) provided by investing activities	(291)	6,684
Cash flows from financing activities:		
Borrowing of revolving credit	49,783	60,899

Repayments of revolving credit borrowings	(49,476)	(60,899)
Principal repayments of long term debt	(1,742)	(1,852)
Principal repayments of long term debt - related party	(1,125)	(125)
Proceeds from stock subscription - Perma-Fix Medical S.A., net of expenses of $29	971	—
Proceeds from issuance of common stock	10	4
Cash used in financing activities of continuing operations	(1,579)	(1,973)
Principal repayments of long term debt for discontinued operations	—	(27)
Cash used in financing activities	(1,579)	(2,000)
Effect of exchange rate changes on cash	(63)	—
(Decrease) increase in cash	(1,682)	1,340
Cash at beginning of period	3,680	333
Cash at end of period	$1,998	$1,673
Supplemental disclosure:		
Interest paid	$404	$498
Income taxes paid	116	30
Proceeds from stock subscription for Perm-Fix Medical S.A. held in escrow	67	—

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

PERMA-FIX ENVIRONMENTAL SERVICES, INC.

Notes to Consolidated Condensed Financial Statements

September 30, 2015

(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, 2014.

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 nine months ended September 30, 2015 are not necessarily indicative of results to be expected for the fiscal year ending December 31, 2015.

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, 2014.

Reclassification

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

2. Summary of Significant Accounting Policies

Our accounting policies are as set forth in the notes to the December 31, 2014 consolidated financial statements referred to above.

Recently Issued Accounting Standards – Not Yet Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 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 June 2014, the FASB issued ASU 2014-12, "Compensation Stock – Compensation (Topic 718)." ASU 2014-12 applies to all reporting entities that grant their employees share-based payments in which the terms of the award provide that a performance target that affects vesting could be achieved after the requisite service period. It requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition and follows existing accounting guidance for the treatment of performance conditions. The standard is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015, with early adoption permitted. The Company has assessed the impact of adopting this guidance and concluded that it will not have a material impact on the Company's financial condition, results of operations or cash flows.

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 January 2015, the FASB issued ASU 2015-01, "Income Statement-Extraordinary and Unusual Items." ASU 2015-01 eliminates from GAAP the concept of extraordinary items. ASU 2015-01 is effective for annual reporting periods and interim periods, within those annual periods beginning after December 15, 2015. The Company has assessed the impact of adopting this guidance and concluded that it will not have a material impact on the Company's financial condition, results of operations or cash flows.

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis." ASU 2015-02 changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. ASU 2015-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. The Company has assessed the impact of adopting this guidance and concluded that it will not have a material impact on the Company's financial condition, results of operations or cash flows.

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.

3. <u>Intangible Assets</u>

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

		September 30, 2015			December 31, 2014		
	Useful	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	Lives	Carrying		Carrying	Carrying		Carrying

	(Years)	Amount		Amount	Amount		Amount
Intangibles (amount in thousands)							
Patent	8- 18	$516	$ (194)	$ 322	$512	$ (168)	$ 344
Software	3	379	(360)	19	375	(319)	56
Customer relationships	12	3,370	(1,587)	1,783	3,370	(1,335)	2,035
Permit	10	545	(359)	186	545	(318)	227
Total		$4,810	$ (2,500)	$ 2,310	$4,802	$ (2,140)	$ 2,662

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:

Year		Amount (In thousands)
2015	(remaining)	$ 122
2016		425
2017		391
2018		361
2019		280
		$ 1,579

Amortization expenses relating to the definite-lived intangible assets as discussed above were $108,000 and $360,000 for the three and nine months ended September 30, 2015, respectively, and $149,000 and $501,000 for the three and nine months ended September 30, 2014, respectively.

4. <u>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.

On September 17, 2015, the Company granted an aggregate of 12,000 non-qualified stock options ("NQSOs") from the Company's 2003 Outside Directors Stock Plan ("2003 Stock Plan") to five of the seven re-elected directors at our Annual Meeting of Stockholders held on September 17, 2015. Two of the directors are not eligible to receive options under the 2003 Stock Plan as they are employees of the Company or its subsidiaries. Dr. Centofanti is the Company's Chief Executive Officer and Mr. John Climaco is an Executive Vice President of Perma-Fix Medical S.A. (effective June 2, 2015), the Company's majority-owned Polish subsidiary. The NQSOs granted were for a contractual term of ten years with a vesting period of six months. The exercise price of the NQSOs was $4.19 per share, which was equal to the Company's closing stock price the day preceding the grant date, pursuant to the 2003 Stock Plan.

As of September 30, 2015, the Company had an aggregate of 55,000 employee stock options outstanding (from the 2010 Stock Option Plans), of which 18,333 are vested. The weighted average exercise price of the 18,333 outstanding and fully vested employee stock options is $5.00 with a remaining weighted contractual life of 4.8 years. Additionally, the Company had an aggregate of 163,200 outstanding director stock options (from the 2003 Plans), of which 151,200 are vested. The weighted average exercise price of the 151,200 outstanding and fully vested director stock options is $8.89 with a remaining weighted contractual life of 4.8 years.

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The summary of the Company's total Stock Option Plans as of September 30, 2015, and 2014, and changes during the periods then ended, are presented below. The Company's Plans consist of the 2004 and 2010 Stock Option Plans and the 2003 Stock Plans:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Options outstanding Janury 1, 2015	239,023	$ 7.81		
Granted	12,000	4.19		
Exercised	(3,423)	2.79		$ 4,298
Forfeited	(29,400)	8.13		
Options outstanding End of Period [1]	218,200	7.65	5.1	$ 25,464
Options Exercisable at September 30, 2015[1]	169,533	$ 8.47	4.8	$ 25,464
Options Vested and expected to be vested at September 30, 2015	212,333	$ 7.72	5.1	$ 25,464

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Options outstanding Janury 1, 2014	362,800	$ 9.53		
Granted	71,800	4.70		
Exercised	(1,257)	2.79		$ 2,319
Forfeited	(187,000)	10.04		
Options outstanding End of Period [1]	246,343	7.77	5.1	$ 23,065
Options Exercisable at September 30, 2014[1]	174,543	$ 9.04	4.4	$ 21,049
Options Vested and expected to be vested at September 30, 2014	237,543	$ 7.87	5.0	$ 23,065

The Company estimates fair value of stock options using the Black-Scholes valuation model. Assumptions used to estimate the fair value of stock options granted include the exercise price of the award, the expected term, the expected volatility of the Company's stock over the option's expected term, the risk-free interest rate over the option's expected term, and the expected annual dividend yield. The fair value of the options granted during the nine months ended September 30, 2015 and 2014 and the related assumptions used in the Black-Scholes option model used to value the options granted were as follows (No options were granted to employees during the nine months ended

September 30, 2015):

	Outside Director Stock Options Granted	
	September 30, 2015	September 30, 2014
Weighted-average fair value per share	$2.84	$2.73
Risk -free interest rate [1]	2.21%	2.63%
Expected volatility of stock [2]	57.98%	59.59%
Dividend yield	None	None
Expected option life [3] (years)	10.0	10.0

	Employee Stock Option Granted as of September 30, 2014
Weighted-average fair value per share	$2.88
Risk -free interest rate [1]	1.91%
Expected volatility of stock [2]	61.84%
Dividend yield	None
Expected option life [3] (years)	6.0

(1) The risk-free interest rate is based on the U.S. Treasury yield in effect at the grant date over the expected term of the option.

(2) The expected volatility is based on historical volatility from our traded Common Stock over the expected term of the option.

(3) The expected option life is based on historical exercises and post-vesting data.

The following table summarizes stock-based compensation recognized, which is included in selling, general and administrative expenses ("SG&A") in the accompanying Consolidated Statements of Operations, for the three and nine months ended September 30, 2015 and 2014 for our employee and director stock options.

Stock Options	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Employee Stock Options	$13,000	$12,000	$39,000	$(27,000)
Director Stock Options	2,000	3,000	23,000	25,000
Total	$15,000	$15,000	$62,000	$(2,000)

The Company recognized stock-based compensation expense using a straight-line amortization method over the requisite service period, which is the vesting period of the stock option grant. ASC 718, "Compensation – Stock Compensation" requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company has generally estimated forfeiture rates based on historical trends of actual forfeitures. When actual forfeitures vary from our estimates, the Company recognizes the difference in compensation expense in the period the actual forfeitures occur or when options vest. The total stock-based compensation expense for the nine months ended September 30, 2014 included a reduction in expense of approximately $54,000 resulting from the forfeiture of options by Mr. Jim Blankenhorn, our Chief Operating Officer ("COO"), who voluntarily resigned from the Company effective March 28, 2014. The COO was granted an option from the Company's 2010 Stock Option Plan on July 25, 2011, to purchase up to 60,000 shares of the Company's Common Stock at $7.85 per share. The options had a six year contractual term with one-third yearly vesting over a three year period.

As of September 30, 2015, the Company has approximately $117,000 of total unrecognized compensation cost related to unvested options, of which $30,000 is expected to be recognized in remaining 2015, $68,000 in 2016, with the remaining $19,000 in 2017.

During the nine months ended September 30, 2015, the Company issued a total of 55,459 shares of our Common Stock under our 2003 Plan to our outside directors as compensation for serving on our Board of Directors. The Company has recorded approximately $216,000 in compensation expenses (included in SG&A) in connection with the issuance of shares of our Common Stock to our outside directors. Also, an outside director exercised 3,423 options from the 2003 Stock Plan for the purchase of 3,423 shares of the Company's Common Stock at $2.79 per share.

5. <u>Income (Loss)</u> <u>Per Share</u>

Basic Income (loss) per share is calculated based on the weighted-average number of outstanding common shares during the applicable period. Diluted income (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 share. The following table reconciles the income (loss) and average share amounts used to compute both basic and diluted income (loss) per share:

	Three Months Ended September 30, (Unaudited)		Nine Months Ended September 30, (Unaudited)	
(Amounts in Thousands, Except for Per Share Amounts)	2015	2014	2015	2014
Net income (loss) attributable to Perma-Fix Environmental Services, Inc., common stockholders:				
Income (loss) from continuing operations attributable to Perma-Fix Environmental Services, Inc. common stockholders	$1,447	$2,344	$165	$(3,720)
(Loss) income from discontinuing operations attributable to Perma-Fix Environmental Services, Inc. common stockholders	(377)	(473)	(1,313)	1,633
Net income (loss) attributable to Perma-Fix Environmental Services, Inc. common stockholders	$1,070	$1,871	$(1,148)	$(2,087)
Basic income (loss) per share attributable to Perma-Fix Environmental Services, Inc. common stockholders	$.09	$.16	$(.10)	$(.18)
Diluted income (loss) per share attributable to Perma-Fix Environmental Services, Inc. common stockholders	$.09	$.16	$(.10)	$(.18)
Weighted average shares outstanding:				
Basic weighted average shares outstanding	11,526	11,449	11,506	11,434
Add: dilutive effect of stock options	5	8	6	—
Add: dilutive effect of warrants	30	33	30	—
Diluted weighted average shares outstanding	11,561	11,490	11,542	11,434
Potential shares excluded from above weighted average share calcualtions due to their anti-dilutive effect include:				
Stock options	183	207	183	207

6. Long Term Debt

Long-term debt consists of the following at September 30, 2015 and December 31, 2014:

(Amounts in Thousands)	September 30, 2015	December 31, 2014
Revolving Credit facility dated October 31, 2011, borrowings based upon eligible accounts receivables, subject to monthly borrowing base calculation, variable interest paid monthly at option of prime rate (3.25% at September 30, 2015) plus 2.0% or London Interbank Offer Rate ("LIBOR") plus 3.0%, balance due October 31, 2016. Effective interest rate for the first nine months of 2015 was 3.8%. (1)	$ 307	$ —
Term Loan dated October 31, 2011, payable in equal monthly installments of principal of $190, balance due on October 31, 2016, variable interest paid monthly at option of prime rate plus 2.5% or LIBOR plus 3.5%. Effective interest rate for the first nine months of 2015 was 3.7%. (1)	7,238	8,952
Promissory Note dated February 12, 2013, payable in monthly installments of $10, which includes interest and principal, starting February 28, 2013, interest accrues at annual rate of 6.0%, paid in full on January 30, 2015. (2)	—	10
Promissory Note dated August 2, 2013, payable in twelve monthly installments of interest only, starting September 1, 2013 and twenty-four monthly installments of $125 in principal plus accrued interest. Interest accrues at annual rate of 2.99%. (2) (3)	1,303	2,363
Capital lease (interest at rate of 6.0%)	29	47
	8,877	11,372
Less current portion of long-term debt	3,613	3,733
	$ 5,264	$ 7,639

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

(2) Uncollateralized note.

(3) Net of debt discount of ($72,000) and ($137,000) at September 30, 2015 and December 31, 2014, respectively. See “Promissory Notes and Installment Agreements” below for additional information.

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 Bank, National Association (“PNC”), acting as agent and lender. The Loan Agreement, as amended (“Amended Loan Agreement”), provides us with the following Credit Facility: (a) up to $12,000,000 revolving credit facility (“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 requires monthly installments of approximately $190,000 (based on a seven-year amortization).

The Amended Loan Agreement matures on October 31, 2016, unless sooner terminated. We may terminate the Amended Loan Agreement upon 90 days’ prior written notice and upon payment in full of our obligations under the Amended Loan Agreement.

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 Company met its quarterly fixed charge coverage ratio and minimum tangible adjusted net worth requirements in each of the quarters as of September 30, 2015.

As of September 30, 2015, the availability under our revolving credit agreement was $4,284,000, based on our eligible receivables and is net of an indefinite reduction of borrowing availability of $1,500,000. On July 28, 2014, the Company entered into an amendment to the Amended Loan Agreement which among other things, authorized the Company to use the $3,850,000 insurance settlement proceeds received on June 30, 2014 by our Perma-Fix of South Georgia, Inc. ("PFSG") subsidiary (which suffered a fire on August 14, 2013 and is included within our discontinued operations) for working capital purposes but placed an indefinite reduction on our borrowing availability by the $1,500,000 as discussed above.

Promissory Notes and Installment Agreements

On February 12, 2013, the Company entered into an unsecured promissory note ("the new note") with Timios National Corporation ("TNC") in the principal amount of approximately $230,000 as a result of a settlement with TNC in connection with certain claims that the Company asserted against TNC for breach of certain representations and covenant subsequent to our acquisition of Safety & Ecology Corporation ("SEC") from TNC on October 31, 2011. The new note was entered into as a result of the settlement in which a previously issued promissory note that the Company entered into with TNC as partial consideration of the purchase price of SEC was cancelled and terminated and replaced with the new note. Final payment of approximately $10,000 on this note was made in January 2015.

On August 2, 2013, the Company completed a lending transaction with Messrs. Robert Ferguson (who serves as an advisor to the Company's Board of Directors and is also a member of the Board of Directors for our majority-owned Polish subsidiary, Perma-Fix Medical S.A.) and William Lampson ("collectively, the "Lenders"), whereby the Company borrowed from the Lenders the sum of $3,000,000 pursuant to the terms of a Loan and Security Purchase Agreement and promissory note (the