SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended September 30, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from to

Commission file number 0-9040

DRYCLEAN USA, Inc.
(Exact name of small business issuer as specified in its charter)

DELAWARE	11-2014231
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

290 N.E. 68 Street, Miami, Florida 33138
(Address of principal executive offices)

(305) 754-4551
(Issuer's telephone number)

Not Applicable
(Former name)

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

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date: Common Stock, $.025 par value per share - 7,001,250 shares outstanding as of November 9, 2001.

PART I
Financial Information

DRYCLEAN USA, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
<TABLE>
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	For the three months ended September 30, 2001 (Unaudited)	2000 (Unaudited)
<S>	<C>	<C>
Net sales	$ 3,823,114	$ 4,574,476
Management, franchise and license fees, commissions and other income	219,329	340,875
Total revenues	4,042,443	4,915,351
Cost of sales	2,991,322	3,253,127
Selling, general and administrative expenses	1,097,519	1,165,522
Research and development expenses	21,286	26,672
Total Operating Expenses	4,110,127	4,445,321
Operating (loss) income	(67,684)	470,030

Interest income	4,114	13,752
Interest expense	(19,596)	(38,300)
Earnings (loss) before income taxes	(83,166)	445,482
Provision (benefit) for income taxes	(33,266)	178,200
Net (loss) earnings	$ (49,900)	$ 267,282
Basic (loss) earnings per share	$ (.01)	$ .04
Diluted (loss) earnings per share	$ (.01)	$ .04
Weighted average number of shares of common stock outstanding:		
Basic	7,001,250	7,001,250
Diluted	7,001,250	7,252,856

See Notes to Condensed Consolidated Financial Statements

</TABLE>

DRYCLEAN USA, Inc

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	September 30, 2001 (Unaudited)	June 30, 2001
Current Assets		
Cash and cash equivalents	$ 176,947	$ 375,912
Accounts receivable, net	2,368,610	2,122,493
Inventories	4,570,234	4,373,519
Refundable income taxes	257,363	257,363
Lease receivables	33,695	39,494
Deferred income tax asset	69,337	69,337
Other current assets, net	227,227	190,548
Total current assets	7,703,413	7,428,666
Lease receivables, due after one year	3,219	5,238
Equipment and improvements - net of accumulated depreciation and amortization	376,589	329,511
Franchise, trademarks and other intangible assets, net	541,011	551,718
Deferred income tax asset	12,786	12,786
	$8,637,018	$8,327,919

See Notes to Condensed Consolidated Financial Statements

<TABLE>

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DRYCLEAN USA, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

LIABILITIES AND

STOCKHOLDERS' EQUITY

	September 30, 2001 (Unaudited)	June 30, 2001
<S>	<C>	<C>
Current Liabilities		
Accounts payable and accrued expenses	$1,011,265	$1,474,733
Line of credit	963,146	--
Customer deposits and other	552,619	573,298
Notes payable	1,040,000	1,160,000
Total current liabilities	3,567,030	3,208,031
Total liabilities	3,567,030	3,208,031
Stockholders' Equity		
Common stock, $.025 par value, 15,000,000 shares authorized; 7,027,500 shares issued and outstanding at September 30, and June 30, 2001, including 26,250 shares held in treasury	175,688	175,688
Additional paid-in capital	2,048,570	2,048,570
Retained earnings	2,845,730	2,895,630
Total shareholders' equity	5,069,988	5,119,888
	$8,637,018	$8,327,919

See Notes to Condensed Consolidated Financial Statements
</TABLE>

<TABLE>
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DRYCLEAN USA, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the three months ended SEPTEMBER 30, 2001 (Unaudited)	2000 (Unaudited)
<S>	<C>	<C>
Operating activities:		
Net (loss) earnings	$ (49,900)	$ 267,282
Adjustments to reconcile net earnings: to net cash used by operating activities		
Depreciation and amortization	39,804	38,701
Bad debt expense	--	81,619
(Increase) decrease in operating assets:		
Accounts, notes and lease receivables	(238,299)	(493,568)
Inventories	(196,715)	(362,510)
Other current assets	(36,679)	8,723
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(463,468)	(123,324)
Income taxes payable	--	(155,249)
Customer deposits and other	(20,679)	194,109
Net cash used in operating activities	(965,936)	(544,217)
Investing activities:		
Capital expenditures, net	(68,172)	(78,954)
Increase in patents	(8,003)	--
Net cash used in investing activities	(76,175)	(78,954)
Financing activities:		

Borrowings under line of credit	963,146	228,613
Payments on term loan	(120,000)	(120,000)
Proceeds from the exercise of stock options	--	11,250
Net cash provided by financing activities	843,146	119,863
Net decrease in cash and cash equivalents	(198,965)	(503,308)
Cash and cash equivalents at beginning of perio	375,912	982,588
Cash and cash equivalents at end of period	$ 176,947	$ 479,280

Supplemental disclosures of cash flow information		
Cash paid during the period for		
Interest	$ 19,596	$ 38,300
Income taxes	12,170	333,449

</TABLE>

See Notes to Condensed Consolidated Financial Statements

DRYCLEAN USA, Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE (1) - GENERAL: The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial statements and the instructions to Form 10-QSB related to interim period financial statements. Accordingly, these condensed consolidated financial statements do not include certain information and footnotes required by generally accepted accounting principles for complete financial statements. However, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring accruals) which, in the opinion of management, are necessary in order to make the financial statements not misleading. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. For further information, refer to the Company's financial statements and footnotes thereto in the Company's Annual Report on Form 10-KSB for the year ended June 30, 2001. The June 30, 2001 balance sheet information contained herein was derived from the audited consolidated financial statements included in the Company's Annual Report on Form 10-KSB as of that date.

NOTE (2) - NEW ACCOUNTING PRONOUNCEMENTS:

In June 2001, the Financial Accounting Standard Board issued FASB Statements No. 141, Business Combinations (SFAS 141), and No. 142, Goodwill and Other Intangible Assets (SFAS 142). SFAS 141 requires the use of the purchase method of accounting for business combinations initiated after June 30, 2001. SFAS 141 also requires that the Company recognize acquired intangible assets apart from goodwill if the acquired intangible assets meet certain criteria. SFAS 141 applies to all business combinations initiated after June 30, 2001 and for purchase business combinations completed on or after July 1, 2001. It also requires, upon adoption of SFAS 142, that the Company reclassify the carrying amounts of intangible assets and goodwill based on the criteria in SFAS 141.

SFAS No. 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for impairment at least annually. In addition, SFAS 142 requires that the Company identify reporting units for the purposes of assessing potential future impairments of goodwill, reassess the useful lives of other existing recognized intangible assets, and cease amortization of intangible assets with an indefinite useful life. An intangible asset with an indefinite useful life should be tested for impairment in accordance with the guidance in SFAS 142. SFAS 142 is required to be applied in fiscal years beginning after December 15, 2001 to all goodwill and other intangible assets recognized at that date, regardless of when those assets were initially recognized. SFAS 142 requires the Company to complete a transitional goodwill impairment test six months from the date of adoption. The Company is also required to reassess the useful lives of other intangible assets within the first interim quarter after adoption of SFAS 142.

The Company's previous business combinations were accounted for using the purchase method. As of September 30, 2001, the net carrying amount of other intangible assets is $541,011. Amortization expense during the three months ended September 30, 2001 and 2000 was $19,033 and $21,421, respectively. There was no goodwill at September 30, 2001. Currently, the Company is assessing but has not yet determined how the adoption of SFAS 141 and SFAS 142 will impact its financial position and results of operations.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supersedes FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and the accounting and reporting provisions of APB Opinion No. 30, Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business (as previously defined in that Opinion). This Statement also amends ARB No. 51, Consolidated Financial Statements, to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The provisions of this Statement generally are to be applied prospectively. Currently, the Company is assessing but has not yet determined how the adoption of SFAS No. 144 will impact its financial position and results of operations.

NOTE (3) - SEGMENT INFORMATION: The Company's reportable segments are strategic businesses that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. The Company primarily evaluates the operating performance of its segments based on the categories noted in the table below. The Company has no sales between segments.

Financial information for the Company's business segments is as follows:

<TABLE>
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	For the three months ended September 30, 2001 (Unaudited)	For the three months ended September 30, 2000 (Unaudited)
<S>	<C>	<C>
Revenues:		
Commercial and industrial laundry and dry cleaning equipment	$ 3,447,741	$ 3,803,088
Manufacturing and sales of telephone test equipment	510,283	907,544
License and franchise operations	84,419	204,719
Total revenues	$ 4,042,443	$ 4,915,351
Operating (loss) income		
Commercial and industrial laundry and dry cleaning equipment	$ (43,868)	$ 260,307
Manufacturing and sales of telephone test equipment	(81,209)	32,843
License and franchise operations	57,393	176,880
Total operating (loss) income	$ (67,684)	$ 470,030

	SEPTEMBER 30, 2001 (Unaudited)	June 30 2001 (Unaudited)
Identifiable assets:		

Commercial and industrial laundry and dry cleaning equipment	$ 5,479,376	$ 5,076,391
Manufacturing and sales of telephone test equipment	2,427,960	2,452,098
License and franchise operations	729,682	799,430
Total assets	$ 8,637,018	$ 8,327,919

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

LIQUIDITY AND CAPITAL RESOURCES

The three month period ended September 30, 2001, cash decreased by $198,965 compared to a decrease of $503,308 for the three months ended September 30, 2000.

For the first three months of fiscal 2002, operating activities used cash of $965,936, principally to support increases in accounts and lease receivables ($238,299), inventories ($196,715) and other current assets ($36,679) and a decrease in customer deposits ($20,679), as well as to reduce accounts payable and accrued expenses ($463,468). Additional cash was used to fund an operating loss ($49,900), which included non-cash expenses of $39,804 for depreciation and amortization.

For the three months ended September 30, 2000, operating activities used cash of $544,217, principally to support an increase in accounts and lease receivables ($493,568) and inventories ($362,510) and to reduce accounts payable and accrued expenses ($123,324) and income taxes payable ($155,109). These uses were partially offset by $267,282 provided by the Company's net income, supplemented by non-cash expenses of $38,701 for depreciation and amortization and $81,619 in bad debt expense. Additional cash was provided by an increase in customer's deposits ($194,109) and prepaid expenses ($8,723).

Net cash used in investing activities for the first quarter of fiscal 2002 was $76,175, principally to purchase equipment ($68,172) and to fund patent work ($8,003). During the first quarter of fiscal 2001, investing activities used cash of $78,954 mostly to acquire capital assets.

Financing activities provided cash of $843,146 for the three month period ended September 30, 2001, principally due to the borrowing of $963,146 under the Company's line of credit, which was partially offset by the monthly installment payments made on the Company's term loan ($120,000). For the first quarter of fiscal 2001 financing activities provided cash of $119,863 principally due to borrowing $228,613 under the Company's line of credit and $11,250 of proceeds from the exercise of stock options, which was offset by payments made on the Company's term loan ($120,000). The Company's Board of Directors has authorized the Company to repurchase up to 250,000 shares of Common Stock from time to time in open market and privately negotiated transactions, subject to general market and other conditions. Following the close of the first quarter of fiscal 2002, the Company purchased 300 shares, its first purchase under this authorization.

The Company believes that its present cash, cash it expects to generate from operations and cash borrowings available under its $2,250,000 line of credit will be sufficient to meet its operational needs. The Company's credit line, which matures on October 30, 2001, has been extended to December 30, 2001. The Company is required to make monthly payments of $40,000 until January 2002 under its term loan, when the remaining $960,000

will become due. The Company is currently negotiating with its lender and believes it will be able to refinance such debt and obtain a new line of credit at that time.

RESULTS OF OPERATIONS

Total revenues for the three month period ended September 30, 2001 decreased by $872,908 (17.8%) from the same period of fiscal 2001. Revenues of the laundry and dry cleaning equipment segment decreased by $355,347 (9.3%) due to a reduction in sales in most categories of equipment, the economy and the recent terrorist attacks, which have reduced occupancies in existing hotels and cruise lines, which are significant customers of this segment. This reduction offset an increase in brokerage commissions of $19,425 (30.0%). Revenues of the Company's license and franchise segment decreased by $120,300 (58.8%) as a result of the opening of a fewer number of licensed and franchised units. Sales of the Company's telecommunications segment decreased by $397,261 (43.8%), principally due to the downturn in the economy which has depressed the telecommunications market.

Cost of goods sold, expressed as a percentage of net sales, increased to 78.2% in the first quarter of fiscal 2002 from 71.1% for the first quarter of fiscal 2001. The increase was mostly due to the reduced sales in both the telecommunications and the laundry and dry cleaning segments which affected the segment's ability to absorb fixed expenses. In addition, the laundry and dry cleaning segment had a lower margin mix of sales.

Selling, general and administrative expenses during the first quarter of fiscal 2002 decreased by $68,003 (5.8%) from the same period of a year ago. The decrease was mostly attributable to a 35.3% decrease in expenses in the telecommunications segment due to a substantial reduction in advertising and selling expenses. This offset a 2.3% increase in this category of expenses for the laundry and dry cleaning segment due to increases in payroll, consulting services and advertising, which offset a reduction in bad debt expense. Selling, general and administration expenses for the license and franchising segment remained relatively flat for the period.

Research and development expenses decreased by $5,386 (20.2%) in the first quarter of fiscal 2002 from the first quarter of fiscal 2001. The reduction was mostly attributable to the reduction in engineering staff at the telecommunications segment, which offset an increase in start-up research and development expenses in the laundry and dry cleaning segment

Interest income decreased by $9,638 (70.1%) from the same prior year period as a result of fewer outstanding customer leases of laundry and dry cleaning equipment and a reduction in interest earned on daily bank balances due to lower average cash balances on hand and lower prevailing interest rates.

Interest expense decreased by $18,704 (48.8%) in the first quarter of fiscal 2002 from the same period in fiscal 2001, primarily due to a reduction in the amount of term loan debt

outstanding and reduced interest rates, partially offset by periodic borrowings against the Company's line of credit.

The effective tax rate used in each of the periods was 40%.

EFFECTS OF INFLATION

Inflation has not had a significant effect on the Company's operations during the reported period.

NEW ACCOUNTING PRONOUNCEMENTS

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In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supersedes

FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and the accounting and reporting provisions of APB Opinion No. 30, Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business (as previously defined in that Opinion). This Statement also amends ARB No. 51, Consolidated Financial Statements, to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The provisions of this Statement generally are to be applied prospectively. Currently, the Company is assessing but has not yet determined how the adoption of SFAS No. 144 will impact its financial position and results of operations.

FORWARD LOOKING STATEMENT

Certain statements in this Report under the captions. Management's Discussion and Analysis of Financial Condition or Plan of Operation," are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). When used in this Report, words such as "may," "should," "seek," "believe," "expect," anticipate," "estimate," "project," "intend," "strategy" and "pro forma" and similar expressions are intended to identify forward-looking statements regarding events, conditions and financial trends that may affect the Company's future plans, operations, business strategies, operating results and financial position. Forward-looking statements are subject to a number of known and unknown risks and uncertainties that may cause actual results, trends, performance or achievements of the Company, or industry trends and results, to differ materially from the future results, trends, performance or achievements expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others: general economic and business conditions, as well as industry conditions and trends, including supply and demand; the effects on hotels and cruise lines, significant customers for the Company's laundry equipment, of the recent terrorist attacks; changes in business strategies or development plans; the availability, terms and deployment of debt and equity capital; technology changes; competition and other factors which may affect prices which the Company may charge for its products and its profit margins; the availability and cost of the equipment and raw materials purchased by the Company; relative values of the United States currency to currencies in the countries in which the Company's customers, suppliers and competitors are located; availability of qualified personnel; changes in, or the failure to comply with, government regulation, principally environmental regulations; and the Company's ability to successfully introduce, market and sell at acceptable profit margins its new Green Jet(TM) dry cleaning machines.

These and certain other factors are discussed in this Report and from time to time in other Company reports filed with the Securities and Exchange Commission. The Company does not assume an obligation to update the factors discussed in this Report or such other reports.

PART II
Other Information

Item 4. Submission of Matters to a Vote of Securityholders.

At the Company's 2001 Annual Meeting of Stockholders held on November 9, 2001, the Company's stockholders reelected the Company's then existing Board of Directors by the following votes:

	Votes	
	For	Withheld
Michael S. Steiner	6,507,370	28,297
William K. Steiner	6,504,613	31,054
Venerando J. Indelicato	6,502,382	33,285
David Blyer	6,503,964	31,703
Lloyd Frank	6,509,305	26,362
Alan Grunspan	6,509,234	26,433
Stuart Wagner	6,503,964	31,703

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits
4.1 Letter agreement dated October 22, 2001 between the Company and First Union National Bank of Florida

(b) Reports on Form 8-K

No Reports on Form 8-K were filed during the quarter covered by this report.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 9, 2001 DRYCLEAN USA, Inc.

By: /s/ Venerando J. Indelicato

Venerando J. Indelicato,
Treasurer and Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
4.1	Letter agreement dated October 22, 2001 between the Company and First Union National Bank of Florida

First Union National Bank
of Florida
200 South Biscayne Boulevard, 15th Floor
Miami, Florida 33131

October 22, 2001

Michael Steiner
Dryclean USA, Inc.
290 N.E. 68th Street
Miami, FL 33138

RE: Promissory Note from Dryclean USA, Inc. ("Borrower") to First Union National Bank ("First Union") in the original principal amount of $2,250,000.00 dated November 2, 1998, including any amendments (the "Note").

Dear Mr. Steiner:

First Union has agreed to extend the term of the Note, which will mature or has matured on October 31, 2001. Accordingly, this letter shall constitute First Union's agreement and formal notice to you, as follows:

Extension. First Union hereby extends, on the same terms and conditions as presently in effect, the maturity of the Note to December 30, 2001, at which time the outstanding principal balance, accrued interest and all other amounts due under the Note shall become due and payable. All periodic payments required under the Note shall be made during this extension period.

No Other Changes. Extension on the maturity date as stated herein is the only change to the Note. Except as extended by this letter, the Note and all other Loan Documents (as defined in the Note) shall continue in full force and effect. Should you have any questions, do not hesitate to call.

Very truly yours,

First Union National Bank

By: /s/ Steve Leth

Steve Leth
Vice President