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 March 31, 2002

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 - 6,999,610 shares outstanding as of May 10, 2002.

DRYCLEAN USA, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	For the nine months ended March 31,		For the three months ended March 31,	
	2002	2001	2002	2001
	(Unaudited)		(Unaudited)	
<S>	<C>	<C>	<C>	<C>
Sales	$11,257,519	$13,549,820	$3,634,931	$4,613,841
Franchise and license fees, commissions and other income	654,053	656,130	147,531	119,574
Total revenues	11,911,572	14,205,950	3,782,462	4,733,415
Cost of goods sold	8,246,699	9,867,432	2,593,245	3,451,341
Selling, general and administrative expenses	3,150,855	3,450,752	961,866	1,079,910
Research and development	41,822	93,076	7,400	33,554
Total operating expenses	11,439,376	13,411,260	3,562,511	4,564,805
Operating income	472,196	794,690	219,951	168,610
Other income (expenses)				
Interest income	9,779	25,082	3,999	5,140
Interest expense	(44,303)	(111,140)	(10,321)	(35,798)

Total	(34,524)	(86,058)	(6,322)	(30,658)
Earnings before taxes	437,672	708,632	213,629	137,952
Provision for income taxes	175,068	283,453	85,451	55,181
Net earnings	$262,604	$425,179	$128,178	$82,771
Basic earnings per share	$ .04	$ .06	$ .02	$ .01
Diluted earnings per share	$ .04	$ .06	$ .02	$ .01
Weighted average number of shares outstanding				
Basic	6,999,334	7,001,250	6,996,450	7,001,250
Diluted	6,999,334	7,170,335	6,996,450	7,049,881

</TABLE>

See Notes to Condensed Consolidated Financial Statements.

DRYCLEAN USA, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	March 31, 2002 (Unaudited)	June 30, 2001
ASSETS		
CURRENT ASSETS		
<S>	<C>	<C>
Cash and cash equivalents	$ 546,147	$ 375,912
Accounts and notes receivable, net	1,821,593	2,122,493
Inventories	4,290,607	4,373,519
Current portion of lease receivables	43,841	39,494
Refundable income taxes		257,363
Deferred income taxes	69,337	69,337
Prepaid expenses and other	149,787	190,548
Total current assets	6,921,312	7,428,666
Lease, and mortgages receivables due after one year	6,771	5,238
Equipment and improvements- net of Accumulated depreciation and amortization	365,261	329,511
Franchise, trademarks and other intangible assets, net	522,473	551,718
Deferred tax asset	12,786	12,786
	$7,828,603	$8,327,919

</TABLE>

See Notes to Condensed Consolidated Financial Statements.

DRYCLEAN USA, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	March 31, 2002 (Unaudited)	June 30, 2001

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

<S>	<C>	<C>
Accounts payable and accrued expenses	$1,076,320	$1,474,733
Current portion of bank loan	320,000	1,160,000
Customer deposits	444,938	573,298
Income taxes payable	47,872	0
	----------	----------
Total current liabilities	$1,889,130	$3,208,031
Long term loan less current portion	560,000	0
	----------	----------
Total liabilities	2,449,130	3,208,031
SHAREHOLDERS' EQUITY		
Common stock, $.025 par value; 15,000,000 shares authorized; 7,027,500 shares issued and outstanding at each of March 31, 2002 and June 30, 2001, including 31,050 and 26,250 shares held in treasury at March 31, 2002 and June 30, 2001, respectively	175,688	175,688
Additional paid-in capital	2,045,551	2,048,570
Retained earnings	3,158,234	2,895,630
	----------	----------
Total shareholders' equity	5,379,473	5,119,888
	----------	----------
	$7,828,603	$8,327,919
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</TABLE>

See Notes to Condensed Consolidated Financial Statements.

DRYCLEAN USA, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Nine months ended March 31, 2002 (Unaudited)	Nine months ended March 31, 2001 (Unaudited)
	-----------	-----------
<S>	<C>	<C>
Operating activities:		
Net earnings	$ 262,604	$ 425,179
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Bad debt expense	45,033	180,241
Depreciation and amortization	125,893	118,455
Net changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts, mortgages and lease receivables	249,987	(317,539)
Inventories	82,912	(230,672)
Prepaid expenses and other assets	40,761	92,779
Refundable income taxes	257,363	
Increase (decrease) in:		
Accounts payable and accrued expenses	(398,413)	(231,870)
Customer deposits	(128,360)	81,426
Income taxes payable	47,872	(281,944)
	------------	-----------
Net cash provided (used) by operating activities	585,652	(163,945)
	------------	-----------
Investing activities:		
Capital expenditures	(132,397)	(147,206)
	------------	-----------
Net cash used by investing activities	(132,397)	(147,206)
	------------	-----------
Financing activities		
Payments on term loan	(280,000)	(360,000)
Proceeds from exercise of stock options		11,250
Purchase of treasury stock	(3,020)	

Net cash used by financing activities	(283,020)	(348,750)
Net increase (decrease) in cash and cash equivalents	170,235	(659,901)
Cash and cash equivalents at beginning of period	375,912	982,588
Cash and cash equivalents at end of period	$ 546,147	$ 322,687
Supplemental information:		
Cash paid for interest	$ 44,303	$ 111,140
Cash paid for income taxes	86,000	635,950

</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 included 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 March 31, 2002, the net carrying amount of other intangible assets was $522,473. Amortization expense during the nine months ended March 31, 2002 and 2001 was $58,057 and $70,760, respectively, and during the three months ended March 31, 2002 and 2001 was $19,502 and $23,587, respectively. There was no goodwill at March 31, 2002. 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. 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>
<CAPTION>

	For the nine months ended March 31, 2002 (Unaudited)	2001	For the three months ended March 31, 2002 (Unaudited)	2001
Revenues:				
Commercial and industrial laundry and dry cleaning equipment	$10,310,481	$11,642,493	$3,479,562	$3,930,987
Manufacturing and sales of telephone test equipment	1,359,192	2,186,645	239,770	731,276
License and franchise operations	241,897	376,812	63,130	71,152
Total revenues	$11,911,572	$14,205,950	$3,782,462	$4,733,415
Operating income (loss)				
Commercial and industrial laundry and dry cleaning equipment	$ 525,172	$ 708,184	$ 316,496	$ 173,487
Manufacturing and sales of telephone test equipment	(175,413)	(169,509)	(119,494)	(37,195)
License and franchise operations	122,437	256,015	22,949	32,318
Total operating income	$ 472,196	$ 794,690	$ 219,951	$ 168,610

	March 31, 2002 (Unaudited)	June 30, 2001
Identifiable assets:		
Commercial and industrial laundry and dry cleaning equipment	$ 5,140,435	$ 5,076,391
Manufacturing and sales of telephone test equipment	1,900,475	2,452,098
License and franchise operations	787,693	799,430
Total assets	$ 7,828,603	$ 8,327,919

</TABLE>

Note (4) - Credit Agreement: In December 2001, the Company entered into a bank loan agreement to replace its then existing bank credit facility. The new facility consists of a term loan of $960,000 and a revolving credit facility of $2,250,000, including a $1,000,000 letter of credit subfacility and $250,000

foreign exchange subfacility. Revolving credit borrowings are limited by a borrowing base of 60% of eligible accounts receivable and 60% of certain, and 50% of other, eligible inventories. Borrowings under the term loan facility and revolving credit facility bear interest at 2.65% and 2.50% per annum, respectively, above the Adjusted LIBOR Market Index Rate (1.90% at March 31, 2002), are guaranteed by all of the Company's subsidiaries and are collateralized by substantially all of the Company's and its subsidiaries' assets. In connection with entering into the new credit facility, the Company paid, among other things, a commitment fee of $5,000 and various transaction costs. The term loan is repayable in equal monthly installments of $26,667 through December 31, 2004. The line of credit matures October 30, 2002. At March 31, 2002, there were no outstanding borrowings under either the present line of credit or the Company's predecessor line of credit. The loan agreement requires maintenance of certain financial ratios and contains other restrictive covenants. The loan agreement also contains limitations on the extent to which the Company and its subsidiaries may incur additional indebtedness, guarantee indebtedness of others, grant liens, sell assets and make investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

LIQUIDITY AND CAPITAL RESOURCES

For the nine-month period ended March 31, 2002, cash increased by $170,235 compared to a decrease of $659,901 for the nine month period ended March 31, 2001.

Operating activities for the nine months ended March 31, 2002 provided cash of $585,652. Of this amount, $262,604 was provided by net earnings, and $125,893 and $45,033 was provided by non-cash expenses for depreciation and amortization and a provision for bad debts, respectively. Additional cash was provided by decreases in accounts, mortgages and lease receivables ($249,987), inventories ($82,912), pre-paid expenses and other ($40,761) and the receipt of income tax refunds ($257,363), along with an increase in income taxes payable ($47,872). The cash generated was partially used to decrease accounts payable and accrued expenses ($398,413) and by a decrease in customer deposits ($128,360).

For the first nine months of fiscal 2001, operating activities used cash of $163,945, principally to support an increase in accounts, mortgages and lease receivables ($317,539) and inventories ($230,672) and to reduce accounts payable and accrued expenses ($231,870) and income taxes payable ($281,944). These uses were partially offset by the Company's net income of $425,179, non-cash expenses of $118,455 for depreciation and amortization and $180,241 for bad debt expense. Additional cash was provided by an increase in customer deposits ($81,426) and a decrease in pre-paid expenses ($92,779).

Investing activities used cash of $132,397 for the first nine months of fiscal 2002, principally to purchase equipment ($110,862) and to fund patent work ($21,435) associated with the Company's new environmentally safe Green Jet (R) dry-wet cleaning machine and the Company's new 8-XX hand telephone test set. For the same period of fiscal 2001, investing activities used cash of $147,206, principally to purchase equipment.

For the nine month period ended March 31, 2002, financing activities used cash of $283,020, mostly to make monthly payments on the Company's term loan ($280,000) and to purchase treasury stock ($3,020) under the Company's stock repurchase plan authorized by the Board of Directors in fiscal 2001. During the same period of fiscal 2001, financing activities used cash of $348,750, mostly to make monthly installments on the Company's term loan ($360,000), which was offset by proceeds from the exercise of stock options ($11,250).

In December 2001, the Company entered into a bank loan agreement to replace its then existing bank credit facility. The new facility consists of a term loan of $960,000 and a revolving credit facility of $2,250,000, including a $1,000,000 letter of credit subfacility and a $250,000 foreign exchange subfacility. Revolving credit borrowings are limited by a borrowing base of 60% of eligible accounts receivable and 60% of certain, and 50% of other eligible inventories. Borrowings under the term loan facility and revolving credit facility bear interest at 2.65% and 2.50% per annum, respectively, above the Adjusted LIBOR Market Index Rate (1.90% at March 31, 2002), are guaranteed by all of the

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Green Jet(R) is a registered trademark of Steiner-Atlantic Corp., a subsidiary of the Company.

Company's subsidiaries and are collateralized by substantially all of the Company's and its subsidiaries' assets. The term loan is repayable in equal monthly installments of $26,667 through December 31, 2004. The line of credit matures October 30, 2002. The loan agreement also contains limitations on the extent to which the Company and its subsidiaries may incur additional indebtedness, guarantee indebtedness of others, grant liens, sell assets and make investments.

In April 2002, the Company's Steiner-Atlantic Corp. subsidiary entered into a two-year lease for approximately 8,800 square feet of warehouse space for the Company's commercial and industrial laundry dry cleaning equipment segment, with options to renew the lease, for two additional two year terms. The annual rental under the new lease is $27,600. Future monthly rent can be increased based on increases in the Consumer Price Index. This lease replaces a month to month lease covering approximately 6,000 square feet in a different warehouse at a monthly rental of $1,877.

On May 1, 2002, the telecommunications segment of the Company moved into smaller quarters under a one year lease, with a one-year extension right exercisable by July 1, 2002 and, if extended, an option to renew the lease for an additional two year term. The new lease covers approximately 8,440 square feet of manufacturing and office space at an annual rental of $101,292, plus common area charges. The segment's former lease covered approximately 21,500 square feet of space at an annual rental of $180,624, plus common area charges.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following sets forth a schedule of payments required, as of March 31, 2002 under the Company's contractual obligations described below:

<TABLE>
<CAPTION>

	DUE BY PERIOD				
CONTRACTUAL OBLIGATIONS	TOTAL	LESS THAN 1 YEAR	1 - 3 YEARS	4 - 5 YEARS	AFTER 5 YEARS
<S>	<C>	<C>	<C>	<C>	<C>
Term loan	$ 880,000	$ 320,000	$ 560,000	$ -	$ -
Operating leases	$ 308,391	$ 230,752	$ 77,639		
Total contractual cash obligations	$ 1,188,391	$ 550,752	$ 637,639	$ -	$ -

</TABLE>

The Company's only other commercial commitment is under three leases for future dry cleaning stores that it anticipates assigning to dry cleaning franchisees or other customers when the leased facilities are available for occupancy. The maximum potential payment commitment is $114,600 in annual base rent per year for five years beginning upon completion of site building. Although the actual completion date is presently uncertain, it is probable that completion of each location will be in fiscal 2003.

TRANSACTIONS WITH RELATED PARTIES

The Company leases 27,000 square feet of warehouse and office space from William K. Steiner, a principal stockholder, Chairman of the Board of Directors and a director of the Company, under a lease which expires in October 2004. Annual rental under this lease is approximately $83,200. The Company believes that the terms of the lease are comparable to terms that would be obtained from an unaffiliated third party for similar property in a similar locale.

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.

RESULTS OF OPERATIONS

Total revenues for the nine and three month periods ended March 31, 2002 decreased by $2,294,378 (16.2%) and $950,953 (20.1%), respectively, from the same periods of fiscal 2001. For the nine month period, revenues of the commercial laundry and dry cleaning segment decreased by $1,332,012 (11.4%),

while for the three month period revenues of this segment decreased by $451,425 (11.5%), in each case from the comparable prior year periods. These decreases were due to a reduction in sales of most categories of equipment attributable to the downturn in the economy, especially on hotels and cruise lines, which are significant customers of this segment, although sales of the Company's new environmentally safe Green Jet dry-wet cleaning machine increased sales of dry cleaning machines by approximately $323,046, or 55%, for the quarter. The Company's license and franchise segment experienced decreases in revenue of $134,915 (35.8%) and $8,022 (11.3%) for the nine and three month periods, respectively, as a result of the opening of a fewer number of licensed and franchised units. Sales of the Company's telecommunications segment decreased by $827,453 (37.8%) and $491,506 (67.2%) for the nine and three month periods, respectively, of fiscal 2002 when compared to the same periods of fiscal 2001. The decreases were attributable to the severe downturn in the telecommunications market. Sales of telecommunications equipment are not expected to improve during the balance of the fiscal year and may continue at a slow pace, probably through the first two quarters of fiscal 2003. The Company has taken steps to reduce expenses of this segment by moving to a smaller facility and reducing staff.

Costs of goods sold, expressed as a percentage of net sales, increased to 73.3% during the first nine months of fiscal 2002 compared to 72.8% for the same period of fiscal 2001. The increase was mostly due to the reduction in sales in the telecommunications segment, which affected the segment's ability to absorb fixed expenses and offset an improvement in margins in the laundry and dry cleaning segment. For the three-month period ended March 31, 2002, cost of goods sold decreased to 71.3% from 74.8% of net sales from the same period of a year ago. This improvement is attributable to the lowering of expenses in the telecommunications segment and the increased shipments of Green Jet wet-dry cleaning machines, which carry a higher margin.

Selling, general and administrative expenses decreased by $299,897 (8.7%) and $118,044 (10.9%) for the nine and three month periods, respectively, in fiscal 2002 from the comparable periods of fiscal 2001. The decrease for both periods was due primarily to a substantial reduction in selling and administrative expenses in the telecommunications segment as that segment was restructured to offset reductions in sales. This category of expenses remained relatively flat in the laundry and dry cleaning segment.

Research and development expenses decreased by $51,254 (55.1%) and $26,154 (77.9%) for the nine and three month periods, respectively in fiscal 2002 from the comparable periods of fiscal 2001. The reduction for both periods was principally attributable to the reduction in engineering staff at the telecommunication segment, which offset start-up research and development expenses in the laundry and dry cleaning segment associated with the segment's new environmentally safe Green Jet dry-wet cleaning machine. The expenses for research and development in fiscal 2001 were solely related to the telecommunications segment.

Interest income decreased by $15,303 (61.0%) and $1,141 (22.2%) for the nine and three month periods, respectively, of fiscal 2002 from the comparable periods of fiscal 2001, principally as a result of a reduction in interest earned in daily bank balances due to lower average cash balances on hand and lower interest rates.

Interest expenses decreased by $66,837 (60.1%) and $25,477 (71.2%) for the nine and three month periods, respectively, in fiscal 2002 over the same periods of fiscal 2001, mostly due to a reduction in outstanding debt and reduced interest rates, partially offset by periodic borrowing 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 periods.

CRITICAL ACCOUNTING POLICIES

Financial Reporting Release No. 60, which was recently released by the U.S. Securities and Exchange Commission, encourages all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements.

Management believes the following critical accounting policies affect the significant judgments and estimates used in the preparation of the financial

statements:

Revenue Recognition

Sales of products are generally recorded as they are shipped. Commissions and management fees are recorded when earned. Individual franchise arrangements include a license and provide for payment of initial fees, as well as continuing service fees. Initial franchise fees are generally recorded upon the opening of the franchised store. Continuing services fees are recorded when earned.

Franchise License Trademark and Other Intangible Assets

The franchise license, trademark and other intangible assets are stated at cost less accumulated amortization. Those assets are amortized on a straight-line basis over the estimated future periods to be benefited (2-15 years). The Company reviews the recoverability of intangible assets based primarily upon an analysis of undiscounted cash flows from the acquired assets. In the event the expected future net cash flows should become less than the carrying amount of the assets, an impairment loss will be recorded in the period such determination is made based on the fair value of the related assets.

Asset Impairment

The Company periodically reviews the carrying value of certain of its assets in relation to historical results, current business conditions and trends to identify potential situations in which the carrying value of assets may not be recoverable. If such reviews indicate that the carrying value of such assets may not be recoverable, the Company would estimate the undiscounted sum of the expected future cash flows of such assets or analyze the fair value of the assets to determine if permanent impairment exists. If a permanent impairment exists, the Company would determine the fair value by using quoted market

prices, if available, for such assets or, if quoted market prices are not available, the Company would discount the expected future cash flows of such assets.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENTS
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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 March 31, 2002, the net carrying amount of other intangible assets was $522,473. Amortization expense during the nine months ended March 31, 2002 and 2001 was $58,057 and $70,760, respectively, and during the three months ended

March 31, 2002 and 2001 was $19,502 and $23,587, respectively. There was no goodwill at March 31, 2002. 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. 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 STATEMENTS

Certain statements in this Report are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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; 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

Not Applicable

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: May 13, 2002 DRYCLEAN USA, Inc.

By: /s/ Venerando J. Indelicato

Venerando J. Indelicato,
Treasurer and Chief Financial Officer