

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 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 (I.R.S. Employer
incorporation or organization) 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 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 - 6,996,450 shares outstanding as of February 4, 2003.

Transitional Small Business Disclosure Format: Yes No

DRYCLEAN USA, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
<TABLE>
<CAPTION>

	For the six months ended December 31, 2002 2001		For the three months ended December 31, 2002 2001	
	(Unaudited)		(Unaudited)	
<S>	<C>	<C>	<C>	<C>
Sales	\$6,925,989	\$6,503,166	\$3,335,684	\$3,190,335
Franchise and license fees, commissions and other income		355,649	506,522	134,281 287,190
Total revenues	7,281,638	7,009,688	3,469,965	3,477,525
Cost of goods sold	5,066,450	4,788,001	2,511,583	2,210,436
Selling, general and administrative expenses	1,877,835	1,931,929	946,507	979,304
Research and development	20,444	17,224	8,175	9,317
Total operating expenses	6,964,729	6,737,154	3,466,265	3,199,057
Operating income	316,909	272,534	3,700	278,468
Other income (expenses)				
Interest income	12,872	5,780	11,712	1,666
Interest expense	(16,191)	(33,982)	(7,468)	(14,386)
Total	(3,319)	(28,202)	4,244	(12,720)
Earnings from continuing operations before taxes	313,590	244,332	7,944	265,748
Provision for income taxes	125,436	97,733	3,178	106,299
Net earnings from continuing				

operations	188,154	146,599	4,766	159,449
Net (loss) earnings from discontinued operations		(12,173)		24,877
Net gain on settlement of liabilities associated with discontinued operations	39,976		39,976	
Net earnings	\$ 228,130	\$ 134,426	\$ 44,742	\$ 184,326
Basic and diluted earnings per share from continuing operations	\$.03	\$.02	\$.00	\$.02
Basic and diluted (loss) earnings per share from discontinued operations	\$.00	\$.00	\$.01	\$.01
Basic and diluted earnings per share	\$.03	\$.02	\$.01	\$.03
Weighted average number of shares outstanding				
Basic and diluted	6,996,450	7,000,777	6,996,450	7,000,303

See Notes to Condensed Consolidated Financial Statements

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DRYCLEAN USA, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
<TABLE>
<CAPTION>

	December 31, 2002	June 30, 2002
	(Unaudited)	
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,397,117	\$ 1,264,357
Accounts and trade notes receivable, net of allowance for doubtful accounts of \$205,000 and \$130,000 at December 31, 2002 and June 30, 2002, respectively	1,390,840	1,542,691
Inventories	2,794,822	2,918,472
Note receivable (Note 2)	157,143	-
Lease receivables	119,878	37,290
Refundable income taxes	97,081	225,167
Deferred income taxes	240,351	240,351
Other assets, net	172,761	185,631
Current assets of discontinued Operations	-	745,000
Total current assets	6,369,993	7,158,959
Lease, and trade notes receivables, due after one year	91,857	681
Note receivable due after one year	353,571	
Equipment and improvements- net of accumulated depreciation and amortization	244,208	274,124
Franchise, trademarks and other intangible assets, net	432,018	455,104
Deferred income taxes	8,869	8,869
Non-current assets of discontinued operations		15,000
	\$ 7,500,516	\$ 7,912,737

</TABLE>

See Notes to Condensed Consolidated Financial Statements

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DRYCLEAN USA, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	December 31, 2002	June 30, 2002
	----- (Unaudited) <C>	----- <C>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,183,471	\$ 1,736,393
Current portion of bank loan	320,000	320,000
Customer deposits	612,057	539,486

Total current liabilities	2,115,528	2,595,879
Long term debt, less current portion	320,000	480,000

Total liabilities	2,435,528	3,075,879
SHAREHOLDERS' EQUITY		
Common stock, \$.025 par value; 15,000,000 shares authorized; 7,027,500 shares issued at December 31, and June 30, 2002, including shares held in treasury	175,688	175,688
Additional paid-in capital	2,048,570	2,048,570
Retained earnings	2,843,750	2,615,620
Treasury stock, 31,050 shares at cost	(3,020)	(3,020)

Total shareholders' equity	5,064,988	4,836,858
=====		
	\$ 7,500,516	\$ 7,912,737
=====		

</TABLE>

See Notes to Condensed Consolidated Financial Statements

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

	Six months ended December 31, 2002 (Unaudited) -----	Six months ended December 31, 2001 (Unaudited) -----
Operating activities:		
Net earnings from continuing operations	\$ 188,154	\$ 146,599
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Bad debt expense	75,651	41,513
Depreciation and amortization	64,252	55,959
(Increase) decrease in operating assets:		
Accounts, trade notes and lease receivables	(97,564)	234,960
Inventories	123,650	171,968
Other current assets	12,870	1,077
Refundable income taxes	128,086	257,363
Increase (decrease) in:		
Accounts payable and accrued expenses	(552,922)	(655,218)
Customer deposits	72,571	(89,472)
Income taxes payable	-	33,555

Net cash provided by operating activities	14,748	198,304
Discontinued operations:		
Net loss	-	(12,173)
Decrease in operating assets	-	17,979
Net gain on settlement of liabilities associated with discontinued operations	39,976	

Cash provided by discontinued operations	39,976	5,806

Investing activities:		
Net proceeds from disposal of business	210,000	-
Payments received on note receivable	39,286	
Capital expenditures	-	(86,692)
Patent expenditures	(11,250)	(5,000)

Net cash provided (used) by investing activities	238,036	(91,692)

Financing activities		
Payments on term loan	(160,000)	(200,000)
Borrowings under line of credit	-	4,306
Purchase of treasury stock	-	(840)

Net cash used by financing activities	(160,000)	(196,534)

Net increase (decrease) in cash and cash equivalents	132,760	(84,116)
Cash and cash equivalents at beginning of period	1,264,357	375,912

Cash and cash equivalents at end of period	\$ 1,397,117	\$ 291,796
=====		
Supplemental information:		
Cash paid for interest	\$16,191	\$33,982
Cash paid for income taxes	24,000	-

</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, 2002. The June 30, 2002 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) - DISCONTINUED OPERATIONS: As a result of a reduction of revenues and increasing losses and the Company's determination that the telecommunications segment was not part of its core business, effective July 31, 2002, the Company sold substantially all of the operating assets (principally inventory, equipment and intangible assets, including tradenames) of its Metro-Tel telecommunications segment to an unaffiliated third party. The Company retained all of the cash, accounts receivable and liabilities of the segment. The sales price was \$800,000, of which \$250,000 was paid in cash on August 2, 2002 and the remaining \$550,000 is evidenced by the purchaser's promissory note that bears interest at the prevailing prime rate plus 1% per annum and is payable in 42 equal monthly installments commencing October 1, 2002. Payment and performance of the promissory note is guaranteed by two companies affiliated with the purchaser and the three principal stockholders of purchaser and the affiliated companies, and is collateralized by substantially all of the operating assets of the purchaser and the affiliated companies. The Company has agreed to subordinate payment of the promissory note, the obligations of the affiliated companies under their guarantees and the collateral granted by the purchaser and the affiliated companies to the obligations of the purchaser and the affiliated companies to two bank lenders, subject to the Company's right to receive installment payments under the promissory note as long as the purchaser and the affiliated companies are not in default of their obligations to the applicable lender. The Company agreed to a three-year covenant not to compete with the purchaser.

The results of operations of the Company's Metro-Tel segment have been classified as discontinued operations. An estimated loss on the sale of approximately \$555,000 was accrued for in the Company's financial statements for

the year ended June 30, 2002.

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The net gain on settlement of liabilities associated with discontinued operations of \$39,976 (net of approximately \$27,000 in taxes) for the three months ended December 31, 2002 resulted from the settlement of certain discontinuance costs at amounts lower than initially estimated.

NOTE (3) - EARNINGS PER SHARE: There were 447,750 and 462,750 stock options outstanding at December 31, 2002 and December 31, 2001, respectively, that were excluded in the computations of earnings per share for such periods because the exercise prices of the options were less than the average market prices of the Company's common stock during these periods.

NOTE (4) - REVOLVING CREDIT LINE: On October 11, 2002, the Company received an extension, until October 30, 2003, of its existing \$2,250,000 revolving line of credit facility. 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. As of December 31, 2002, the Company had no outstanding borrowings under the line of credit.

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NOTE (5) - 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 six months ended December 31,		For the three months ended December 31,		
	2002	2001	2002	2001	
	(Unaudited)		(Unaudited)		
<S>	<C>	<C>	<C>	<C>	
Revenues:					
Commercial and industrial laundry and dry cleaning equipment	\$ 7,161,434	\$ 6,830,921	\$ 3,396,625	\$ 3,383,177	
License and franchise operations	120,204	178,767	73,340	94,348	
Total revenues	\$ 7,281,638	\$ 7,009,688	\$ 3,469,965	\$ 3,477,525	
Operating income (loss)					
Commercial and industrial laundry and dry cleaning equipment	\$ 432,288	\$ 281,168	\$ 55,462	\$ 284,703	
License and franchise operations	17,487	99,558	29,817	42,095	
Corporate	(132,866)	(108,192)	(81,579)	(48,330)	
Total operating income (loss)	\$ 316,909	\$ 272,534	\$ 3,700	\$ 278,468	

	December 31, 2002 (Unaudited)	June 30, 2002
Identifiable assets:		
Commercial and industrial laundry and dry cleaning equipment	\$ 5,738,719	\$ 5,585,225
License and franchise operations	882,121	789,179
Corporate	879,676	778,333
Discontinued operations (Note 2)	--	760,000
Total assets	\$ 7,500,516	\$ 7,912,737

</TABLE>

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NOTE (6) - 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 and prohibits the use of the pooling-of-interests 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 December 31, 2002, the net carrying amount of intangible assets is \$432,018. Amortization expense during the six month period ended December 31, 2002 and 2001 was \$29,092 and \$29,579, respectively. There was no goodwill at December 31, 2002. The adoption of SFAS 141 and SFAS 142 did not have a significant impact on its financial position or results of operations.

In August 2001, the FASB issued SFAS 144, Accounting for 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

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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. The adoption of SFAS 144 did not have a significant impact on its financial position or results of operations.

In June 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 requires companies to recognize costs associated with exit or disposal activities generally when they are incurred rather than at the date of a commitment to an exit or disposal plan. This statement supercedes the guidance provided by Emerging Issues Task Force 94-3, "Liability Recognition for Certain Costs Incurred in a Restructuring." SFAS 146 is required to be adopted for exit or disposal activities initiated after December 31, 2002. The Company does not believe the adoption of SFAS 146 will have a significant impact on its financial position or results of operations.

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - An Amendment of FASB Statement 123." This Statement amends SFAS 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This statement requires that companies follow the prescribed format and provide the additional disclosures in their annual reports for fiscal years ending after December 15, 2002 and in financial reports containing condensed financial statements for interim periods beginning after December 15, 2002.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

GENERAL

The results of operations of the Company's Metro-Tel segment, sold effective July 1, 2002, are not discussed in detail here as they have been classified as discontinued operations. The estimated loss on the sale of approximately \$555,000 was accrued for in the Company's financial statements for the year ended June 30, 2002. The following discussion relates to the Company's continuing operations.

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended December 31, 2002, cash increased by \$132,760, compared to a decrease of \$84,116 for the six months period ended December 31, 2001.

For the first six months of fiscal 2003, operating activities provided cash of \$14,748. The Company's net income from continuing operations of \$188,154 and non-cash expenses of \$64,252 for depreciation and amortization and a provision for bad debts of \$75,651

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provided an aggregate of \$328,057 of cash. Additional cash was provided by changes in current assets and liabilities, consisting of decreases in inventories (\$123,650), other assets (\$12,870) and the return of income taxes (\$128,086) and an increase in customer deposits (\$72,571). The generated cash was used principally to support an increase in accounts, trade notes and lease receivables (\$97,564) and a decrease in accounts payable and accrued expenses (\$552,922).

For the first half of fiscal 2002, operating activities provided cash of \$198,304. Of this amount, \$146,599, was provided by net earnings from continuing operations and \$55,959 and \$41,513 was provided by non-cash expenses for depreciation and amortization and a provision for bad debts, respectively. Additional cash was provided by a decrease in accounts, trade notes and lease receivables (\$234,960), inventories (\$171,968), prepaid expenses (\$1,077) and the return of income taxes (\$257,363) along with an increase in income tax payable (\$33,555). The cash generated was partially used to decrease accounts payable and accrued expenses (\$655,218) and a decrease in customer's deposits (\$89,472). Discontinued operations provided cash of \$5,806.

Discontinued operations provided a non-cash gain of \$39,976, net after taxes, on the settlement of liabilities associated with accruals of transaction costs connected with the sale of the Metro-Tel telecommunications segment. These estimated expenses were accrued for in fiscal 2002. Savings were realized principally in rent expenses and professional fees and other transaction costs.

Net cash provided by investing activities for the first six months of fiscal 2003 was \$238,036, principally as a result of \$210,000 provided by the net proceeds from the sale of the Company's telecommunications division and \$39,286 from collections on a note issued in conjunction with that sale. In addition \$11,250 was used to fund patent work. For the same period of fiscal 2002, investing activities used cash of \$91,692 principally for equipment purchases (\$86,692) and to fund patent work (\$5,000).

Financing activities during the first half of fiscal 2003 used cash of \$160,000 to pay monthly installments on the Company's term loan. During the same period of fiscal 2002, financing activities used cash of \$196,534, principally to make monthly payments on the Company's term loan (\$200,000) and to purchase treasury stock (\$840), partially offset by cash of \$4,306 provided by borrowings under the Company's line of credit.

On October 11, 2002, the Company received an extension, until October 30, 2003, of its existing \$2,250,000 revolving line of credit facility. 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. As of December 31, 2002 the Company had no outstanding borrowings under the line of credit.

The Company believes that its present cash position and 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 currently anticipated operational needs.

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OFF-BALANCE SHEET FINANCING

The Company has no off-balance sheet financing arrangements.

FOREIGN EXCHANGE MARKET RISK

The Company's bank revolving credit facility includes a \$250,000 foreign exchange subfacility for the purpose of enabling the Company to hedge its currency exposure in connection with its import activities through spot foreign exchange and forward exchange contracts.

RESULTS OF OPERATIONS

Total revenues for the six month period ended December 31, 2002 increased by \$271,950 (3.9%) from the first half of fiscal 2002. For the three month period ended December 31, 2002 total revenues decreased by \$7,560 (0.2%) from the same period of fiscal 2002. For the six and three month periods of fiscal 2003, revenues of the commercial laundry and dry cleaning segment increased by \$330,484 (4.9%) and \$13,419 (0.4%), respectively. The increase for the six months was attributed to sales of the Green-Jet dry-wetcleaning machines since

the early part of the period, which was not in production during the comparable periods of fiscal 2002.

The Company's license and franchise segment experienced a decrease in revenue of \$58,563 (32.8%) and \$21,008 (22.3)% for the six and three month periods, respectively, as a result of the opening of a fewer number of licensed and franchised units and lower royalty income attributable to the slower economy in the United States and Latin America

Costs of goods sold, expressed as a percentage of sales, decreased to 73.2% for the six month period of fiscal 2003 from 73.6% from the comparable period of a year ago. The improvement was principally due to sales of the Green-Jet dry-wetcleaning machines, which has a higher margin than most of the Company's other products. For the three month period, cost of goods sold increased to 75.3% in fiscal 2003 from 69.3% in fiscal 2002 due to the relative mix of product sales in the periods.

Selling general and administrative expenses decreased by \$54,094 (2.8%) and \$32,797 (3.3%) for the six and three month periods, respectively, in fiscal 2003 from the comparable periods of fiscal 2002. The savings for both periods was attributable to lower outside commissions, computer services, exhibits and convention expenses and telephone expenses, which offset increased costs of insurance and an increased (by \$34,138) provision for bad debts.

Research and development expenses increased by \$3,220 (18.7%) during the six month period of fiscal 2003 compared to the same period of fiscal 2002, principally due to continuing design changes and the development of new models of the Green-Jet dry-wetcleaning machine. For the three month period, research and development expenses decreased by \$1,142 (12.3%) from the same period of last year.

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Interest income increased by \$7,092 (122.7%) and \$10,046 (603.0%) for the six and three month periods, respectively, of fiscal 2003 from the comparable periods of fiscal 2002, mostly due to interest payments received against a note associated with the sale of the telecommunications division.

The loss from discontinued operations of \$12,173, net of tax benefit, in the six months ended December 31, 2001 and earnings of \$24,877, net of tax provision, in the three months then ended related to the Metro-Tel telecommunications segment sold effective July 31, 2002. Results of operations have been reclassified to reflect the Metro-Tel segment as a discontinued operation.

The net gain on the settlement of liabilities associated with the disposal of discontinued operations was caused by savings realized from accrued transaction costs, principally in rent expense and professional fees and other transaction costs, associated with the sale of the Metro-Tel telecommunications segment.

Interest expense decreased by \$17,791 (52.4%) and \$6,918 (48.1%) for the six and three month periods, respectively, of fiscal 2003 from the same periods of fiscal 2002, primarily due to a reduction in outstanding debt and lower prevailing interest rates.

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

INFLATION

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

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.

CRITICAL ACCOUNTING POLICIES

The accounting policies that the Company has identified as critical to its business operations and to an understanding of the Company's results of operations are described in detail in the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2002. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States of America, with no need for management's judgment in their application. In other cases, preparation of the Company's unaudited condensed consolidated financial statements for

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interim periods requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of

revenues and expenses during the reporting period. There can be no assurance that the actual results will not differ from those estimates.

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 and prohibits the use of the pooling-of-interests 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 December 31, 2002, the net carrying amount of intangible assets is \$432,018. Amortization expense during the six month period ended December 31, 2002 and 2001 was \$29,092 and \$29,579, respectively. There was no goodwill at December 31, 2002. The adoption of SFAS 141 and SFAS 142 did not have a significant impact on its financial position or results of operations.

In August 2001, the FASB issued SFAS 144, Accounting for 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,

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"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. The adoption of SFAS 144 did not have a significant impact on its financial position or results of operations.

In June 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 requires companies to recognize costs associated with exit or disposal activities generally when they are incurred rather than at the date of a commitment to an exit or disposal plan. This statement supercedes the guidance provided by Emerging Issues Task Force 94-3, "Liability Recognition for Certain Costs Incurred in a Restructuring." SFAS 146 is required to be adopted for exit or disposal activities initiated after December 31, 2002. The Company does not believe the adoption of SFAS 146 will have a significant impact on its financial position or results of operations.

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - An Amendment of FASB Statement 123." This Statement amends SFAS 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. This statement requires that companies follow the prescribed format and provide the additional disclosures in their annual reports for fiscal years ending after December 15, 2002 and in financial reports containing condensed financial statements for interim periods beginning after December 15, 2002.

ITEM 3. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures

Within 90 days prior to the date of this report, an evaluation was carried out of the effectiveness of the design and operation of the Company's "disclosure controls and procedures," as defined in, and pursuant to, Rule 13a-14 of the Securities Exchange Act of 1934 by the Company's President and principal executive officer and Treasurer and principal financial officer. Based on that evaluation, these officers concluded that, as of the date of their evaluation, the Company's disclosure controls and procedures were effective to ensure that material information relating to the Company and the Company's subsidiary is made known to them.

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(b) Changes in internal controls

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these internal controls subsequent to the evaluation discussed above.

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITYHOLDERS.

At the Company's 2002 Annual Meeting of Stockholders held on November 15, 2002, the Company's stockholders reelected the Company's then existing Board of Directors by the following votes:

	Votes	
	For	Withheld
Michael S. Steiner	6,680,484	26,812
William K. Steiner	6,678,684	28,612
Venerando J. Indelicato	6,678,096	29,200
David Blyer	6,680,413	26,883
Lloyd Frank	6,678,096	29,200
Alan Grunspan	6,680,413	26,883
Stuart Wagner	6,680,484	26,812

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

99.01 Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.02 Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed by the Company during the quarter for which this report is filed.

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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: February 10, 2003 DRYCLEAN USA, Inc.

By: /s/ Venerando J. Indelicato

Venerando J. Indelicato,
Treasurer and Chief Financial
Officer

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I, Michael S. Steiner, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of DRYCLEAN USA, Inc.;
2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make

the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;
- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Quarterly Report (the "Evaluation Date"); and
- c) presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

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- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this Quarterly Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 10, 2003 /s/ Michael S. Steiner

Michael S. Steiner,
President and Principal Executive Officer

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I, Venerando J. Indelicato, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of DRYCLEAN USA, Inc.;

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;
- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Quarterly Report (the "Evaluation Date"); and

- c) presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

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- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this Quarterly Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 10, 2003 /s/ Venerando J. Indelicato

Venerando J. Indelicato,
Treasurer and Chief Financial
Officer

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Exhibit Index

99.01 Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.02 Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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I, Michael S. Steiner, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of DRYCLEAN USA, Inc.

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;

Date: February 10, 2003

/s/ Michael S. Steiner

Michael S. Steiner
President and Principal Executive Officer

Exhibit 99.02

I, Venerando J. Indelicato, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of DRYCLEAN USA, Inc.

2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Quarterly Report;

Date: February 10, 2003

/s/ Venerando J. Indelicato

Venerando J. Indelicato,
Treasurer and Chief Financial Officer