

UNITED STATES
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 Qtr. Ended:

September 30, 2001

File No.: 2-20954-NY

KBF POLLUTION MANAGEMENT, INC.
(Exact name of registrant as specified in its charter)

NEW YORK
(State or other jurisdiction
of incorporation or organization)

11-2687588
(I.R.S. Employer
Identification No.)

1 JASPER STREET PATERSON NEW JERSEY 07522
(Address of principal executive offices)

(973) 942-7700
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No .

Indicate the number of shares outstanding of each of the registrant's classes of stock as of November 14, 2001:

Common stock, \$.00001 par value – 88,967,554 shares outstanding.

Transitional Small Business Disclosure Format:

Yes X; No .

KBF POLLUTION MANAGEMENT, INC. AND SUBSIDIARIES

SEPTEMBER 30, 2001

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KBF POLLUTION MANAGEMENT, INC. AND SUBSIDIARIES

SEPTEMBER 30, 2001

BALANCE SHEET **ASSETS**

| | <u>9/30/01</u> <u>Unaudited</u> | <u>12/31/00</u> <u>Audited</u> |
|--|------------------------------------|-----------------------------------|
| <u>CURRENT ASSETS:</u> | | |
| Cash | \$ 7,736 | \$ 54,447 |
| Accounts Receivable (Net of allowance for doubtful accounts of \$29,977 & \$28,744) | 575,658 | 543,772 |
| Other Receivables | 227,870 | 158,630 |
| Inventories | 8,856 | 14,732 |
| Prepaid Expendable Supplies | 20,500 | 18,412 |
| Other Prepaid Expenses | <u>12,060</u> | <u>27,013</u> |
| Total Current Assets | 852,680 | 817,006 |
| <u>FIXED ASSETS:</u> | | |
| Property, Equipment & Improvements (Net of Accumulated Depreciation & Amortization of \$2,306,892 & \$2,064,948) | 4,349,072 | 4,435,620 |
| Leased Property under Capital Leases (Net of Accumulated Amortization of \$349,526 & \$314,201) | 142,866 | 178,192 |
| Non-Expendable Stock, Parts & Drums | <u>155,426</u> | <u>152,083</u> |
| Total Fixed Assets | 4,647,364 | 4,765,895 |
| <u>OTHER ASSETS:</u> | | |
| Security Deposits | 72,934 | 57,484 |
| License & Patents (Net of Accumulated Amortization of \$9,293 & \$6,167) | 32,380 | 35,506 |
| Capitalized Permit Costs | 82,128 | 66,969 |
| Deferred Financing Costs | <u>245,459</u> | <u>236,402</u> |
| Total Other Assets | <u>432,901</u> | <u>396,361</u> |
| TOTAL ASSETS | <u>\$5,932,945</u> | <u>\$5,979,262</u> |

KBF POLLUTION MANAGEMENT, INC. AND SUBSIDIARIES

SEPTEMBER 30, 2001

BALANCE SHEET **LIABILITIES & STOCKHOLDERS' EQUITY**

| | <u>9/30/01</u> <u>Unaudited</u> | <u>12/31/00</u> <u>Audited</u> |
|---|------------------------------------|-----------------------------------|
| <u>CURRENT LIABILITIES:</u> | | |
| Accounts Payable - Trade | \$ 573,710 | \$ 811,936 |
| Accrued Expenses | 250,104 | 168,532 |
| Officers' and Shareholder Loans | 242,218 | 0 |
| Current Portion of Capital Lease Obligations | <u>128,686</u> | <u>156,716</u> |
| Total Current Liabilities | 1,194,718 | 1,137,184 |
| <u>LONG-TERM LIABILITIES:</u> | | |
| Long - Term Debt (Net of Current Portion) | 1,550,000 | 1,550,000 |
| Long - Term Lease Obligations (Net of Current Portion) | <u>121,764</u> | <u>191,374</u> |
| Total Long - Term Liabilities | 1,671,764 | 1,741,374 |
| <u>MINORITY INTEREST:</u> | 61,505 | 36,074 |
| <u>STOCKHOLDERS' EQUITY:</u> | | |
| Com. Stock par value .00001 per sh. | | |
| Authorized - 500,000,000 shares | | |
| Issued & Outstanding | | |
| September 30, 2001 – 87,717,554 | 877 | |
| Dec. 31, 2000 – 87,717,554 | | 877 |
| Capital in Excess of Par Value | 9,775,397 | 9,775,397 |
| Treasury Stock | (7,828) | (7,828) |
| Retained Earnings (Deficit) | <u>(6,763,488)</u> | <u>(6,703,816)</u> |
| Total Stockholders' Equity | <u>3,004,958</u> | <u>3,064,630</u> |
| TOTAL LIABILITIES & STOCKHOLDERS' EQUITY | <u>\$ 5,932,945</u> | <u>\$5,979,262</u> |

KBF POLLUTION MANAGEMENT, INC. AND SUBSIDIARIES

SEPTEMBER 30, 2001

STATEMENT OF INCOME

(Unaudited)

| | NINE MONTHS ENDED | |
|---|--------------------|-----------------------|
| | <u>9/30/01</u> | <u>9/30/00</u> |
| <u>REVENUES</u> | \$ 2,357,322 | \$ 2,341,152 |
| <u>LESS: Cost of Operations</u> | <u>1,817,697</u> | <u>2,240,476</u> |
| Gross Profit | 539,625 | 100,676 |
| <u>LESS: General & Admin. Expenses</u> | 457,071 | 961,508 |
| Selling Expenses | <u>125,053</u> | <u>210,271</u> |
| Operating Income (Loss) | (42,499) | (1,071,103) |
| <u>OTHER INCOME (EXPENSES):</u> | | |
| Interest Income | 0 | 454 |
| Interest Expense | (25,116) | (40,999) |
| Income Tax Provision | <u>(431)</u> | <u>(6,769)</u> |
| <u>NET INCOME (LOSS) INCLUDING MINORITY INTEREST</u> | (68,046) | (1,118,417) |
| <u>MINORITY INTEREST PORTION</u> | <u>(8,374)</u> | <u>5,571</u> |
| <u>NET INCOME (LOSS)</u> | (59,672) | (1,123,988) |
| <u>OTHER COMPREHENSIVE INCOME (LOSS)</u> | | |
| Unrealized Holding Losses | <u>0</u> | <u>0</u> |
| <u>COMPREHENSIVE INCOME (LOSS)</u> | <u>\$ (59,672)</u> | <u>\$ (1,123,988)</u> |
| Number of Shares Outstanding | 87,717,554 | 85,307,947 |
| Earnings Per Share from Operations | <u>\$ (.01)</u> | <u>\$ (.01)</u> |
| Earnings Per Share - Net Income (Loss) | <u>\$ (.01)</u> | <u>\$ (.01)</u> |

KBF POLLUTION MANAGEMENT, INC. AND SUBSIDIARIES

SEPTEMBER 30, 2001

STATEMENT OF INCOME

(Unaudited)

| | THREE MONTHS ENDED | |
|---|--------------------|---------------------|
| | <u>9/30/01</u> | <u>9/30/00</u> |
| <u>REVENUES</u> | \$ 853,240 | \$ 1,074,639 |
| <u>LESS: Cost of Operations</u> | <u>659,008</u> | <u>1,004,138</u> |
| Gross Profit | 194,232 | 70,501 |
| <u>LESS: General & Admin. Expenses</u> | 139,813 | 359,114 |
| Selling Expenses | <u>41,573</u> | <u>94,494</u> |
| Operating Income (Loss) | 12,846 | (383,107) |
| <u>OTHER INCOME (EXPENSES):</u> | | |
| Interest Income | 0 | 72 |
| Interest Expense | (7,823) | (9,916) |
| Income Tax Provision | <u>(5,458)</u> | <u>(1,326)</u> |
| <u>NET INCOME (LOSS) INCLUDING MINORITY INTEREST</u> | (435) | (394,277) |
| <u>MINORITY INTEREST PORTION</u> | <u>(1,675)</u> | <u>5,571</u> |
| <u>NET INCOME (LOSS)</u> | 1,240 | (399,848) |
| <u>OTHER COMPREHENSIVE INCOME (LOSS)</u> | | |
| Unrealized Holding Losses | <u>0</u> | <u>0</u> |
| <u>COMPREHENSIVE INCOME (LOSS)</u> | <u>\$ 1,240</u> | <u>\$ (399,848)</u> |
| Number of Shares Outstanding | 87,717,554 | 85,307,947 |
| Earnings Per Share from Operations | <u>\$.01</u> | <u>\$ (.01)</u> |
| Earnings Per Share - Net Income (Loss) | <u>\$.01</u> | <u>\$ (.01)</u> |

KBF POLLUTION MANAGEMENT, INC. AND SUBSIDIARIES

SEPTEMBER 30, 2001

STATEMENT OF CASH FLOWS

(Unaudited)

| | NINE MONTHS ENDED | |
|---|-------------------|--------------------|
| | <u>9/30/01</u> | <u>9/30/00</u> |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | |
| Cash Received from Customers | \$ 2,202,632 | \$ 1,760,202 |
| Cash Paid to Suppliers & Employees | (2,236,631) | (2,681,315) |
| Interest & Dividends Received | 0 | 454 |
| Interest Paid | (27,799) | (39,610) |
| Income Taxes Paid | <u>(7,271)</u> | <u>(11,349)</u> |
| Net Cash Provided (Used) by Operating Activities | (69,069) | (971,618) |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | |
| Cash Purchases of Intangible Assets | (24,216) | (25,007) |
| Cash Purchase of Treasury Stock | 0 | (7,828) |
| Cash Purchases of Equipment | <u>(155,395)</u> | <u>(1,032,076)</u> |
| Net Cash Provided (Used) in Investing Activities | (179,611) | (1,064,911) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES:</u> | | |
| Proceeds from Sale of Stock & Warrants | 0 | 1,614,448 |
| Minority Interest Capital Contributions | 33,805 | 18,789 |
| Officers' and Shareholder Loans | 242,218 | 11,989 |
| Proceeds from Issuance of Long-Term Debt | 0 | 200,000 |
| Repayment of Long-Term Debt & Capital Lease Obligations | <u>(74,054)</u> | <u>(55,059)</u> |
| Net Cash Provided (Used) by Financing Activities | <u>201,969</u> | <u>1,790,167</u> |
| NET INCREASE (DECREASE) IN CASH | (46,711) | (246,362) |
| CASH at Beginning of Period | <u>54,447</u> | <u>344,597</u> |
| CASH at End of Period | <u>\$ 7,736\$</u> | <u>98,235</u> |

KBF POLLUTION MANAGEMENT, INC. AND SUBSIDIARIES

SEPTEMBER 30, 2001

STATEMENT OF CASH FLOWS

(Unaudited)

| | NINE MONTHS ENDED | |
|---|--------------------|---------------------|
| | <u>9/30/01</u> | <u>9/30/00</u> |
| <u>RECONCILIATION OF NET INCOME TO NET CASH FROM OPERATING ACTIVITIES:</u> | | |
| NET INCOME (LOSS) | \$ (68,046) | \$ (1,118,417) |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: | | |
| Depreciation | 277,269 | 266,262 |
| Amortization | 3,126 | 750 |
| Bad Debts | 1,233 | 52,851 |
| Other Non Cash Items | (23,586) | 0 |
| (Increase) Decrease : | | |
| Non-expendable Stock, Parts & Drums | (3,343) | (16,627) |
| Trade Accounts Receivable | (33,119) | (585,876) |
| Other Receivables | (69,240) | (59,207) |
| Inventories | 5,876 | 3,368 |
| Prepaid Expenses & Deposits | (2,584) | (21,922) |
| Increase (Decrease) in: | | |
| Accounts Payable | (238,227) | 353,288 |
| Withholding Taxes Payable | 0 | (3,905) |
| Accrued Expenses | <u>81,572</u> | <u>157,817</u> |
| | <u>\$ (69,069)</u> | <u>\$ (971,618)</u> |

Supplemental Schedule of Non-cash Investing and Financing Activities:

| | | |
|---|-------------|------------------|
| Common Stock issued for the payment of underwriting costs, equipment & expenses | <u>\$ 0</u> | <u>\$ 22,469</u> |
| Equipment purchased under capital leases | <u>\$ 0</u> | <u>\$ 21,508</u> |

KBF POLLUTION MANAGEMENT, INC. AND SUBSIDIARIES

SEPTEMBER 30, 2001

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 -BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions and item 310(b) of Regulations S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the nine months ended September 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. For further information, refer to the financial statements and footnotes thereto included in the Company's 2000 annual report filed on Form 10-KSB and Form 10-SB.

NOTE 2 - INVENTORIES

Inventories are comprised of the following major categories:

| | <u>9/30/01</u> | <u>12/31/00</u> |
|----------|-----------------|------------------|
| Reagents | <u>\$ 8,856</u> | <u>\$ 14,732</u> |
| | <u>\$ 8,856</u> | <u>\$ 14,732</u> |

NOTE 3 – OFFICER COMPENSATION

Since January 1, 2001, certain executive officers of the Company have received no cash salary. It is anticipated that these parties will receive options in payment of these deficiencies. The Company has incurred the obligation to issue additional options to these parties and others in lieu of cash payments.

NOTE 4 - OPTIONS

On March 1, 2001, the Company determined to revise the exercise price of all employee stock options to an exercise price equalivant to the closing market price of KBF common stock on March 1, 2001, subject to the terms and conditions of the relevant employment agreements. The Board of Directors approved the Company's option note exercise plan to allow employees and certain advisors to exercise their options by payment of an interest bearing note. Employees that elect to participate in this plan must voluntarily retire five percent of the total number of options exercised.

KBF POLLUTION MANAGEMENT, INC. AND SUBSIDIARIES

SEPTEMBER 30, 2001

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - NINE MONTHS ENDED SEPTEMBER 30, 2001
AS COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2000

Total revenues for the nine months ended September 30, 2001 increased to \$2,357,322 as compared to \$2,341,152 for the same period in 2000, an increase of 0.69%. This growth rate, as compared to the more significant growth rate of the first six months of 2001, is predominately due to the Company's increased focus on recycling (facility-based) services as opposed to field services which provide for substantially lower profit margins. Recycling service revenue for the nine months ended September 30, 2001 increased 19.86% to \$2,258,349, up from \$1,884,202 for the same period in 2000. This increase in recycling service revenue accounts for the material increases in gross profit discussed below. The Company attributes these increased revenues to the Company's recent aggressive investment in recycling service sales through KBF Environmental Services, Inc., and the expansion of the Company's Recycling and Commodity Manufacturing Center. Management expects this upward trend to continue.

Trade accounts receivable on September 30, 2001 were \$605,635. These receivables are reduced by an allowance for bad debts in the amount of \$29,977, which, based upon the Company's collection history, management believes is adequate. Trade accounts receivable collected in cash subsequently through October 31, 2001 were \$248,694.

Cost of operations for the nine months ended September 30, 2001 decreased to 77.11% of revenues from 95.69% of revenues for the same period in 2000. This decrease is primarily due to the favorable economies of scale associated with the Company's increased recycling services volume and reduced focus on field services. The Company expects the cost of operations to continue to decline in future periods as recycling services volume continues to increase.

General and administrative expenses decreased by 52.46% to \$457,071 for the nine months ended September 30, 2001, from \$961,508 for the comparable period in 2000. This decrease is primarily due to the decreased office staff costs of approximately \$50,000, decreased costs associated with the Company's development of a more efficient information system of approximately \$9,000, decreased professional fees of approximately \$105,000, decreased executive cash salaries of approximately \$84,000, the nonrecurrence of administrative permit fees of approximately \$11,000, decreased shareholder related costs of approximately \$49,000, decreased employment agency fees and other expenses of approximately \$70,000, decreased bad debts of approximately \$49,000, decreased office expenses of approximately \$23,000, decreased costs related to payroll taxes and fringes of approximately \$15,000, decreased costs related to prior periods adjusted in the current period of approximately \$25,000, and other miscellaneous cost reductions of approximately \$15,000. The Company expects general and administrative costs to increase in future periods with the reinstatement of certain executive salaries and anticipated new hires.

KBF POLLUTION MANAGEMENT, INC. AND SUBSIDIARIES

SEPTEMBER 30, 2001

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS – NINE MONTHS ENDED SEPTEMBER 30, 2001
AS COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2000 (continued)

Selling expenses decreased by 40.53%, or approximately \$85,000, to \$125,053 for the nine months ended September 30, 2001, as compared to \$210,271 for the comparable period in 2000. This decrease is due to the decline in employed sales personnel and certain related miscellaneous selling expenses in conjunction with the Company's current marketing strategies. The Company expects a modest increase in selling costs during the balance of 2001, due to its ongoing sales and marketing efforts related to the expansion of its Recycling and Commodity Manufacturing Center and the activities of KBF Environmental Services, Inc.

Interest income decreased to zero for the nine months ended September 30, 2001 as compared to \$454 earned during the same period in 2000. Management does not expect to earn any significant interest during the balance of 2001. Interest expense decreased by \$15,883, due to the ongoing repayment of capital lease obligations.

The Company incurred a net loss of \$(59,672) for the first nine months of 2001, a 94.69% improvement from the net loss of \$(1,123,988) for the same period in 2000. This improvement is largely attributable to the increased revenues and decreased costs described above.

LIQUIDITY AND CAPITAL RESOURCES

The Company has working capital of \$(342,038) at September 30, 2001. This amount is computed by subtracting current liabilities from current assets and represents an increase in working capital as compared to the second quarter 2001. Accounts payable and accrued expenses include certain liabilities which management believes will be settled for reduced amounts. Management additionally intends to avail itself of deferments on certain liabilities.

The Company's current operations, before depreciation and after debt service, provide a positive cash flow. Management intends to continue to utilize this cash flow to eliminate its working capital deficit, complete its expansion of the facility and increase sales in the immediate term. Management believes that projected increases in sales will have a positive impact on cash flows from operations and will provide sufficient working capital for the next twelve months.

KBF POLLUTION MANAGEMENT, INC. AND SUBSIDIARIES

SEPTEMBER 30, 2001

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CERTAIN EVENTS

The Company's subsidiary is party to the matter entitled *Passaic Valley Sewage Commissioners v. American Metals Recovery Corp.* The action was filed in the Superior Court of New Jersey, Chancery Division, Essex County on April 23, 1999 against the Company's wholly owned subsidiary. The Complaint arises from alleged administrative deficiencies and seeks declarations against the defendant as well as administrative remedies, civil penalties, attorney's fees and costs. The Company filed an Answer to the Complaint and served discovery. Discovery is ongoing and counsel is unable to evaluate the probability of an unfavorable outcome, or range of potential impact, at this time.

The Company is also involved in various collection matters in which the Company and vendors are seeking payment for services rendered and goods provided.

FORWARD-LOOKING STATEMENTS

When used herein, the terms "expect, plan, anticipate, believe" or similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. The Company has included certain forward-looking statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations. These statements are based on current expectations, estimates and projections about the industries in which the Company operates, management's beliefs and various assumptions made by management, which are difficult to predict. Among the factors that could affect the outcome of the statements are general industry and market conditions and growth rates. Therefore, actual outcomes and their impact on the Company may differ materially from what is expressed or forecasted. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

KBF POLLUTION MANAGEMENT, INC. AND SUBSIDIARIES

SEPTEMBER 30, 2001

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - THREE MONTHS ENDED SEPTEMBER 30, 2001
AS COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2000

Total revenues for the three months ended September 30, 2001 decreased to \$853,240 as compared to \$1,074,639 for the same period in 2000, a decrease of 20.60%. This decrease is predominately due to the Company's decreased focus on field services, which provide significantly lower profit margins. Recycling service revenue increased 30.97% to \$822,173, up from \$627,778 for the same period in 2000. which accounts for the significant increase in gross profit discussed below. This increase in recycling service revenue accounts for the material increases in gross profit discussed below. The Company attributes these increased revenues to the Company's recent aggressive investment in recycling service sales through KBF Environmental Services, Inc., and the expansion of the Company's Recycling and Commodity Manufacturing Center. Management expects this upward trend to continue.

Cost of operations for the three months ended September 30, 2001 decreased to 77.24% of revenues from 93.44% of revenues for the same period in 2000. This decrease is primarily due to the favorable economies of scale associated with the Company's increased recycling services volume and reduced focus on field services. The Company expects the cost of operations to continue to decline in future periods as recycling services volume continues to increase.

General and administrative expenses decreased by 61.07% to \$139,813 for the three months ended September 30, 2001, from \$359,114 for the comparable period in 2000. This decrease is primarily due to the decreased office staff costs of approximately \$14,000, decreased professional fees of approximately \$30,000, decreased cash executive salaries of approximately \$17,000, decreased shareholder related costs of approximately \$32,000, decreased employment agency fees of approximately \$51,000 decreased bad debts of approximately \$46,000, decreased costs related to prior periods of approximately \$25,000 and other expenses of approximately \$4,000. The Company expects general and administrative costs to increase in future periods with the reinstatement of certain executive salaries and anticipated new hires.

KBF POLLUTION MANAGEMENT, INC. AND SUBSIDIARIES

SEPTEMBER 30, 2001

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - THREE MONTHS ENDED SEPTEMBER 30, 2001
AS COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2000 (continued)

Selling expenses decreased by 38.7%, or approximately \$53,000, to \$41,573 for the three months ended September 30, 2001, as compared to \$94,494 for the comparable period in 2000. This decrease is due to the decline in employed sales personnel and certain related miscellaneous selling expenses in conjunction with the company's current marketing strategies. The Company expects a modest increase in selling costs during the balance of 2001, due to its ongoing sales and marketing efforts related to the expansion of its Recycling and Commodity Manufacturing Center and the activities of KBF Environmental Services, Inc.

Interest income decreased to zero for the three months ended September 30, 2001 as compared to \$72 earned during the same period in 2000. Management does not expect to earn any significant interest during the balance of 2001. Interest expense decreased by \$2,093, due to the ongoing repayment of capital lease obligations.

The Company produced net income of \$1,240 for the three months ended September 30, 2001, a 100.31% improvement from the net loss of \$(399,848) for the same period in 2000. This improvement is largely attributable to the increased revenues and decreased costs described above.

KBF POLLUTION MANAGEMENT, INC. AND SUBSIDIARIES

SEPTEMBER 30, 2001

PART II - OTHER INFORMATION

Item VI - Exhibits and Reports on Form 8-K

(a) Exhibits

| <u>Exhibits No.</u> | <u>Description</u> |
|---------------------|--|
| 15 | Letter from independent accountants regarding unaudited interim financial information. |
| 27 | Financial Data Schedule |

(b) Reports on Form 8-K for the nine months ended September 30, 2001.

There were no reports filed on Form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KBF POLLUTION MANAGEMENT, INC.

Dated: November 14, 2001

KEVIN KREISLER
KEVIN KREISLER - PRESIDENT

Dated: November 14, 2001

KATHI KREISLER
KATHI KREISLER SECRETARY /
TREASURER

EXHIBIT 15

IRVING HANDEL & CO.
Certified Public Accountants
112 Irving Place
Woodmere, NY 11598

Tel: 516-295-9290
Fax: 516-295-9298

REVIEW REPORT

To the Board of Directors and Stockholders of KBF Pollution Management, Inc.

We have reviewed the accompanying combined balance sheet of KBF Pollution Management, Inc and Subsidiaries, as of September 30, 2001 and the related combined statements of income and cash flows for the nine and three-month periods ended September 30, 2000 and 2001. These financial statements are the responsibility of the company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with generally accepted accounting principles.

IRVING HANDEL & CO.

Date: November 13, 2001

KBF POLLUTION MANAGEMENT, INC. AND SUBSIDIARIES

SEPTEMBER 30, 2001

EXHIBIT 27

FINANCIAL DATA SCHEDULE

This schedule contains summary financial information extracted from the unaudited financial statements dated September 30, 2001 and is qualified in its entirety by reference to such financial statements.

| | |
|----------------------------|--------------------|
| Period-Type | 9 months |
| Fiscal-Year End | Dec 31-2001 |
| Period-End | September 30 -2001 |
| Cash | 7,736 |
| Securities | 0 |
| Receivables | 605,635 |
| Allowances | (29,977) |
| Inventory | 8,856 |
| Current-Assets | 852,680 |
| PP&E | 7,303,782 |
| Depreciation | (2,656,418) |
| Total Assets | 5,932,945 |
| Current Liabilities | 1,194,718 |
| Bonds | 0 |
| Preferred-Mandatory | 0 |
| Preferred | 0 |
| Common | 877 |
| Other-SE | 3,004,081 |
| Total-Liability and Equity | 5,932,945 |
| Sales | 2,357,322 |
| Total Revenues | 2,357,322 |
| CGS | 1,817,697 |
| Total | 1,817,697 |
| Other Expenses | 582,124 |
| Loss Provision | 0 |
| Interest-Expense | 25,116 |
| Income-Pre tax | (68,477) |
| Income-Tax | 431 |
| Income-Continuing | (68,046) |
| Discontinued | 0 |
| Extraordinary | 0 |
| Changes | (8,374) |
| Net Income | (59,672) |
| EPS-Primary | (.01) |
| EPS - Diluted | (.01) |