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, 2007,

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 001-14757

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

| | |
|---|---|
| DELAWARE<br>(State of other jurisdiction of incorporation or organization) | 11-2014231<br>(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 ☒ No ☐.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). 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 – 7,034,307 shares outstanding as of February 7, 2008.

Transitional Small Business Disclosure Format: Yes ☐ No ☒

**PART 1. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

DRYCLEAN USA, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

| | For the six months ended December 31, 2007 | For the six months ended December 31, 2006 | For the three months ended December 31, 2007 | For the three months ended December 31, 2006 |
|---|---|---|---|---|
| | (Unaudited) | | (Unaudited) | |
| Net sales | $ 10,029,432 | $ 11,957,217 | $ 5,461,381 | $ 6,167,477 |
| Development fees, franchise and license fees, commissions and other | 352,092 | 297,783 | 183,499 | 175,325 |
| Total revenues | 10,381,524 | 12,255,000 | 5,644,880 | 6,342,802 |
| | | | | |
| Cost of goods sold | 7,662,742 | 9,297,725 | 4,199,947 | 4,797,786 |
| Selling, general and administrative expenses | 2,352,837 | 2,319,473 | 1,209,321 | 1,180,844 |
| Research and development | 2,640 | 24,075 | — | 13,550 |
| Total operating expenses | 10,018,219 | 11,641,273 | 5,409,268 | 5,992,180 |
| | | | | |
| Operating income | 363,305 | 613,727 | 235,612 | 350,622 |
| Interest income | 98,516 | 80,579 | 48,890 | 42,427 |
| Interest expense | (747) | — | — | — |
| | | | | |
| Earnings before taxes | 461,074 | 694,306 | 284,502 | 393,049 |
| Provision for income taxes | 168,764 | 264,348 | 105,236 | 149,870 |
| Net earnings | $ 292,310 | $ 429,958 | $ 179,266 | $ 243,179 |
| | | | | |
| Basic and diluted earnings per share | $ .04 | $ .06 | $ .03 | $ .03 |
| Weighted average number of shares | | | | |
| Basic | 7,034,307 | 7,034,450 | 7,034,307 | 7,034,450 |
| Diluted | 7,037,472 | 7,037,818 | 7,037,333 | 7,038,532 |

See Notes to Condensed Consolidated Financial Statements

**ASSETS**

| | December 31, 2007 (Unaudited) | June 30, 2007 |
|---|---|---|
| Current Assets | | |
| Cash and cash equivalents | $ 3,580,072 | $ 4,296,415 |
| Accounts and trade notes receivable, net | 1,285,126 | 1,454,987 |
| Inventories | 2,895,982 | 2,912,524 |
| Deferred income taxes | 77,460 | 99,140 |
| Refundable income taxes | 55,346 | 64,131 |
| Other assets | 130,806 | 98,353 |
| Total current assets | 8,024,792 | 8,925,550 |
| | | |
| Equipment and improvements, net | 246,224 | 261,872 |
| Franchise, trademarks and other intangible assets, net | 214,072 | 246,812 |
| Deferred tax asset | — | 9,340 |
| | | |
| | $ 8,485,088 | $ 9,443,574 |

See Notes to Condensed Consolidated Financial Statements

DRYCLEAN USA, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS

**LIABILITIES AND SHAREHOLDERS' EQUITY**

| | December 31, 2007 (Unaudited) | June 30, 2007 |
|---|---|---|
| Current Liabilities | | |
| Accounts payable and accrued expenses | $ 881,990 | $ 1,076,300 |
| Accrued employee expenses | 443,601 | 605,383 |
| Unearned income | 82,775 | 124,162 |
| Customer deposits | 789,719 | 1,365,623 |
| Total current liabilities | 2,198,085 | 3,171,468 |
| Deferred tax liability | 3,959 | — |
| Total liabilities | 2,202,044 | 3,171,468 |
| | | |
| Shareholders' Equity | | |
| Preferred stock, $1.00 par value: | | |
| Authorized shares – 200,000; none issued and outstanding | — | — |
| Common stock, $.025 par value; Authorized shares - 15,000,000; 7,065,500, shares issued and outstanding, including shares held in treasury | 176,638 | 176,638 |
| Additional paid-in capital | 2,095,069 | 2,095,069 |
| Retained earnings | 4,014,650 | 4,003,712 |
| Treasury stock, 31,193 shares, at cost | (3,313) | (3,313) |
| Total shareholders' equity | 6,283,044 | 6,272,106 |
| | $ 8,485,088 | $ 9,443,574 |

See Notes to Condensed Consolidated Financial Statements

| | Six months ended | |
|---|---|---|
| | December 31, 2007 (Unaudited) | December 31, 2006 (Unaudited) |
| Operating activities: | | |
| Net earnings | $ 292,310 | $ 429,958 |
| Adjustments to reconcile net earnings to net cash (used) provided by operating activities: | | |
| Bad debt expense | 6,369 | 10,538 |
| Depreciation and amortization | 66,577 | 59,942 |
| Provision (benefit) for deferred income taxes | 34,979 | (11,304) |
| (Increase) decrease in operating assets: | | |
| Accounts, and trade notes receivables | 163,492 | (309,775) |
| Inventories | 16,542 | (589,094) |
| Other current assets | (32,453) | 97,273 |
| Refundable income taxes | 8,785 | — |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | (194,310) | 717,061 |
| Accrued employee expenses | (161,782) | (117,108) |
| Unearned income | (41,387) | (41,387) |
| Customer deposits | (575,904) | 97,552 |
| Income taxes payable | — | (14,499) |
| Net cash (used) provided by operating activities | (416,782) | 329,157 |
| Investing activities: | | |
| Capital expenditures | (18,189) | (79,969) |
| Net cash used by investing activities | (18,189) | (79,969) |
| Financing activities: | | |
| Dividends paid | (281,372) | (281,378) |
| Net cash used by financing activities | (281,372) | (281,378) |
| | | |
| Net decrease in cash and cash equivalents | (716,343) | (32,190) |
| Cash and cash equivalents at beginning of period | 4,296,415 | 3,106,703 |
| Cash and cash equivalents at end of period | $ 3,580,072 | $ 3,074,513 |
| Supplemental information: | | |
| Cash paid for income taxes | $ 125,000 | $ 290,151 |

See Notes to Condensed Consolidated Financial Statements

DRYCLEAN USA, Inc.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**

**Note (1) - General:** The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States 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, 2007. The June 30, 2007 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) - Earnings Per Share:** Basic and diluted earnings per share for the six and three months ended December 31, 2007 and 2006 are computed as follows:

| | For the six months ended December 31, | | For the three months ended December 31, | |
|---|---|---|---|---|
| | 2007 (Unaudited) | 2006 (Unaudited) | 2007 (Unaudited) | 2006 (Unaudited) |
| Basic | | | | |
| Net earnings | $ 292,310 | $ 429,958 | $ 179,266 | $ 243,179 |
| Weighted average shares outstanding | 7,034,307 | 7,034,450 | 7,034,307 | 7,034,450 |
| Basic earnings per share | $ .04 | $ .06 | $ .03 | $ .03 |
| Diluted | | | | |
| Net earnings | $ 292,310 | $ 429,958 | $ 179,266 | $ 243,179 |
| Weighted average shares outstanding | 7,034,307 | 7,034,450 | 7,034,307 | 7,034,450 |
| Plus incremental shares from assumed exercise of stock options | 3,165 | 3,368 | 3,026 | 4,082 |
| Diluted weighted average common shares | 7,037,472 | 7,037,818 | 7,037,333 | 7,038,532 |
| Diluted earnings per share | $ .04 | $ .06 | $ .03 | $ .03 |

At December 31, 2007 and 2006, there were outstanding options to purchase 10,000 shares of the Company's common stock which were excluded in the computation of earnings per share because the exercise price of the options was at least the average market price of the Company's common stock for the period.

**Note (3) – Revolving Credit Line:** On October 18, 2007, the Company received an extension until October 30, 2008 of its existing $2,250,000 revolving line of credit facility. The Company's obligations under the facility are guaranteed by the Company's subsidiaries and collateralized by substantially all of the Company's and its subsidiaries' assets. No amounts were outstanding at December 31, 2007 and June 30, 2007.

**Note (4) - Stock-Based Compensation Plans:** The Company's 2000 Stock Option Plan and 1994 Non-Employee Director Stock Option Plan are the Company's only stock-based compensation plans. The 2000 Stock Option Plan authorizes the grant (until May 2, 2010) of options to purchase up to 500,000 shares of the Company's common stock to employees, directors and consultants, of which no options were outstanding on December 31, 2007. The 1994 Non-Employee Director Stock Option Plan terminated as to future grants on August 23, 2004, but options to purchase 20,000 shares remain outstanding thereunder.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123 (revised), "Share-Based Payment" ("SFAS 123(R)"), utilizing the modified prospective approach. Under the modified prospective approach, SFAS 123(R) applies to new grants after December 15, 2005 and to grants that were outstanding on December 31, 2005 to the extent not yet vested. Since no new options were granted during the six months ended December 31, 2007 and 2006 and all outstanding options were fully vested at December 31, 2005, no compensation cost for share-based payments was recognized under SFAS 123(R) during the six months ended December 31, 2007 and 2006.

**Note (5) - Cash Dividends:** The following table sets forth information concerning the cash dividends declared by the Company's Board of Directors during the periods covered by this Report:

| Declaration Date | Payment Date | Record Date | Per Share Amount | Total Amount |
|---|---|---|---|---|
| September 25, 2007 | November 1, 2007 | October 12, 2007 | $.04 | $281,372 |
| March 29, 2007 | May 1, 2007 | April 13, 2007 | $.04 | $281,372 |
| September 26, 2006 | November 1, 2006 | October 13, 2006 | $.04 | $281,378 |
| March 31, 2006 | May 1, 2006 | April 14, 2006 | $.04 | $280,978 |

**Note (6) – 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 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:

| | For the six months ended December 31, 2007 | For the six months ended December 31, 2006 | For the three months ended December 31, 2007 | For the three months ended December 31, 2006 |
|---|---|---|---|---|
| | (Unaudited) | | (Unaudited) | |
| Revenues: | | | | |
| Commercial and industrial laundry and dry cleaning equipment | $ 10,203,437 | $ 12,084,501 | $ 5,543,503 | $ 6,224,011 |
| License and franchise operations | 178,087 | 170,499 | 101,377 | 118,791 |
| Total revenues | $ 10,381,524 | $ 12,255,000 | $ 5,644,880 | $ 6,342,802 |
| Operating income (loss): | | | | |
| Commercial and industrial laundry and dry cleaning equipment | $ 400,439 | $ 646,890 | $ 237,452 | $ 339,246 |
| License and franchise operations | 135,198 | 132,943 | 81,896 | 97,305 |
| Corporate | (172,332) | (166,106) | (83,736) | (85,929) |
| Total operating income | $ 363,305 | $ 613,727 | $ 235,612 | $ 350,622 |

| | December 31, 2007 | June 30, 2007 |
|---|---|---|
| | (Unaudited) | |
| Identifiable assets: | | |
| Commercial and industrial laundry and dry cleaning equipment | $ 8,209,986 | $ 8,712,151 |
| License and franchise operations | 194,806 | 554,518 |
| Corporate | 76,337 | 176,905 |
| Total assets | $ 8,481,129 | $ 9,443,574 |

**New Accounting Pronouncements**

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurement" ("SFAS 157") which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and provides for additional fair value disclosures. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Company does not believe SFAS 157 will have a material effect on its consolidated financial statements.

In September 2006, the Staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, "Considering the Effect of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 requires the use of two approaches in quantitatively evaluating the materiality of misstatements. If the misstatement as quantified under either approach is material to the current year financial statements, the misstatement must be corrected. If the effect of correcting a prior year misstatement in the current year income statement is material, the prior year financial statements should be corrected. The Company does not expect SAB 108 to have an impact on the Company's consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" which permits, at specified election dates, all entities to choose to measure eligible items at fair value. SFAS 159 is effective as of the beginning of an entity's fiscal year beginning on or after November 15, 2007 with early application permitted as of the beginning of a fiscal year beginning on or before November 15, 2007 if an entity also elects to apply the provisions of SFAS 159. The Company did not elect early application of SFAS No. 159. Retrospective application is not permitted unless early adoption is adopted. The Company is evaluating the effect, if any, the adoption of SFAS 159 will have on the Company's consolidated financial statements.

**Item 2: Management's Discussion and Analysis or Plan of Operations**

## Overview

Revenues for the six months and second quarter ended December 31, 2007 decreased by 15.3% and 11.0%, respectively, from the same periods of fiscal 2007. In the fiscal 2007 periods, revenues included some large laundry equipment orders which, due to a slowing economy, were absent in our sales mix during the first half of fiscal 2008. Although during the second quarter of fiscal 2008, dry cleaning equipment sales increased by 56.1 %, for the six month period ended December 31, 2007, sales of dry cleaning equipment decreased by 6.4%. We do not expect overall sales of dry cleaning equipment to grow as dry cleaning establishments consolidate and fashions continue to change to a more casual mode. Most of the reduction in sales during the first half and second quarter of fiscal 2008 is attributable to reduced laundry equipment sales which declined 27.2% and 26.7%, respectively, from the same periods of fiscal 2007.

Cash on hand continues to be substantial, even though customer deposits decreased reflecting a reduction in backlog. The Company's cash position enabled it to maintain inventory levels at approximately year end levels.

On September 25, 2007, the Board of Directors declared a $.04 per share semi-annual dividend (an aggregate of $281,372) payable on November 1, 2007 to shareholders of record on October 12, 2007.

## Liquidity and Capital Resources

Cash decreased by $716,343 during the first six months of fiscal 2008 compared to a decrease of $32,190 during the same period of fiscal 2007. The following summarizes the Company's Condensed Consolidated Statements of Cash Flows:

| | Six Months Ended December 31, | |
|---|---|---|
| | 2007 (Unaudited) | 2006 (Unaudited) |
| Net cash (used) provided by: | | |
| Operating activities | $ (416,782) | $ 329,157 |
| Investing activities | (18,189) | (79,969) |
| Financing activities | (281,372) | (281,378) |

For the six months ended December 31, 2007, operating activities used cash of $416,782 compared to $329,157 provided by operating activities for the first six months of fiscal 2007. Most of the cash used resulted from a substantial reduction in customer deposits of $575,804 during the first half of fiscal 2008 attributable to the shipments of orders from backlog compared to a $97,552 increase in this category in the first six months of fiscal 2007. All of the other changes in operating assets and liabilities discussed below were in the ordinary course of business. Cash generated from operating activities during the first six months of fiscal 2008 was provided by the Company's net earnings of $292,310 and non-cash expenses for depreciation and amortization of $66,577 and bad debts of $6,369. This cash was offset by a net $817,017 used as a result of changes in operating assets and liabilities. Cash used for operating assets and liabilities resulted mainly from the reduction in customer deposits as previously mentioned and reductions in accounts payable and accrued expenses ($194,310), accrued employees expenses ($161,782), unearned income ($41,387) and an increase in other assets ($32,453). Additional cash was provided by decreases in accounts, and trade notes receivable ($163,492), inventories ($16,542) and refundable income taxes ($8,785).

For the six months ended December 31, 2006, cash was provided by the Company's net earnings of $429,958 and non-cash expenses for depreciation and amortization of $59,942 and bad debts of $10.538. This cash was offset by a net $159,977 used as a result of changes in operating assets and liabilities. Cash used for operating assets and liabilities resulted mainly from increases in inventories ($589,094) and accounts and trade notes receivable ($309,775) and lower accrued employee expenses ($117,108), partially offset by cash generated from an increase in accounts payable and accrued expenses ($717,061) and a decrease in other current assets ($97,273). The increase in inventories was to support increased orders and the increase in accounts payable related primarily to inventories purchased but not yet paid for.

Investing activities for the first half of fiscal 2008 used cash of $18,189 compared to $79,969 used in the same period of fiscal 2007, mostly for capital expenditures.

Financing activities used cash of $281,372 and $281,378 for the six month periods ended December 31, 2007 and 2006, respectively, to pay cash dividends. A table of declared and paid dividends is listed in Note 5 of the "Notes to Consolidated Financial Statements."

On October 22, 2007, the Company received an extension until October 30, 2008 of its existing $2,250,000 revolving line of credit facility. The Company's obligations under the facility continue to be guaranteed by the Company's subsidiaries and collateralized by substantially all of the Company's and its subsidiaries' assets. No amounts were outstanding under this facility at December 31, 2007 or June 30, 2007.

The Company believes that its present cash position and cash it expects to generate from operations, as well as, if needed, cash borrowings available under its $2,250,000 revolving line of credit facility, will be sufficient to meet its operational needs.

**Off-Balance Sheet Financing**

The Company has no off-balance sheet financing arrangements within the meaning of item 303(c) of Regulation S-B.

**Results of Operations**

Revenues.

The following table sets forth certain information with respect to changes in the Company's revenues for the periods presented:

| | Six months ended December 31, | | | Three months ended December 31, | | |
|---|---|---|---|---|---|---|
| | 2007 (Unaudited) | 2006 (Unaudited) | % Change | 2007 (Unaudited) | 2006 (Unaudited) | % Change |
| Net sales | $10,029,432 | $11,957,217 | -16.1% | $5,461,381 | $6,167,477 | -11.4% |
| Development fees, franchise and license fees, commissions and other | 352,092 | 297,783 | 18.2% | 183,499 | 175,325 | 4.7% |
| Total revenues | $10,381,524 | $12,255,000 | -15.3% | $5,644,880 | $6,342,802 | -11.0% |

Revenues for the six and three month periods ended December 31, 2007 decreased by $1,873,476 (15.3%) and $697,922 (11.0%), respectively, from the same periods of fiscal 2007. Most of the decrease in revenues is attributable to a reduction of $1,881,064 (15.6%) and $680,508 (10.9%) in the commercial and industrial laundry and dry cleaning equipment segment, for the six and three month periods, respectively, of fiscal 2008 compared to the same periods of fiscal 2007. For the six month period, commercial and laundry equipment sales decreased by 27.2%, dry cleaning equipment decreased by 6.4% and spare parts decreased by 1.1%. These decreases were partially offset by boiler sales which increased by 20.0%. For the three month period, sales of commercial laundry dry cleaning equipment decreased by 26.7%, and spare parts sales decreased by 4.0%. However, boiler sales increased by 56.5% and dry cleaning equipment sales increased by 56.1%

Revenues of the license and franchise operations segment increased by $7,588 (4.5%) for the six month period but decreased by $17,414 (14.7%) for the six month period in fiscal 2008 from the same periods of fiscal 2007. Revenues from this segment are a small part of the overall Company revenues and consist mainly of royalty fees paid to the Company by licensees.

Operating Expenses

| | Six months ended December 31, | | Three months ended December 31, | |
|---|---|---|---|---|
| | 2007 (Unaudited) | 2006 (Unaudited) | 2007 (Unaudited) | 2006 (Unaudited) |
| *As a percentage of sales:* | | | | |
| Cost of goods sold | 76.4% | 77.8% | 76.9% | 77.8% |
| *As a percentage of revenue:* | | | | |
| Selling, general and administrative expenses | 22.7% | 18.9% | 21.4% | 18.6% |
| Research and development | - | 0.2% | - | 0.2% |
| Total expenses | 96.5% | 95.0% | 95.8% | 94.5% |

Costs of goods sold, expressed as a percentage of sales, decreased to 76.4% from 77.8% and to 76.9% from 77.8% for the six and three month periods, respectively, of fiscal 2008 from the same periods of fiscal 2007. The improved margins were due to the absence of large contract shipments in these periods which normally carry a higher cost.

Selling, general and administrative expenses increased by $33,364 (1.4%) and $28,477 (2.4%) for the six and three month periods, respectively, of fiscal 2008 from the same periods in fiscal 2007, primarily as a result of increased payroll expenses. The increase as a percentage of revenues in both periods of fiscal 2008 were due to the decreased level of sales, which affected the absorption of fixed and semi-variable expenses.

Research and development expenses are a small part of the Company's total operating expenses and relate to upgrading existing product lines. This category of expense has become minimal as most of our products are distributed for other manufacturers, which perform their own research and development.

Other Income/Expenses

Interest income increased by $17,937 (22.3%) and $6,463 (15.2%) for the six and three month periods of fiscal 2008, respectively, over the same periods of fiscal 2007 as a result of higher average outstanding bank balances.

The Company's effective tax rate decreased to 36.6% from 38.1% and 37.0% from 38.1% for the six and three month periods of fiscal 2008, respectively, compared to the same periods of fiscal 2007 due to changes in deferred tax assets and deductions.

**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 Sheila Steiner, the wife of William K. Steiner, a principal shareholder, Chairman of the Board of Directors and a director of the Company. The lease provides for a three-year term that commenced on November 1, 2005 at an annual rental of $94,500, with annual increases commencing November 1, 2006 of 3% over the rent in the prior year. The Company bears real estate taxes, utilities, maintenance, non-structural repairs and insurance. The lease contains two three-year renewal options in favor of the Company. 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 remain unchanged from those described in detail in the Management's Discussion and Analysis or Plan of Operation section of the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2007. The Company makes estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and liabilities, and the reported amounts of revenues and expenses during the reported period. Therefore, there can be no assurance that the actual results will not differ from those estimates.

**New Accounting Pronouncements:**

**New Accounting Pronouncements**

In September 2006, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurement" ("SFAS 157") which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and provides for additional fair value disclosures. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Company does not believe SFAS 157 will have a material effect on its consolidated financial statements.

In September 2006, the Staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, "Considering the Effect of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 requires the use of two approaches in quantitatively evaluating the materiality of misstatements. If the misstatement as quantified under either approach is material to the current year financial statements, the misstatement must be corrected. If the effect of correcting a prior year misstatement in the current year income statement is material, the prior year financial statements should be corrected. The Company does not expect SAB 108 to have an impact on the Company's consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" which permits, at specified election dates, all entities to choose to measure eligible items at fair value. SFAS 159 is effective as of the beginning of an entity's fiscal year beginning on or after November 15, 2007 with early application permitted as of the beginning of a fiscal year beginning on or before November 15, 2007 if an entity also elects to apply the provisions of SFAS 159. The Company did not elect early application of SFAS No. 159. Retrospective application is not permitted unless early adoption is adopted. The Company is evaluating the effect, if any, the adoption of SFAS 159 will have on the Company's consolidated financial statements.

**Forward Looking Statements**

Certain statements in this Report are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this Report, words such as "may," "should," "seek," "believe," "expect," anticipate," "estimate," "project," "intend," "strategy" and similar expressions are intended to identify forward-looking statements regarding events, conditions and financial trends that may affect the Company's future plans, operations, business strategies, operating results and financial position. Forward-looking statements are subject to a number of known and unknown risks and uncertainties that may cause actual results, trends, performance or achievements of the Company, or industry trends and results, to differ materially from the future results, trends, performance or achievements expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others: general economic and business conditions in the United States and other countries in which the Company's customers are located; 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 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; and changes in, or the failure to comply with, government regulation, principally environmental regulations. 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.

**Item 3. Controls and Procedures**

As of the end of the period covered by this Report, management of the Company, with the participation of the Company's President and principal executive officer and the Company's principal financial officer, evaluated the effectiveness of the Company's "disclosure controls and procedures," as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. 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 provide reasonable assurance that information required to be disclosed in the Company's periodic filings under the Securities Exchange Act of 1934 is accumulated and communicated to the Company's management, including those officers, to allow timely decisions regarding required disclosure. It should be noted that a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports.

During the period covered by this Report, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

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

At the Company's 2007 Annual Meeting of Stockholders held on November 9, 2007, the Company's stockholders reelected the Company's then existing Board of Directors by the following votes:

| | Votes | |
|---|---|---|
| | For | Withheld |
| Michael S. Steiner | 6,604,579 | 19,013 |
| William K. Steiner | 6,602,779 | 20,813 |
| Venerando J. Indelicato | 6,606,516 | 17,076 |
| David Blyer | 6,607,273 | 16,319 |
| Lloyd Frank | 6,607,242 | 16,350 |
| Alan Grunspan | 6,607,508 | 16,084 |
| Stuart Wagner | 6,610,061 | 13,531 |

**Item 6. Exhibits**

(a) Exhibits:

31.01 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 promulgated under the Securities Exchange Act of 1934.

31.02 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 promulgated under the Securities Exchange Act of 1934.

32.01 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.02 Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

## 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 12, 2008

DRYCLEAN USA, Inc.

By: /s/ Venerando J. Indelicato
Venerando J. Indelicato,
Treasurer and Chief Financial Officer

**Exhibit Index**

| | |
|---|---|
| 31.01 | Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 promulgated under the Securities Exchange Act of 1934. |
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| 32.02 | Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

**EXHIBIT 31.01**

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael S. Steiner, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB for the quarter ended December 31, 2007 of DRYCLEAN USA, Inc.;

2. Based on my knowledge, this 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 report;

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

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: February 12, 2008

/s/ Michael S. Steiner
Michael S. Steiner
President and Principal
Executive Officer

**EXHIBIT 31.02**

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Venerando J. Indelicato, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB for the quarter ended December 31, 2007 of DRYCLEAN USA, Inc.;

2. Based on my knowledge, this 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 report;

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

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: February 12, 2008

/s/ Venerando J. Indelicato

Venerando J. Indelicato
Treasurer and Principal
Financial Officer

**EXHIBIT 32.01**

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of DRYCLEAN USA, Inc. (the "Company") on Form 10-QSB for the quarter ended December 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael S. Steiner, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 12, 2008

/s/ Michael S. Steiner
Michael S. Steiner
Principal Executive Officer

**EXHIBIT 32.02**

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of DRYCLEAN USA, Inc. (the "Company") on Form 10-QSB for the quarter ended December 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Venerando J. Indelicato, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 12, 2008

/s/ Venerando J. Indelicato

Venerando J. Indelicato
Principal Financial Officer