

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**  
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### FILER

#### **KB F POLLUTION MANAGEMENT INC**

CIK: **810162** | IRS No.: **112687588** | State of Incorporation: **NY** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **033-20954-NY** | Film No.: **96663272**  
SIC: **4950** Sanitary services

Mailing Address  
*1110-A FARMINGDALE RD  
NORTH LINDENHURST NY  
11757-1024*

Business Address  
*1110-A FARMINGDALE ROAD  
NORTH LINDENHURST NY  
11757  
5162250007*

FORM 10-Q  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For Qtr. Ended

September 30, 1996

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.)

1110 FARMINGDALE ROAD NORTH LINDENHURST NEW YORK 11757  
(Address of principal executive offices)

(516) 225-0007  
(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 September 30, 1996:

Common stock, \$.00001 par value - 43,405,546 shares outstanding.

KBF POLLUTION MANAGEMENT, INC.  
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KBF POLLUTION MANAGEMENT, INC.  
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BALANCE SHEET  
ASSETS

	9/30/96	12/31/95
	-----	-----
	Unaudited	Audited
	-----	-----
CURRENT ASSETS:		
Cash	\$ 15,386	\$ 11,025
Cash - Restricted	27,500	27,500
Trade Accounts Receivable (Net of allowance for doubtful accounts of \$31,567 & \$26,657)	284,106	186,648
Other Receivables	30,000	0
Inventories	16,773	13,369
Prepaid Expendable Supplies	18,993	18,993
Other Prepaid Expenses	16,284	29,697
	-----	-----
Total Current Assets	409,042	287,232
FIXED ASSETS:		
Property, Equipment & Improvements (Net of Accumulated Depreciation & Amortization of \$1,413,031 & \$1,248,829)	1,073,537	1,205,621
Leased Property under Capital Leases (Amortization of \$417,533 & \$369,881)	114,345	175,968

Non Expendable Stock, Parts & Drums	139,368	139,368
	-----	-----
Total Fixed Assets, Net	1,327,250	1,520,957
OTHER ASSETS:		
Cash Surrender Value - OLI	0	8,957
Security Deposits	7,906	9,381
Patent (Net of Accumulated Amortization of \$9,669 & \$8,772)	21,867	22,764
Capitalized Permit Costs	95,580	91,655
	-----	-----
Total Other Assets	125,353	132,757
	-----	-----
TOTAL ASSETS	\$1,861,645	\$1,940,946
	=====	=====

See accompanying notes to financial statements.

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KBF POLLUTION MANAGEMENT, INC.

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SEPTEMBER 30, 1996

BALANCE SHEET

LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)

	9/30/96	12/31/95
	-----	-----
	Unaudited	Audited
	-----	-----
CURRENT LIABILITIES:		
Accounts Payable - Trade	\$ 386,071	\$ 335,419
Accrued Expenses	68,232	76,062
Taxes Withheld & Accrued	16,878	13,259
Current Portion of Long - Term Debt	66,637	21,637
Current Portion of Capital Lease Obligations	78,170	70,736
	-----	-----
Total Current Liabilities	615,988	517,113
LONG-TERM LIABILITIES:		
Long - Term Lease Obligations	243,074	290,157
	-----	-----
Total Long - Term Liabilities	243,074	290,157
STOCKHOLDERS' EQUITY (DEFICIT) :		
Com. Stock par value .00001 per sh		

Authorized - 500,000,000 shares		
Issued & Outstanding		
September 30, 1996 - 43,405,546	434	423
Dec. 31, 1995 - 42,216,213		
Capital in Excess of Par Value	4,332,734	4,201,061
Retained Earnings (Deficit)	(3,330,585)	(3,067,808)
	-----	-----
Total Stockholders' Equity (Deficit)	1,002,583	1,133,676
	-----	-----
TOTAL LIABILITIES		
& STOCKHOLDERS' EQUITY (DEFICIT)	\$ 1,861,645	\$ 1,940,946
	=====	=====

See accompanying notes to financial statements.

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KBF POLLUTION MANAGEMENT, INC.  
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STATEMENT OF INCOME  
(Unaudited)

	NINE MONTHS ENDED	
	9/30/96	9/30/95
	-----	-----
REVENUES	\$ 1,453,899	\$ 1,393,392
LESS: Cost of Operations	1,031,909	1,025,251
	-----	-----
Gross Profit	421,990	368,141
LESS: General & Admin. Expenses	667,613	594,613
Advertising	5,769	7,694
	-----	-----
Operating Income (Loss)	(251,392)	(234,166)
OTHER INCOME (EXPENSES):		
Interest Income	786	797
Other Income	0	37,392
Interest Expense	(9,566)	(41,651)
Income Tax Provision	(2,608)	(2,002)
	-----	-----
NET INCOME (LOSS)	\$ (262,780)	\$ (239,630)
	=====	=====
Number of Shares Outstanding	43,405,546	41,816,213
Earnings Per Share from Operations	\$ (.0058)	\$ (.0056)
	=====	=====
Earnings Per Share - Net Income (Loss)	\$ (.0060)	\$ (.0057)

See accompanying notes to financial statements.

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KBF POLLUTION MANAGEMENT, INC.  
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STATEMENT OF INCOME  
(Unaudited)

	THREE MONTHS ENDED	
	9/30/96	9/30/95
	-----	-----
REVENUES	\$ 523,421	\$ 477,897
LESS: Cost of Operations	365,090	365,804
	-----	-----
Gross Profit	158,331	112,093
LESS: General & Admin. Expenses	245,209	175,937
Advertising	3,346	1,991
	-----	-----
Operating Income (Loss)	(90,224)	(65,835)
OTHER INCOME (EXPENSES):		
Interest Income	291	270
Other Income	0	17,392
Interest Expense	(3,088)	(10,760)
Income Tax Provision	(600)	(737)
	-----	-----
NET INCOME (LOSS)	\$ (93,621)	\$ (59,670)
	=====	=====
Number of Shares Outstanding	43,405,546	41,816,213
Earnings Per Share from Operations	\$ (.0020)	\$ (.0016)
	=====	=====
Earnings Per Share - Net Income (Loss)	\$ (.0022)	\$ (.0014)
	=====	=====

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KBF POLLUTION MANAGEMENT, INC.  
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STATEMENT OF CASH FLOWS  
(Unaudited)

	NINE MONTHS ENDED	
	9/30/96	9/30/95
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 1,351,532	\$ 1,339,448
Cash Paid to Suppliers & Employees	(1,320,133)	(1,347,041)
Interest & Dividends Received	786	797
Interest Paid	(8,151)	(37,286)
Income Taxes Paid	(3,595)	(4,215)
	-----	-----
Net Cash Provided (Used) by Operating Activities	20,439	(48,297)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Purchases of Equipment	(18,148)	(9,254)
Cash Purchases of Intangible & Other Assets	(3,925)	0
Cash Provided by Sale of Assets	0	8,033
Cash Provided by Surrender of Life Insurance	8,957	0
	-----	-----
Net Cash Provided (Used) in Investing Activities	(13,116)	(1,221)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Sale of Stock & Warrants	27,000	125,485
Proceeds from Debt	45,000	0
Payment of Underwriting Costs	(35,315)	0
Repayment of Long-Term Debt & Capital Lease Obligations	(39,647)	(79,152)
	-----	-----
Net Cash Provided (Used) by Financing Activities	(2,962)	46,333
	-----	-----
NET INCREASE (DECREASE) IN CASH	4,361	(3,185)
CASH at Beginning of Period	11,025	39,418
	-----	-----
CASH at End of Period	\$ 15,386	\$ 36,233
	=====	=====

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KBF POLLUTION MANAGEMENT, INC.  
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STATEMENT OF CASH FLOWS  
(Unaudited)

	NINE MONTHS ENDED	
	9/30/96	9/30/95
	-----	-----
RECONCILIATION OF NET INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
NET INCOME (LOSS)	\$ (262,780)	\$ (239,630)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	211,855	222,997
Amortization	897	897
Consulting & Professional Fees Paid in Stock	140,000	(31,392)
Gain on Sale of Asset	0	(6,000)
Bad Debts	4,910	5,394
(Increase) Decrease in:		
Trade Accounts Receivable	(102,368)	(53,944)
Inventories	(3,404)	3,906
Prepaid Expenses & Deposits	14,888	33,187
Other Receivables	(30,000)	0
Increase (Decrease) in:		
Accounts Payable	50,652	41,074
Withholding Taxes Payable	3,619	549
Accrued Expenses	(7,830)	(25,335)
	-----	-----
	\$ 20,439	\$ (48,297)
	=====	=====

Supplemental schedule of non-cash investing and financing activities:

Capital lease obligations incurred for the lease of equipment	\$ 0	\$ 484,945
	=====	=====
Common Stock issued for the repayment of principal and interest on loan	\$ 0	\$ 136,788
	=====	=====
Common Stock issued for payment to vendors	\$ 140,000	\$ (31,392)
	=====	=====

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KBF POLLUTION MANAGEMENT, INC.  
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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 Article 10 of Regulation S-X. 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, 1996 are not necessarily indicative of the results that may be expected for the year ended December 31, 1996. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1995.

NOTE 2 - INVENTORIES

Inventories are comprised of the following major categories:

	9/30/96	12/31/95
	-----	-----
Shipping Supplies	\$ 7,761	\$ 4,770
Reagents	9,012	8,599
	-----	-----
	\$ 16,773	\$ 13,369
	=====	=====

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KBF POLLUTION MANAGEMENT, INC.  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATION

THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND NOTES SET FORTH ELSEWHERE IN THIS REPORT.

RESULTS OF OPERATIONS - NINE MONTHS ENDED SEPTEMBER 30, 1996  
AS COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 1995

Total revenues for the nine months ended September 30, 1996 increased to \$1,453,899 as compared to \$1,393,392 for the same period in 1995, an increase of 5%. The Company attributes such increase in revenues to the increased customer base utilizing the Company's services.

Cost of sales for the nine months ended September 30, 1996 decreased to 71% of revenues from 73% of revenues for the same period in 1995. Such decreases are due to changes in the mix and constitution of the waste streams treated by the Company and the related costs of their treatment. The decrease is also reflective of management's aggressive cost reduction plans.

General and administrative expenses increased by 12% to \$667,613 for the nine months ended September 30, 1996 from \$594,613 for 1995. This increase is primarily due to an increase in the Company's sales and management personnel.

In June 1995, the Company filed for its patent on the "Selective Separation Technology" which is used in the resource recovery of waste streams. This patent is currently pending.

The Company incurred a net loss of -\$262,780 for the first nine months of 1996, a 9% increase from the net loss of -\$239,630 for the same period in 1995, due to the increase in sales and management personnel mentioned above.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company believes that current operations will provide adequate cash flow to meet current obligations. Previous types of financing and capital resources are defined as follows:

In order to finance the costs incurred as the Company prepared for the issuance of the 373(b) storage permit (required to store additional waste streams), the Company initiated a private placement of 5,600,000 shares of common stock in May 1994, for an aggregate purchase price of \$700,000, with a par value of \$.00001 at \$.125 per share. Attached to each of these units is one redeemable Class A warrant. Each Class A warrant entitles the holder to purchase one share of common stock and one redeemable Class B warrant during the one year period, commencing with the offering date, with an exercise price of \$.125. Each Class B warrant entitles the holder to purchase one share of common stock during the two year period commencing with the offering date, at a price of \$.18. This offering is closed. As of September 30, 1996 \$107,000 was raised in conjunction with the Class A warrants.

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KBF POLLUTION MANAGEMENT, INC.  
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#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

RESULTS OF OPERATIONS - THREE MONTHS ENDED SEPTEMBER 30, 1996  
AS COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 1995

Total revenues for the three months ended September 30, increased to \$523,421 as compared to \$477,897 for the same period in 1995, an increase of 9%. The Company attributes such an increase in revenues due to the increased customer base utilizing the Company's services. customers must exist.

Cost of sales for the three months ended September 30, 1996 decreased to 69% of revenues from 76% of revenues for the same period in 1995. Such decreases are due to the changes in the mix and constitution of the waste streams treated by the Company and the related costs of their treatment. Along with this change, the decrease is also reflective of management's aggressive cost reduction plan.

General and administrative expenses increased by 39% to \$ 245,209 for the three months ended September 30, 1996 from \$175,937 for 1995. This change is primarily due to the increase in the Company's sales and management personnel.

The Company incurred a net loss of -\$93,621 for the third quarter of 1996, a 56% increase from the net loss of -\$59,670 for the same period in 1995, due to the increase in costs mentioned above.

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KBF POLLUTION MANAGEMENT, INC.  
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PART II - OTHER INFORMATION

Item VI - Exhibits and Reports on Form 8-K

Exhibits No. -----	Description -----
27	Financial Data Schedule

Reports on Form 8-K for the nine months ended September 30, 1996, 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: Nov. 7, 1996

/s/ LARRY KREISLER

-----  
LARRY KREISLER - PRESIDENT

Dated: Nov. 7, 1996

/s/ KATHI KREISLER

-----  
KATHI KREISLER SECRETARY/



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This schedule contains summary financial information extracted from the unaudited financial statements dated September 30, 1996 and is qualified in its entirety by reference to such financial statements.

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