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ARBOR ENTECH CORP
Form 10QSB/A
December 17, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-QSB/A

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the period ended: October 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 0-30432

ARBOR ENTECH CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

22-2335094

(State or other jurisdiction of (I.R.S. Employer Identification Number)
incorporation or organization)

Route 349, RD 1, Box 1076, Little Marsh, PA

16931

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, including Area Code: (570) 376-2217

(Former name, former address and former fiscal year, if changed since last
report)

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.

X Yes No

Indicate the number of shares outstanding of each of the issuer's classes of
common equity as of the latest practicable date.

Class	Outstanding at January 31, 2002
-----	-----
Common Stock, par value \$.001 per share	7,050,540

\$708,624

=====

The accompanying notes are an integral part of the financial statements.

ARBOR ENTECH CORPORATION
STATEMENT OF OPERATIONS
(Unaudited)

	THREE MONTHS ENDED OCTOBER 31,		SIX MONTHS ENDED OCTOBER 31,	
	2002	2001	2002	2001
Net Sales	\$ 121,980	\$ 461,929	\$ 369,457	\$ 590,000
Costs and Expenses:				
Cost of Sales	73,188	230,733	221,674	290,000
Selling, General and Administrative Expenses	134,544	174,574	241,826	330,000
	207,732	405,307	463,500	620,000
Operating Income (Loss)	(85,752)	56,622	(94,043)	(30,000)
Other Income (Expense):				
Interest Income	405	1,124	852	1,124
Other	--	4,882	--	--
Total Other Income	405	6,006	852	1,124
Income (Loss) before Provision for Income Taxes	(85,347)	62,628	(93,191)	(28,876)
Provision for Income Taxes	--	4,600	--	--
Net Income (Loss)	\$ (85,347)	\$ 58,028	\$ (93,191)	\$ (27,752)
Earnings Per Common Share - Basic	\$ (.01)	\$.01	\$ (.01)	\$ (.01)
Weighted Average Shares Outstanding	7,050,540	7,050,540	7,050,540	7,050,540

The accompanying notes are an integral part of the financial statements.

ARBOR ENTECH CORPORATION
STATEMENT OF CASH FLOWS
(Unaudited)

	SIX MONTHS ENDED OCTOBER 31,	
	2002	2001
Cash Flows from Operating Activities:		
Net (Loss)	\$(93,191)	\$(30,531)
Adjustments to Reconcile Net (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	7,462	6,786
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	188,599	(151,348)
(Increase) Decrease in Inventories	(32,333)	(64,241)
(Increase) Decrease in Prepaid Expenses	(24,325)	10,883
(Decrease) in Accounts Payable	(24,314)	(31,011)
(Decrease) in Taxes Payable	(1,479)	(47,323)
Total Adjustments	113,610	(276,254)
Net Cash Provided (Used) by Operating Activities	20,419	(306,785)
Cash Flows from Investing Activities:	--	--
Cash Flows from Financing Activities:		
Capital Contributed	34,268	48,205
Loans to Related Parties - Net	(7,268)	(48,205)
Repayment of Loans to Related Parties	--	21,000

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Net Cash Provided by Financing Activities	27,000	21,000
	-----	-----
Increase (Decrease) in Cash and Cash Equivalents	47,419	(285,785)
Cash and Cash Equivalents - Beginning of Period	252,026	625,438
	-----	-----
Cash and Cash Equivalents - End of Period	\$299,445	\$339,653
	=====	=====
Supplemental Cash Flow Information:		
Cash Paid for Interest	\$ --	\$ --
	=====	=====
Cash Paid for Income Taxes	\$ 50,200	\$ 42,305
	=====	=====

The accompanying notes are an integral part of the financial statements.

ARBOR ENTECH CORPORATION
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2002
(Unaudited)

NOTE 1 - Unaudited Interim Financial Statements

In the opinion of the Company, the accompanying financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of operations and cash flows presented.

Results of operations for interim periods are not necessarily indicative of the results of operations for a full year.

NOTE 2 - Inventories

Inventories consist of the following:

Raw Materials	\$150,086
Finished Goods	26,486

	\$176,572
	=====

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NOTE 3 - Property, Plant and Equipment

Property, plant and equipment consists of the following:

Land	\$22,058
Building and Improvements	61,114
Machinery and Equipment	4,300
Computers	12,804
Automobiles and Trucks	39,782

	140,058
Less: Accumulated Depreciation	91,593

	\$48,465
	=====

The land and building are collateralized by a mortgage held by the Company's Secretary/Treasurer (see Note 6).

NOTE 4 - Notes Receivable - Related Parties

Notes receivable from related parties consists of amounts due from two affiliated companies. These loans are classified as a reduction of stockholders' equity. Although the loans bear interest such interest is not recorded as income for financial statement purposes but as additional contributed capital. In November 1999 the remaining two loans were memorialized into 10 year promissory notes bearing interest at 10% per annum, which was reduced to 7% per annum in October 2001.

ARBOR ENTECH CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 OCTOBER 31, 2002
 (Unaudited)

NOTE 4 - Notes Receivable - Related Parties (Continued)

The notes consist of the following:

Receivable from:	
Rushmore Financial Services, Inc. (a)	\$784,024
ATTAIN Technology, Inc.	
(F/K/A Double H Management Corp.) (b)	195,072

	979,096

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Accrued Interest	82,224

	\$1,061,320
	=====

- (a) A corporation wholly owned by Mr. Shefts and Mr. Houtkin.
- (b) A wholly owned subsidiary of Rushmore Financial Services, Inc.

NOTE 5 - Related Party Transactions

The Company incurred \$27,000 and \$21,000 in administrative fees to a Company owned by two of its significant stockholders for the six months ended October 31, 2002 and 2001 respectively.

NOTE 6 - Commitments and Contingencies

Line of Credit

The Company has a revolving credit facility with its Secretary/Treasurer, secured by a mortgage of the Company's real property located in Tioga County, Pennsylvania. This revolving line of credit provides for the extension of credit in the aggregate principal amount of \$100,000 with interest at 11% per annum. Principal and interest are payable on demand. There was no balance due at October 31, 2002 on this credit facility.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

The statements contained in this report which are not historical fact are "forward-looking statements" that involve various important assumptions, risks, uncertainties and other factors which could cause the Company's actual results for 2002 and beyond to differ materially from those expressed in such forward-looking statements. These important factors include, without limitation, competitive factors and pricing pressures, changes in legal and regulatory requirements, technological change or difficulties, product development risks, commercialization and trade difficulties and general economic conditions, as well as other risks previously disclosed in the Company's securities filings and press releases.

General

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We are a wood products company which has been in business since 1980. Our business has increased over the years. We are almost wholly dependent on sales to Home Depot.

Results of operations

QUARTER ENDED OCTOBER 31, 2002 COMPARED TO THE QUARTER ENDED OCTOBER 31, 2001.

Net sales for the quarter ended October 31, 2002 were approximately \$122,000, a decrease of \$340,000 or 74% as compared to net sales of approximately \$462,000 for the quarter ended October 31, 2001. Net sales decreased primarily due to less orders from Home Depot.

Cost of sales were approximately \$73,000 for the quarter ended October 31, 2002, a decrease of approximately \$158,000 or 68% over the comparable 2001 period cost of sales of approximately \$231,000. Cost of sales as a percentage of net sales was approximately 60% for the quarter ended October 31, 2002 compared to approximately 50% for the quarter ended October 31, 2001. This increase is primarily attributable to an increase in product costs during the current quarter that was not passed on to Home Depot.

Selling, general and administrative expenses were approximately \$135,000 for the quarter ended October 31, 2002, a decrease of approximately \$40,000 or 23% over selling, general and administrative expenses of approximately \$175,000 for the quarter ended October 31, 2001. This decrease was due primarily to a decrease in salaries and related costs of approximately \$30,000 along with reductions in other general expenses.

Interest income for the quarter ended October 31, 2002 was approximately \$400 compared to \$1,100 for the quarter ended October 31, 2001. The decrease in interest income is primarily attributable to lower average money market account balances in the current quarter coupled with lower interest rates.

Arbor's net loss was approximately \$85,000 for the quarter ended October 31, 2002 compared to net income of approximately \$58,000 for the quarter ended October 31, 2001.

SIX MONTHS ENDED OCTOBER 31, 2002 COMPARED TO THE SIX MONTHS ENDED OCTOBER 31, 2001.

Net sales for the six months ended October 31, 2002 were approximately \$369,000, a decrease of \$225,000 or 38% as compared to net sales of approximately \$594,000 for the six months ended October 31, 2001. Net sales decreased primarily due to less orders from Home Depot.

Cost of sales were approximately \$222,000 for the six months ended October 31, 2002, a decrease of approximately \$76,000 or 26% over the comparable 2001 period cost of sales of approximately \$298,000. Cost of sales as a percentage of net sales was approximately 60% for the six months ended October 31, 2002 compared to approximately 50% for the six months ended October 31, 2001. This increase is primarily attributable to an increase in product costs during the period that was not passed on to Home Depot.

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Selling, general and administrative expenses were approximately \$242,000 for the six months ended October 31, 2002, a decrease of approximately \$90,000 or 27% over selling, general and administrative expenses of approximately \$332,000 for the six months ended October 31, 2001. This decrease was due primarily to a decrease in salaries and related costs of approximately \$72,000 along with reductions in other general expenses.

Interest income for the six months ended October 31, 2002 was approximately \$900 compared to interest income of \$4,400 for the six months ended October 31, 2001. This decrease in interest income is primarily attributable to lower average money market account balances in the current period coupled with lower interest rates.

Arbor's net loss increased from approximately \$31,000 for the six months ended October 31, 2001 to approximately \$93,000 for the six months ended October 31, 2002. This was an increase of approximately \$62,000, or 200%.

Liquidity and capital resources

In the periods discussed above, Arbor's working capital requirements have been met primarily from sales of its wood products. At October 31, 2002 we had working capital of approximately \$627,000.

As at October 31, 2002, we had cash and cash equivalents of approximately \$299,000, which represented 42% of total assets. Arbor believes it has adequate working capital and will generate net revenues adequate to fund its operations for at least the next 12 months.

Net cash provided by operating activities was approximately \$20,000 for the six months ended October 31, 2002, as compared to net cash used in operating activities of approximately \$307,000 for the six months ended October 31, 2001. This increase of approximately \$327,000 is primarily attributable to the increase of net loss of approximately \$62,000 offset by a net change in operating assets and liabilities of approximately \$390,000.

Net cash provided by financing activities increased by approximately \$6,000, primarily attributable to net capital contributed in connection with related party loans.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's loans to third parties are at a fixed rate of interest. The Company has no loans outstanding.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures:

Within 90 days before filing this Report on Form 10-QSB/A, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was carried out by the Company under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the date of their evaluation, the Company's disclosure controls

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and procedures (i) are effective in timely alerting them to material information relating to the Company required to be included in the Company's periodic SEC filings and (ii) have been designed and are being operated in a manner that provides reasonable assurance that the information required to be disclosed by the Company in reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

(b) Changes in Internal Controls:

Subsequent to the date the Company carried out its evaluation, there have been no significant changes in the Company's internal controls or in other factors which could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) None
- (b) None

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.

ARBOR ENTECH CORPORATION
Registrant

By: s/Harvey Houtkin
President

By: s/Mark Shefts
Mark Shefts
Chief Financial Officer

Dated: December 16, 2002

Certification of Chief Executive Officer
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 on Form 10-QSB of Arbor EnTech Corporation (the "Company") for the quarterly period ended October 31, 2002, as filed with the Securities and Exchange Commission (the "Commission") on the date hereof (the "Report"), as amended by this Report on Form 10-QSB/A as filed with the Commission on the date hereof (the "Amended Report"), Harvey Houtkin, as Chairman and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Amended Report for the quarterly period ended October 31, 2002, fully complies with the requirements of Section 13(a) or 15(d) of the Securities

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Exchange Act of 1934, as amended; and

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

December 16, 2002

/s/ HARVEY HOUTKIN

Harvey Houtkin
Chief Executive Officer

Certification of Chief Financial Officer
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 on Form 10-QSB of Arbor EnTech Corporation (the "Company") for the quarterly period ended October 31, 2002, as filed with the Securities and Exchange Commission (the "Commission") on the date hereof (the "Report"), as amended by this Report on Form 10-QSB/A as filed with the Commission on the date hereof (the "Amended Report"), Mark Shefts, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Amended Report for the quarterly period ended October 31, 2002, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

December 16, 2002

/s/ MARK SHEFTS

Mark Shefts
Chief Financial Officer

Certification of Chief Executive Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-QSB/A of Arbor EnTech Corporation (the "Company") for the quarterly period ended October 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Harvey Houtkin, Chairman and Chief Executive Officer of the Company, hereby certify that:

(1) I, Harvey Houtkin, have reviewed this quarterly report on Form 10-QSB/A of Arbor EnTech Corporation;

(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;

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(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 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

- (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.

December 16, 2002

/s/ Harvey Houtkin

Harvey Houtkin
Chief Executive Officer

Certification of Chief Financial Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

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In connection with the Quarterly Report on Form 10-QSB/A of Arbor EnTech Corporation (the "Company") for the quarterly period ended October 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Shefts, Chief Financial Officer of the Company, hereby certify that:

(1) I, Mark Shefts, have reviewed this quarterly report on Form 10-QSB/A of Arbor EnTech Corporation;

(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 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
- (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

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material weaknesses.

December 16, 2002

/s/ Mark Shefts

Mark Shefts
Chief Financial Officer