

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP/NY  
Form 10QSB  
October 17, 2002

U.S. Securities and Exchange Commission

Washington D.C. 20549

Form 10-QSB

(Mark one)

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

For the quarterly period ended March 31, 2002

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: 000-28679

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(Name of Small Business Issuer in Its Charter)

Delaware	Applied For
(State or Other Jurisdiction of	(IRS Employer
Incorporation or Organization)	Identification No.)

TNO Environmental Technology Valley  
Laan van Westenenk 501  
7334 DT Apeldoorn, The Netherlands  
(Address of Principal Executive Offices)

011 31 55 534 7040  
(Company's Telephone Number, Including Area Code)

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE  
PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be  
filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of  
securities under a plan confirmed by a court. Yes [ ] No [X]

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of  
common equity, as of the latest practicable date:

Common Stock - .0001 par value 7,320,055 issued

Series A Preferred - .0001 par value 535,985 issued

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [X]

<page> 1

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

Form 10-QSB

For the quarterly period ended March 31, 2002

TABLE OF CONTENTS

	PAGE
Part I - FINANCIAL INFORMATION	3
Item 1 - Financial Statements	3
Accountant's Review Report	5

Balance Sheet.....6

Statements of Operation.....7

Statement of Shareholders' Equity 8

Statements of Cash Flow.....12

Notes to Financial Statements.....14

Item 2 - Management's Discussion and Analysis of Financial

Condition and Results of Operations.....27

PART II OTHER INFORMATION.....29

SIGNATURES.....30

<page> 2

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

Form 10-QSB

For the quarterly period ended March 31, 2002

PART I - FINANCIAL INFORMATION

Item I - Financial Statements

The Board of Directors of Management of Environmental Solutions and Technology Corp. (MEST) as currently constituted, serves as the committee which performs and functions as the audit committee on behalf of the Company. The Company has provided interim financial statements prepared by the Company's accountants, Arentshals Grant Thornton, which have been reviewed by the Company's independent public accountant utilizing Professional Standards of Procedures for conducting such reviews in accordance with generally accepted auditing standards. Please refer to the interim financial statements provided in accordance with 17 CFR {section}228.310(b).

MANAGEMENT OF ENVIRONMENTAL  
SOLUTIONS & TECHNOLOGY CORP.  
(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2002

WILLIAMS & WEBSTER, P.S.

CERTIFIED PUBLIC ACCOUNTANTS

BANK OF AMERICA FINANCIAL CENTER

W 601 RIVERSIDE, SUITE 1940

SPOKANE, WA 99201

(509) 838-5111

<page> 3

---

MANAGEMENT OF ENVIRONMENTAL  
SOLUTIONS & TECHNOLOGY CORP.  
(A DEVELOPMENT STAGE COMPANY)

TABLE OF CONTENTS

ACCOUNTANT'S REVIEW REPORT 1

FINANCIAL STATEMENTS

Consolidated Balance Sheets 2

Consolidated Statements of Operations and Comprehensive Loss 3

Consolidated Statement of Stockholders' Equity 4



Consolidated Statements of Cash Flows

5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6

<page> 4

---

To the Board of Directors  
Management of Environmental  
Solutions & Technology Corp.  
Apeldoorn, The Netherlands

ACCOUNTANT'S REVIEW REPORT

We have reviewed the accompanying consolidated balance sheet of Management of Environmental Solutions & Technology Corp. (a development stage company) as of March 31, 2002 and the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for the three months ended March 31, 2002, for the three months ended March 31, 2001, and for the period from December 10, 1997 (inception) to March 31, 2002. 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 in accordance with auditing standards generally accepted in the United States of America, 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 in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended December 31, 2001 were audited by us and we expressed an unqualified opinion on them in our report dated August 29, 2002. We have not performed any auditing procedures since that date.

As discussed in Note 2, the Company has been in the development stage since its inception on December 10, 1997 and has had recurring losses and no revenues.

The Company's decision is to perfect its technological application before entering the market. Realization of a major portion of the assets is dependent upon the Company's ability to meet its future financing requirements and the success of future operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding those matters are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Williams & Webster, P.S.

Williams & Webster, P.S.

Certified Public Accountants

Spokane, Washington

August 30, 2002

<page> 5

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

## CONSOLIDATED BALANCE SHEET

March 31,  
 2002    December 31,  
 (Unaudited)    2001

-----

## ASSETS

## CURRENT ASSETS

Cash	\$ 13,383	\$ 203,652
Tax funds receivable	34,979	29,867
Receivables, related parties	172,952	-
Other receivables	437	5,126
Prepaid expenses	2,836	2,836

-----

Total Current Assets	224,587	241,481
----------------------	---------	---------

-----

PROPERTY AND EQUIPMENT (net of depreciation)	2,267	3,201
--	-------	-------

-----

TOTAL ASSETS	\$ 226,854	\$ 244,682
--------------	------------	------------

=====

## LIABILITIES AND STOCKHOLDERS' EQUITY

## CURRENT LIABILITIES

Accounts payable	\$ 65,471	\$ 38,979
------------------	-----------	-----------

Accrued expenses	8,183	6,988
Deferred costs	6,934	-
Bank over draft	-	6,708
	-----	-----
Total Current Liabilities	80,588	52,675
	-----	-----

Preferred stock - Series A;

\$0.0001 par value, 5,000,000 shares

authorized, 535,985 issued and

outstanding, aggregate liquidation

preference of \$2,143,940	53	53
---------------------------	----	----

Common stock; \$0.0001 par value,

30,000,000 shares authorized,

7,320,055 shares issued and outstanding	732	732
---	-----	-----

Additional paid-in capital	3,221,643	3,221,643
----------------------------	-----------	-----------

Stock options	3,000,568	3,000,568
---------------	-----------	-----------

Deficit accumulated during the development stage	(5,800,682)	(5,747,917)
--	-------------	-------------

Accumulated other comprehensive loss	(276,048)	(283,072)
--------------------------------------	-----------	-----------

	-----	-----
	146,266	192,007
	-----	-----

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 226,854	\$ 244,682
---	------------	------------

=====

See accompanying notes and accountants' review report.

<page> 6

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATION AND COMPREHENSIVE LOSS

Period from  
December 17,  
1997

Three Months Ended (Inception)

March 31, to

----- March 31,

2002 2001 2002

(Unaudited) (Unaudited) (Unaudited)

-----

REVENUES \$ - \$ - \$ -

-----

## OPERATING EXPENSES

General and administrative	74,730	3,341	4,420,195
----------------------------	--------	-------	-----------

Research and development	-	60,889	608,357
--------------------------	---	--------	---------

Depreciation	827	983	11,518
--------------	-----	-----	--------

-----

Total Operating Expenses	75,557	65,213	5,040,070
--------------------------	--------	--------	-----------

-----

LOSS FROM OPERATIONS	(75,557)	(65,213)	(5,040,070)
----------------------	----------	----------	-------------

## OTHER INCOME (EXPENSES)

Interest income	4,518	10,678	174,747
-----------------	-------	--------	---------

Net gain (loss) from joint venture	18,479	-	(932,622)
------------------------------------	--------	---	-----------

Interest expense	(205)	-	(2,737)
------------------	-------	---	---------

-----

Total Other Income (Expenses)	22,792	10,678	(760,612)
-------------------------------	--------	--------	-----------

-----

LOSS BEFORE INCOME TAXES	(52,765)	(54,535)	(5,800,682)
--------------------------	----------	----------	-------------

INCOME TAXES	-	-	-
--------------	---	---	---

-----

NET LOSS	(52,765)	(54,535)	(5,800,682)
----------	----------	----------	-------------

## OTHER COMPREHENSIVE INCOME (LOSS)

Foreign currency translation			
------------------------------	--	--	--



gain (loss)	7,024	(78,096)	(276,048)
-------------	-------	----------	-----------

-----

COMPREHENSIVE LOSS	\$ (45,741)	\$ (132,631)	\$(6,076,730)
--------------------	-------------	--------------	---------------

=====

LOSS PER COMMON SHARE,

BASIC AND DILUTED	\$ (0.01)	\$ (0.02)
-------------------	-----------	-----------

=====

WEIGHTED AVERAGE NUMBER OF  
COMMON SHARES OUTSTANDING,

BASIC AND DILUTED	7,324,055	7,320,055
-------------------	-----------	-----------

=====

See accompanying notes and accountants review report.

<page> 7

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

<TABLE>

<CAPTION>

Accumulated Accumulated

	Preferred Stock		Common Stock		Additional	Deficit	Other		
Total	-----		-----		-----	-----	-----	-----	-----
	Number of		Number of		Paid-in	Stock	Development	Comprehensive	
Stockholders'	Shares		Shares		Capital	Options	Stage	Income	
Equity	Amount	Amount	Amount	Amount	Capital	Options	Stage	(Loss)	
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----	-----	-----	-----	-----
<s>	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>
Inception,									
Dec. 10, 1997	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-
Issuance of common									
stock for cash on									
Dec. 11, 1997 for									
\$1.00 per share	-	-	5,000	1	5,009	-	-	-	5,010
Issuance of common									
stock to acquire									
STB corp. on Dec.									
26, 1997 at \$1.00									
per share	-	-	175	-	175	-	-	-	175
Net loss for year									
ended Dec. 31, 1997	-	-	-	-	-	-	(46,869)	-	(46,869)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Balance,									
Dec. 31, 1997	-	-	5,175	1	5,184	-	(46,869)	-	(41,684)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----	-----	-----	-----	-----

Issuance of common

stock as follows:

For cash on March

10, 1998 at \$.017

per share	-	-	5,394,880	539	899,911	-	-	-	900,450
-----------	---	---	-----------	-----	---------	---	---	---	---------

To acquire

subsidiary on

April 9, 1998 at

\$0.01 per share	-	-	1,920,000	192	19,808	-	-	-	20,000
------------------	---	---	-----------	-----	--------	---	---	---	--------

Issuance of

preferred stock

for cash:

December 1998 at

\$3.73 per share	23,900	2	-	-	89,246	-	-	-	89,248
------------------	--------	---	---	---	--------	---	---	---	--------

Issuance of stock

options for

compensation on

Aug. 31, 1998 at

\$2.62 per option	-	-	-	-	-	865,938	-	-	865,938
-------------------	---	---	---	---	---	---------	---	---	---------

Net loss for year

ended Dec. 31, 1998 (1,278,364)	-	-	-	-	-	-	(1,263,080)	15,284	
------------------------------------	---	---	---	---	---	---	-------------	--------	--

-----

Balance,

Dec. 31, 1998	23,900	2	7,320,055	732	1,014,149	865,938	(1,325,233)		
15,284	570,872								

</table>

See accompanying notes and accountants' review report.

<page> 8

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>

<CAPTION>

	Preferred Stock		Common Stock		Accumulated		Accumulated	
					Additional	During	Other	
Total	-----		-----					
Stockholders' Equity	Number of Shares	Amount	Number of Shares	Amount	Paid-in Capital	Stock Options	Development Stage	Income (Loss)
	-----	-----	-----	-----	-----	-----	-----	-----
	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>

Balance carry-forward

Edgar Filing: MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP/NY - Form 10QSB

Dec. 31, 1998	23,900	2	7,320,055	732	1,014,149	865,938	(1,325,233)
15,284	570,872						

-----  
-----  
Issuance of

preferred stock

for cash:

Jan. 1999 at

\$3.92 per share	23,350	2	-	-	91,644	-	-	-	91,646
------------------	--------	---	---	---	--------	---	---	---	--------

Feb. 1999 at

\$3.96 per share	48,050	4	-	-	190,196	-	-	-	190,200
------------------	--------	---	---	---	---------	---	---	---	---------

Mar. 1999 at

\$3.90 per share	10,300	1	-	-	40,199	-	-	-	40,200
------------------	--------	---	---	---	--------	---	---	---	--------

April 1999 at

\$4.00 per share	11,300	1	-	-	45,199	-	-	-	45,200
------------------	--------	---	---	---	--------	---	---	---	--------

May 1999 at

\$3.85 per share	12,640	1	-	-	48,684	-	-	-	48,685
------------------	--------	---	---	---	--------	---	---	---	--------

June 1999 at

\$4.01 per share	82,900	8	-	-	332,237	-	-	-	332,245
------------------	--------	---	---	---	---------	---	---	---	---------

July 1999 at

\$4.00 per share	88,700	9	-	-	354,941	-	-	-	354,950
------------------	--------	---	---	---	---------	---	---	---	---------

Aug. 1999 at

\$4.02 per share	25,770	3	-	-	103,494	-	-	-	103,497
------------------	--------	---	---	---	---------	---	---	---	---------

Sept. 1999 at

\$3.43 per share	26,500	3	-	-	90,997	-	-	-	91,000
------------------	--------	---	---	---	--------	---	---	---	--------

Oct. 1999 at

\$4.22 per share	6,200	1	-	-	26,174	-	-	-	26,175
------------------	-------	---	---	---	--------	---	---	---	--------

Nov. 1999 at								
\$4.05 per share	40,725	4	-	-	165,086	-	-	165,090
Dec. 1999 at								
\$4.14 per share	27,150	3	-	-	112,517	-	-	112,520
-----								
-----								
Total preferred								
stock issued 1999	403,585	40	-	-	1,601,368	-	-	-
1,601,408								
Issuance of stock								
options for								
compensation on								
Aug. 31, 1999 at								
\$3.59 per share	-	-	-	-	717,900	-	-	717,900
Net loss for year								
ended Dec. 31, 1999	-	-	-	-	-	-	(1,810,142)	(100,988)
(1,911,130)								
-----								
-----								
Balance,								
Dec. 31, 1999	427,485	42	7,320,055	732	2,615,517	1,583,838	(3,135,375)	
(85,704)	979,050							
-----								
-----								

</table>

See accompanying notes and accountants' review report.

<page> 9

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>

<CAPTION>

Total	Preferred Stock		Common Stock		Accumulated		Accumulated		
	Number of Stockholders' Shares	Amount	Number of Shares	Amount	Paid-in Capital	Stock Options	Deficit During Development Stage	Other Comprehensive Income (Loss)	
Balance carry-forward									
Dec. 31, 1999	427,485		42	7,320,055	732	2,615,517	1,583,838	(3,135,375)	
	(85,704)	979,050							
Issuance of preferred stock for cash:									
Jan. 2000 at \$4.08 per share									
	8,300		1	-	-	33,891	-	-	33,892
Feb. 2000 at									

Edgar Filing: MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP/NY - Form 10QSB

\$4.34 per share	23,750	2	-	-	103,054	-	-	-	103,056
Mar. 2000 at									
\$4.37 per share	4,500	1	-	-	19,645	-	-	-	19,646
April 2000 at									
\$4.16 per share	61,700	5	-	-	256,425	-	-	-	256,430
May 2000 at									
\$4.30 per share	5,250	1	-	-	22,598	-	-	-	22,599
June 2000 at									
\$4.19 per share	5,000	1	-	-	20,958	-	-	-	20,959
-----									
-----									
Total preferred									
stock issued: 2000	108,500	11	-	-	456,571	-	-	-	
456,582									
Issuance of stock									
options for									
compensation on									
Aug. 31, 2000 at									
\$3.84 per share	-	-	-	-	-	767,900	-	-	767,900
Expiration of									
stock options on									
July 31, 2000	-	-	-	-	77,088	(77,088)	-	-	-
Net loss,									
Dec. 31, 2000	-	-	-	-	-	-	(1,395,315)	(97,293)	
(1,492,608)									
-----									
-----									

Balance,



Dec. 31, 2000	535,985	53	7,320,055	732	3,149,176	2,274,650	(4,530,690)
(182,997)	710,924						

</table>

See accompanying notes and accountants review report.

<page> 10

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

<TABLE>

<CAPTION>

		Accumulated	Accumulated
Preferred Stock	Common Stock	Deficit	Other

Total	Number of		Number of		Additional	Stock	Development	Comprehensive	
	Shares	Amount	Shares	Amount	Paid-in	Options	Stage	Income	
Equity					Capital			(Loss)	
-----									
<s>	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>	<c>
Balance carry-forward									
Dec. 31, 2000	535,985		53	7,320,055	732	3,149,176	2,274,650	(4,530,690)	
(182,997)	710,924								
-----									
Forgiveness of									
debt by officer	-	-	-	-	62,867	-	-	-	62,867
Issuance of common									
stock for cash at									
\$2.40 per share									
on Dec. 6, 2001,									
net of \$2,400									
financing cost	-	-	4,000	-	9,600	-	-	-	9,600
Issuance of stock									
options for									
compensation on									
Dec. 31, 2001 at									
\$3.63 per option	-	-	-	-	-	725,918	-	-	725,918
Net loss for year									

ended Dec. 31, 2001	-	-	-	-	-	-	(1,217,227)	(100,075)
(1,317,302)								

Balance,

Dec. 31, 2001	535,985	53	7,324,055	732	3,221,643	3,000,568	(5,747,917)
(283,072)	192,007						

Net loss for

period ended

March 31, 2002	-	-	-	-	-	(52,765)	7,024	(45,741)
----------------	---	---	---	---	---	----------	-------	----------

Balance,

March 31, 2002

(Unaudited)	535,985	\$	53	7,324,055	\$	732	\$	3,221,643	\$	3,000,568	\$	(5,800,682)	\$
(276,048)	\$	146,266											

</table>



Options granted as compensation	-	-	3,077,656
(Increase) decrease in assets:			
Tax funds receivable	(5,112)	23,875	(34,979)
Other receivables	4,689	(1,988)	(437)
Prepaid expenses	-	19,274	(2,836)
Increase (decrease) in liabilities:			
Accrued liabilities	1,195	2,091	8,183
Accounts payable	26,492	7,233	60,286
Deferred cost	6,934	-	6,934
-----			
Net cash used in operating activities	(17,740)	(3,067)	(2,674,357)
-----			
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	-	-	(13,893)
Loans to shareholders	(172,952)	-	(1,106,255)
Payments on loans to shareholders	-	15,105	887,080
-----			
Net cash provided (used) by investing activities	(172,952)	15,105	(233,068)
-----			
CASH FLOWS FROM FINANCING ACTIVITIES:			
Overdrafts payable	(6,708)	-	-
Proceeds from related party loans	-	-	145,391

Payments on related party loans	-	-	(10,390)
Proceeds from sales of common stock	-	-	915,060
Proceeds from sales of preferred stock	-	-	2,147,238
Cash acquired with subsidiary	-	-	20,000
-----			
Net cash provided by (used in) financing activities	(6,708)	-	3,217,299
-----			
Foreign currency translation gain (loss)	7,131	(78,096)	(301,491)
Net increase (decrease) in cash	(190,269)	(66,058)	8,383
-----			
Cash, beginning of period	203,652	666,746	5,000
-----			
Cash, end of period	\$ 13,383	\$ 600,688	\$ 13,383
=====			

</table>

See accompanying notes and accountants review report.

<page> 12

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(A Development Stage Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>

<CAPTION>

Period from  
December 17,  
1997

Three Months Ended	(Inception)	
March 31,	to	
-----	March 31,	
2002	2001	2002
(Unaudited)	(Unaudited)	(Unaudited)
-----	-----	-----

<S>	<C>	<C>	<C>
-----	-----	-----	-----

SUPPLEMENTAL CASH FLOW DISCLOSURES:

Interest paid	\$	395	\$	-	\$	2,732
Income taxes paid	\$	-	\$	-	\$	-

NON-CASH INVESTING AND FINANCING

TRANSACTIONS:

Stock options granted for compensation	\$	-	\$	-	\$	3,077,656
Stock issued for acquisitions	\$	-	\$	-	\$	20,175
Notes payable, related party netted						
with notes receivable related party	\$	-	\$	46,233	\$	46,233
Forgiveness of debt by officer	\$	-	\$	62,867	\$	62,867

</TABLE>





See accompanying notes and accountants' review report.

<page> 13

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS

& TECHNOLOGY CORP.

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2002

NOTE 1 - ORGANIZATION AND HISTORY

Management of Environmental Solutions & Technology Corp. was formed to develop a proprietary technology for drying and treating animal manure and sludge to be used as fertilizer. The "Company" ("MEST") was incorporated in Colorado on December 10, 1997, followed by reorganization as a Delaware corporation on December 18, 1997.

On December 26, 1997, the Company obtained all of the outstanding common stock of STB Corporation, a shell corporation domiciled in Colorado, by issuing 175

shares of the Company's common stock. Because STB Corporation had no assets or operations, the Company recorded the transaction at the initial deemed value of the stock conveyed (\$175), which was consistent with the deemed value of the Company's stock issued in its immediately precedent initial transaction. In the year subsequent to the acquisition, STB Corporation was administratively dissolved.

On April 9, 1998, the Company issued 1,920,000 shares of its common stock to its president in exchange for all of the issued and outstanding shares of MEST, B.V., a Netherlands corporation, owned by the Company's president. Although MEST, B.V. had no recorded assets at the time of the transaction, the Company recorded the acquisition at a nominal value of \$0.01 per share. The aggregate acquisition cost of \$20,000, originally assigned to intangible assets, was substantially written off by the end of 1998. Currently, MEST, B.V. is used to conduct the Company's business in the Netherlands. MEST, B.V. was acquired because it had certain data and technical information that the Company plans to use in its business.

The Netherlands Organization for Applied Scientific Research ("TNO"), staffed by 5,000 professionals, is one of Europe's leading contract research organizations. Using proprietary technology developed by TNO, the Company and TNO formed a corporation known as Manure and Sludge Technology, B.V. ("MSTec") for the purpose of developing a process for use on a commercial basis that would economically refine manure and sludge into pellets, which could be sold as organic fertilizer and other products. MSTec, a Netherlands corporation, is owned 50 percent by the Company and 50 percent by TNO.

The Company's year end is December 31.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

<page> 14

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS  
& TECHNOLOGY CORP.  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Method

The Company's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Development Stage Activities

The Company has been in the development stage since its formation in December of 1997, and has not yet realized any revenues from its planned operations. It is engaged in the business of manufacturing, distributing, and selling fertilizer products.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America, requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements.

Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### Fair Value of Financial Instruments

The carrying amounts for cash, accrued expenses and payables, and loans payable approximate their fair value. MEST's notes payable approximate the fair value of such instruments based upon management's best estimate of interest rates that would be available to MEST for a similar financial arrangement at March 31, 2002 and December 31, 2001.

#### Research and Development

Research and development expenses are charged to operations as incurred. The cost of intellectual property purchased from others that is immediately marketable or that has an alternative future use is capitalized as intangible assets. The Company periodically reviews its capitalized patent costs to assess recoverability based on the projected undiscounted cash flows from operations. Impairments are recognized in operating results when a permanent diminution in value occurs.

The Company constructed a testing facility during 1999 in Apeldoorn, The Netherlands at a cost of approximately \$450,000. These costs were expensed as research and development during the year ended December 31, 1999.

<page> 15

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS

& TECHNOLOGY CORP.

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB No. 133", and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", which is effective for the Company as of January 1, 2001. This standard establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the consolidated

balance sheets and measure those instruments at fair value.

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction.

For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

From November 1, 1999 to February 17, 2000, the Company entered into a small number of foreign currency purchases for cash management purposes. The results of these short-term transactions, which generated an aggregate loss of \$7,124 in 1999 and an aggregate gain of \$4,262 in 2000, are included in Other Comprehensive Income (Loss) as an element of foreign currency translation earnings. The Company engaged in no similar foreign currency purchases either prior to or subsequent to the aforementioned time frame.

#### Compensated Absences

Currently, the Company has no employees; therefore, no policy regarding compensated absences has been established. The Company will establish a policy to recognize the costs of compensated absences at the point in time that it has employees.

#### Advertising Expenses

Advertising expenses consist primarily of costs incurred in the design, development, and printing of Company literature and marketing materials. The Company expenses all advertising expenditures as incurred.

<page> 16

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS

& TECHNOLOGY CORP.

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provision for Taxes



Income taxes are provided based upon the liability method of accounting pursuant to SFAS No. 109 "Accounting for Income Taxes." Under this approach, deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the "more likely than not" standard imposed by SFAS No. 109 to allow recognition of such an asset.

At March 31, 2002, the Company had net deferred tax assets of approximately \$860,000, principally arising from net operating loss carryforwards for income tax purposes. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the net deferred tax asset, a valuation allowance equal to the net deferred tax asset has been established at March 31, 2002.

At March 31, 2002, the Company has net operating loss carryforwards of approximately \$5,800,000, which expire in the years 2017 through 2022. The Company recognized approximately \$3,000,000 of losses for the issuance of common stock options for services, which are not deductible for tax purposes, and are not included in the above calculation of deferred tax asset.

#### Loss Per Share

Basic loss per share was computed by dividing the net loss by the weighted

average number of shares outstanding during the year. The weighted average number of shares was calculated by taking the number of shares outstanding and weighting them by the amount of time they were outstanding. Outstanding options and convertible preferred stock were not included in the computation of diluted loss per share because the exercise price of the outstanding options is higher than the market price of the stock, thereby causing the options to be antidilutive.

### Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern.

As shown in the accompanying financial statements, the Company has no revenues, has incurred a net loss of \$52,765 for the three months ended March 31, 2002, has an accumulated deficit of \$5,800,682 and has had no sales. The future of the Company is dependent upon successful and profitable operations from manufacturing, distributing, and selling its fertilizer products. The financial statements do not include any adjustments related to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

<page> 17

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS

& TECHNOLOGY CORP.

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going Concern (continued)

Management has established plans designed to promote the sales of the Company's product. Management intends to seek additional capital from new equity securities offerings that will provide funds needed to increase liquidity, fund internal growth and fully implement its business plan.

Principles of Consolidation

The consolidated financial statements include the accounts of MEST and its wholly owned subsidiary, MEST, B.V. after elimination of intercompany accounts and transactions. Manure and Sludge Technology, B.V. ("MSTec"), a 50 percent owned corporation, is reflected in the financial statements on the equity method of accounting, and not included in the financial statements as an entity subject to consolidation.

### Accounting for Stock Options Granted to Employees and Nonemployees

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), defines a fair value-based method of accounting for stock options and other equity instruments. The Company has adopted this method, which measures compensation costs based on the estimated fair value of the award and recognizes that cost over the service period.

### Interim Financial Statements

The interim financial statements for the period ended March 31, 2002, included herein have not been audited, at the request of the Company. They reflect all adjustments, which are, in the opinion of management, necessary to present fairly the results of operations for the period. All such adjustments are normal recurring adjustments. The results of operations for the period presented is not necessarily indicative of the results to be expected for the full fiscal year.

### Impaired Asset Policy

In March 1995, the Financial Accounting Standards Board issued a statement, SFAS No. 121, titled "Accounting for Impairment of Long-lived Assets," which has been replaced by SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets." In complying with this standard, the Company reviews its long-lived assets quarterly to determine if any events or changes in circumstances have transpired which indicate that the carrying value of its

assets may not be recoverable. The Company determines impairment by comparing the undiscounted future cash flows estimated to be generated by its assets to their respective carrying amounts.

The Company does not believe any adjustments are needed to the carrying value of its assets at March 31, 2002.

<page> 18

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS

& TECHNOLOGY CORP.

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comprehensive Income

Effective January 1, 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income" (SFAS 130), which was issued in June 1997. SFAS 130 establishes rules for the reporting and display of comprehensive income and its

components. The effect of the adoption of SFAS 130 is reflected in the accompanying financial statements and included under the headings "Other Comprehensive Loss."

#### Foreign Currency Translation Gains/Losses

The Company has adopted Financial Accounting Standard No. 52. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at rates of exchange in effect at the balance sheet date. Gains or losses are included in income for the year, except gains or losses related to long-term debt which are deferred and amortized over the remaining term of the debt. Non-monetary assets, liabilities and items recorded in income arising from transactions denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction.

#### Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. See Note 4.

#### Concentration of Credit Risk

The Company maintains its cash in several Netherlands financial institutions. These financial institutions are considered credit worthy and have not experienced any losses on deposits at March 31, 2002. The funds are valued in

U.S. dollars and are fully insured.

#### Recent Accounting Pronouncements

In April 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections", which updates, clarifies and simplifies existing accounting pronouncements. FASB No. 4, which required all gains and losses from the extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related tax effect was rescinded, as a result, FASB 64, which amended FASB 4, was rescinded as it was no longer necessary. FASB 145 amended FASB 13 to eliminate an inconsistency between the required accounting for sale-leaseback transaction and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. Management has not yet determined the effects of adopting this Statement on the financial position or results of operations.

<page> 19

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS No. 144). SFAS 144 replaces SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This new standard establishes a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations. Statement 144 required that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. This statement is effective beginning for fiscal years after December 15, 2001, with earlier application encouraged. The Company adopted SFAS 144 and does not believe that the adoption will have a material impact on the financial statements of the Company at March 31, 2002.

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143). SFAS No. 143 establishes guidelines related to the retirement of tangible long-lived assets of the Company and the associated



retirement costs. This statement required that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived assets. This statement is effective for financial statements issued for the fiscal years beginning after June 15, 2002 and with earlier application encouraged. The Company adopted SFAS No. 143 and does not believe that the adoption will have a material impact on the financial statements of the Company at March 31, 2002.

In June 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 provides for the elimination of the pooling-of-interest method of accounting for business combinations with an acquisition date of July 1, 2001 or later. SFAS No. 142 prohibits the amortization of goodwill and other intangible assets with indefinite lives and requires periodic reassessment of the underlying value of such assets for impairment. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. An early adoption provision exists for companies with fiscal years beginning after March 15, 2001. The Company does not have assets with indeterminate lives.

<page> 20

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS  
& TECHNOLOGY CORP.  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

In September 2000, the FASB issued SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets with Extinguishment of Liabilities." This statement provides accounting and reporting standard for transfers and servicing of financial assets and extinguishment of liabilities and also provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. SFAS No. 140 is effective for recognition and reclassification of collateral and for

disclosures related to securitization transactions and collateral for fiscal years ending after December 15, 2000, and is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The Company believes that the adoptions of this standard will not have a material effect on the Company's results of operations or financial positions.

#### Reclassification

Certain amounts from prior periods have been reclassified to conform to the current period presentation. This reclassification has resulted in no changes to the Company's accumulated deficit or net losses presented.

#### NOTE 3 - RELATED PARTY TRANSACTIONS

The president of the Company conveyed all outstanding shares of MEST, B.V. to the Company in exchange for 1,920,000 shares of common stock of the Company during the year ended December 31, 1998.

In January 2002, the Company loaned \$200,000 to an officer. In April 2002, \$150,000 was repaid and the Company also received a mortgage on real estate as collateral for its loan.

#### NOTE 4 - PLANT, PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Major additions and improvements are capitalized. Minor replacements, maintenance and repairs that do not increase the useful lives of the assets are expensed as incurred. Depreciation of property and equipment is being calculated using the straight-line method over the expected useful lives of the assets. Depreciation expense for the periods ended March 31, 2002 and 2001 was \$827 and \$983, respectively.

<page> 21

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS

& TECHNOLOGY CORP.

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2002

NOTE 5 - PREFERRED STOCK

The Company is authorized to issue 5,000,000 shares of \$0.0001 par value preferred stock; 535,985 Series A preferred shares were issued and outstanding at March 31, 2002 and December 31, 2001. Each share of Series A preferred stock is entitled to a dividend at the rate of \$0.30 per share if the board of directors declares a dividend, although no dividends have been declared. Upon liquidation or dissolution of the Company, each outstanding share of Series A preferred stock is entitled to a distribution of \$4.00 per share prior to any distribution to common stock shareholders. Series A preferred stock is non-voting, and each share is convertible into one share of the Company's common stock at any time after June 1, 1999.

During the year ended December 31, 1998, the Company sold 23,900 shares of its preferred stock at an average price of \$3.73 per share. During the year ended December 31, 1999, the Company sold 403,585 shares of its preferred stock at an average price of \$3.93 per share. During the year ended December 31, 2000, the Company sold 108,500 shares of its preferred stock at an average price of \$4.21 per share.

NOTE 6 - COMMON STOCK

The Company is authorized to issue 30,000,000 shares of \$0.0001 par value common stock; 7,324,055 shares were issued and outstanding at March 31, 2002 and December 31, 2001. Each holder of common stock has one, non-cumulative

vote per share on all matters voted upon by the shareholders. There are no preemptive rights or other rights of subscription.

During the period ended December 31, 1997, the Company issued 5,000 shares of its common stock for cash at \$1.00 per share and 175 shares of its common stock valued at \$1.00 per share to acquire STB Corp. The stock was valued at its fair market value on the date of issuance.

During the year ended December 31, 1998, the Company sold 5,394,880 shares of its common stock for cash at \$0.17 per share and issued 1,920,000 shares of its common stock at \$0.01 per share to acquire a subsidiary. The stock was valued at the fair market value on the date of issuance.

During the year ended December 31, 2001, the Company sold 4,000 shares of its common stock for cash at \$3.00 per share.

<page> 22

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS

& TECHNOLOGY CORP.

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2002

NOTE 7 - JOINT VENTURE INVESTMENT IN MANURE AND SLUDGE TECHNOLOGY, B.V.

Manure and Sludge Technology, B.V. (hereinafter "MSTec") is a Netherlands corporation that was formed for the purpose of developing a process for use on a commercial basis that would economically dry and pasteurize manure and sludge into pellets that could be sold as organic fertilizer and other products.

Since its inception, MST has refined its technological process for use with other waste products such as bio-solids, fish and food waste, and paper pulp.

MEST owns 50 percent of the common stock of MSTec, and accounts for MSTec on the equity method. The other 50 percent of MSTec's common stock is owned by The Netherlands Organization for Applied Scientific Research ("TNO"), the largest single research facility in Europe employing over five thousand professionals.

MEST's investment in the joint venture is recorded as \$0 on MEST's balance sheet because MSTec's debt and losses exceeds MEST's share of investment in the joint venture. MEST's investment in the joint venture totaled \$816,000 at March 31, 2002 and December 31, 2001. In forming the joint venture of MSTec, the Company committed to an investment in the form of a loan to MSTec of approximately \$800,000, which funds were in fact advanced to MSTec in 1999 and 2000. This loan is treated as an equity investment under the Company's understanding of the conditions of the joint venture. The investment is subject to the terms of the related loan agreement dated January 22, 1999, where by the Company agreed in the event of MSTec's bankruptcy or termination, to forego repayment of the funds advanced until such time as all other creditors are paid in full. At the date of these financial statements, no funds advanced by the Company to MSTec have been repaid.

The joint venture's primary asset, as the result of the aforementioned investment, is a worldwide licensing agreement for the application of the aforementioned technological process from TNO.

TNO controls the research and activities of the joint venture while M.E.S.T. Corp.'s participation is investment with rights to products developed by the joint venture.



<page> 23

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS

& TECHNOLOGY CORP.

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2002

NOTE 7 - JOINT VENTURE INVESTMENT IN MANURE AND SLUDGE TECHNOLOGY, B.V.

(CONTINUED)

The following is a summary of the financial position and results of operations of MSTec.

	March 31, 2002	December 31, 2001
	-----	-----
Current assets	\$ 2,618	\$ 117,858
Property, plant, and equipment	-	-
Other assets (net)	-	-
	-----	-----
Total assets	\$ 2,618	\$ 117,858
	=====	=====
Current liabilities	\$ 256,932	\$ 360,019
Long-term debt - related parties	1,594,930	1,644,041
Total liabilities	1,851,862	2,004,060
Stockholders' equity	(1,849,244)	(1,886,202)
	-----	-----
Total liabilities and equity	\$ 2,618	\$ 117,858
	=====	=====
Net sales	\$ -	\$ -
Gross profit	\$ -	\$ -
Income (Loss) from continuing operations	\$ 36,958	\$ (176,242)
Net income (loss)	\$ 36,958	\$ (176,242)

Joint Venture Royalty Agreement

In connection with the formation of the MSTec joint venture, a sub-license agreement was executed wherein MEST agreed to pay to MSTec "sub-license" fees, which are effectively royalty fees, for manure conversion factories constructed by MEST over a period of fifteen years. The fifteen-year period begins when M.E.S.T. constructs its first such factory. Royalty fees due to MSTec are computed on a sliding scale, based upon actual factory construction costs, and range from 15% to 10%. At the date of these financial statements, no royalty fees were owed under the aforementioned agreement.

#### NOTE 8 - COMMITMENTS AND CONTINGENCIES

##### Subordinated Loan Agreement

In forming the joint venture of MSTec, the Company committed to loan to MSTec approximately \$800,000, which funds were in fact advanced to MSTec in 1999 and 2000.

Under the terms of the related loan agreement dated January 22, 1999, the Company agreed in the event of MSTec's bankruptcy or termination, to forego repayment of its loan until such time as all other creditors were paid in full.

At the date of these financial statements, no funds advanced by the Company to MSTec have been repaid.

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS

& TECHNOLOGY CORP.

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2002

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Office Lease

The Company leases office space in Apeldoorn under a written agreement which provides for lease payments of approximately \$2,000 per month through June 2006. Formerly the Company leased office space in Amsterdam under a written agreement which ran from July 1999 through January 2002 and provided for lease payments of approximately \$1,500 per month. In 2001, the lease agreement was renegotiated and the lease expiration date was changed to July 31, 2002 with other lease provisions remaining unchanged.

Future minimum rental commitments under the operating lease are as follows at March 31, 2002:

Year Ending:

December 31, 2002	\$ 24,000
December 31, 2003	\$ 24,000
December 31, 2004	\$ 24,000

December 31, 2005           \$ 24,000

December 31, 2006           \$ 12,000

NOTE 9 - STOCK OPTIONS

The Company has granted its officers options to purchase a total of 900,000 shares of the Company's common stock at an exercise price of \$0.50 per share.

Following is a summary of the status of these performance-based options during the periods ended March 31, 2002 and December 31, 2001.

	Number of Shares	Weighted Average Price per Share
	-----	-----
Outstanding at December 31, 2000	700,000	\$0.50
Granted	200,000	0.50
Exercised, expired or forfeited	-	-
	-----	-----
Outstanding and exercisable at		
December 31, 2001	900,000	\$0.50
	=====	=====
Weighted average fair value of		
options granted during 2001		\$3.63
	=====	
Outstanding at December 31, 2001	900,000	\$0.50
Granted	-	-
Exercised, expired or forfeited	-	-

-----  
Outstanding and exercisable at

March 31, 2002	900,000	\$0.50
----------------	---------	--------

=====

<page> 25

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS

& TECHNOLOGY CORP.

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2002

NOTE 9 - STOCK OPTIONS (CONTINUED)

The Company estimated the fair value of each stock option at the grant date by using the Black-Scholes option pricing model with the following weighted-average assumptions used: Dividend yield of zero percent; strike price of \$0.50; expected volatility of 24.83%; risk-free interest rate of six percent and expected lives of five years. The weighted average fair value at date of grant for options granted to officers in the year ended December 31, 2001 was

\$3.63 per option. Compensation cost charged to operations was \$725,918 during the year ended December 31, 2001.

#### NOTE 10 - SUBSEQUENT EVENTS

In January 2002, the Company loaned \$200,000 to an officer. In April 2002, subsequent to the date of these financial statements, \$150,000 was repaid and the Company also received a mortgage on real estate as collateral for its loan.

<page> 26

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

Form 10-QSB

For the quarterly period ended March 31, 2002



## Item II - Management's Discussion and Analysis or Plan of Operation

The Company provides the information required by 17 CFR §228.303(a) and provides a discussion regarding the Company's plan of operation for the next 12 months.

### Summary of Product Research

The Company has an ongoing research project with the Company's partner, Netherlands Organization for Applied Scientific Research (TNO). The purpose of the research and development is to better preserve the zeolite through the drying, segregating and reconditioning process. The zeolite dewatering system necessarily includes mechanical conveyance, mixing, desegregation and a thermal regeneration process which necessarily places zeolite in contact with mechanical conveyance devices, processing materials, segregation screens and the torbid reactor. The Company is attempting to minimize the gravity of mechanical contact in order to preserve the zeolite material.

As the Company proceeds forward to product production quality dewatering devices, the Company anticipates certain mechanical engineer exercises designed to maximize reliability of the dewatering system. The Company expects that the majority of technical improvements and recommendations will come necessarily through the contracting of the fabrication of initial MEST zeolite dewatering devices. Management expects that the dewatering process will undergo certain design changes which lend the zeolite dewatering process to commercial application and constant use.

### Plan of Operation

Management's investigation into financially productive applications for the zeolite dewatering technology has lead management to pursue converting organic waste materials into livestock, fish and pet food products. The Company has elected to pursue applying its dewatering technology to this area because there is an abundant supply of waste biosolids available for processing and management believes that there is a standing commodities market for such dehydrated biosolid materials.

The zeolite dewatering technology is particularly suited to livestock, fish and pet food products for the following reasons. The zeolite drying technology can control and reproduce final moisture content of the processed biosolids. Pasteurization is the natural result of processing. Zeolite drying controls the heat and therefore does not degrade the final dehydrated product. Zeolite dewatering is thorough and produces low product moisture which increases shelf life. Finally, the zeolite process is efficient, inexpensive and creates low emissions.

The Company has identified its objectives to convert fish waste to fish meal, beer yeast waste to livestock feed and grain mash from methanol plants to livestock feed. It has also identified the conversion and dehydration of human waste as a cost savings measure from municipalities. Organic waste shift from sewage processing transports roughly 80% water content to land fills. The zeolite dewatering device can dry biosolids to 5% water content which makes the biosolid less expensive to transport and amenable to other applications such as fuel or fertilizers.

The Company is actively pursuing a design/build relationship with an engineering company and manufacturing entity in the United States with capabilities of taking the TNO dewatering process designs and converting the designs to a commercial device. The Company is currently negotiating broad aspects of the contractual relationship to define with certainty the parties objectives and financial requirements. The shareholders will be apprized of further progress in that regard. This Company still anticipates production costs for a single production facility between \$500,000.00 and \$700,000.00 U.S. for limited quantity production. The Company has plans to construct five production facilities for installation in Mexico, Oregon and Alaska.

<page> 27

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

Form 10-QSB

For the quarterly period ended March 31, 2002

Financial Requirements

The financial requirements have not changed since the third quarter 2001 projections. The Company has estimated that it will need approximately \$5,000,000.00 in order to fabricate, transport, install and commence operations for five zeolite dewatering devices. Management plans to obtain the necessary funding to build the dewatering devices by making a fully registered public offering in the near future.

Finances of the company derive from two exempted offerings of MEST common shares and Preferred Series A. The company has not earned income by virtue of sales of goods or services. The payment of employees, expenses, subcontractors and Company obligations has been made from capital raised by the sale of equity shares. The Company anticipates the need to raise additional capital through public or private offerings and does not expect to earn revenues until late 2003.

The Company currently has sufficient finances for operations through September 2002. The Company does not have sufficient finances to assemble and perform the due diligence, legal and accounting work requisite for representation to the Securities and Exchange Commission and public investors.



<page> 28

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

Form 10-QSB

For the quarterly period ended March 31, 2002

## PART II - OTHER INFORMATION

### Item I - Legal Proceedings

Management is not aware of any claims, legal proceedings, litigation or complaints against the Company during the calendar months January, February and March of 2002. Accordingly the Company provides no information regarding such claims or litigation as required by Item 103 of Regulation S-B.

### Item II - Changes in Securities and Use of Proceeds

There has been no change in any instrument defining the rights of any holders of any class of registered securities and accordingly no discussion is provided regarding such changes or modifications to the rights of any affected shareholders. The Company has not issued any class of securities, registered or otherwise, which limit or affect the

securities already outstanding.

The Company has not sold, issued or distributed any equity securities during the period covered by this report and consequently does not provide the information required by 17 CFR §228.701. The Company incorporates by reference all of Part II Item 4 of the Amended Form 10-SB filed 10/15/01 to describe unregistered offerings, funds raised by the sale of the Company's Common and Preferred Stock and the use of proceeds.

### Item III - Defaults upon Senior Securities

a. Management is unaware of any material default in the payment of principal interest a sinking or purchase fund installment or any other material default regarding any indebtedness of the Company which amounts to 5% of the total assets.

b. Management is not aware of any material arrearage in the payment of dividends as the Board of Directors has not declared any dividends payable for reasons that the Company has not generated profits from which to make dividend payments.

### Item IV - Submission of Matters to a Vote of Security Holders

For the period in question, first calendar quarter, January through March 2002 there were no matters submitted to security holders. No special or annual meeting was convened. Consequently the Company provides no details regarding solicitation of proxies as a result of any such meeting or the subject matter and results for such meetings.

### Item V - Other Information

The Company received on February 12<sup>th</sup> and February 27<sup>th</sup> additional comments from the Securities and Exchange Commission concerning the Company's Amended Form 10-SB. The Company continues its amendment process in order to resolve all questions and inquiries by the Securities and Exchange Commission. As of the date that this Form 10-QSB pertaining to the first quarter of 2002 was filed, all comments tendered by the Securities and Exchange Commission have been answered. The Company awaits further comments by the Securities and Exchange Commission and will continue to amend its Form 10-SB until all legal and accounting issues have been resolved.

<page> 29

---

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

Form 10-QSB

For the quarterly period ended March 31, 2002

Item VI - Exhibits and Reports

Pursuant to 17 CFR §228.601(b)(21) subsidiaries of MEST are MEST B.V., a wholly owned subsidiary, and MSTec B.V., a subsidiary owned 50% by The Netherlands Organization for Applied Scientific Research (TNO) and 50% by MEST, both of which are incorporated and organized in Amsterdam, The Netherlands. Both entities do business under their full corporate names.

- (a) Exhibits required by Item 601
  - (2) Plan of Acquisition, reorganization, arrangement,  
liquidation or succession. (2)
  - (3)(i) Articles of Incorporation (2)
  - (3)(ii) Bylaws. (2)
  - (4) Instruments defining the rights of security holders,  
including indentures. (2)
  - (9) Voting trust agreements. (1)

- |      |  |     |
|------|--|-----|
| (10) | Material contracts.  | (2) |
| (11) | Statement re: computation of per share earnings.                             | (1) |
| (13) | Annual or quarterly reports, Form 10Q  | (2) |
| (16) | Letter re: change in certifying accountant.                                  | (1) |
| (18) | Letter re: change in accounting principles .                                 | (1) |
| (20) | Other documents or statements to security holders.                           | (1) |
| (21) | Subsidiaries of the Registrant.  | (2) |
| (22) | Published report regarding matters submitted<br>to vote of security holders. | (1) |
| (23) | Consents of Experts and counsel.   | (1) |
| (24) | Power of Attorney.   | (1) |
| (27) | Financial Data Schedule (no longer required)                                 | (1) |
| (99) | Additional Exhibits.   | (1) |

(1) No disclosure necessary

(2) Incorporated by reference to previous filing

(b) Reports on Form 8-K:

The company filed no Form(s) 8K during the last quarter of the period covered by this report.

## SIGNATURES

In accordance with the requirements of the Security Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned,

duly authorized.

MANAGEMENT OF ENVIRONMENTAL SOLUTIONS & TECHNOLOGY CORP.

(Registrant)

By: /s/ Greg Schmick

-----

Greg Schmick, President

Date: October 10, 2002

-----

<page> 30