

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

COMMODORE APPLIED TECHNOLOGIES INC

Form 10-Q

May 15, 2003

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

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended
March 31, 2003

OR

--- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-11871

COMMODORE APPLIED TECHNOLOGIES, INC.

(Exact name of Registrant as specified in its charter)

Delaware

11-3312952

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

150 East 58th Street, Suite 3238
New York, New York

10155

(Address of principal executive office)

(Zip Code)

Registrant's telephone number, including area code: (212) 308-5800

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 by check mark whether the registrant is an accelerated filer
(as defined by Exchange Act Rule 12b-2). Yes No X

The number of shares the common stock outstanding at May 15, 2003 was
85,039,177.

COMMODORE APPLIED TECHNOLOGIES, INC.

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

FORM 10-Q

INDEX

	Page No.
PART I FINANCIAL INFORMATION.....	1
Item 1. Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheet - March 31, 2003 and December 31, 2002.....	1
Condensed Consolidated Statement of Operations - Three months ended March 31, 2003 and March 31, 2002.....	3
Condensed Consolidated Statement of Cash Flows - Three months ended March 31, 2003 and March 31, 2002.....	4
Notes to Condensed Consolidated Financial Statements.....	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	10
Item 3. Quantitative and Qualitative Disclosures About Market Risk.....	17
Item 4. Controls and Procedures.....	17
PART II OTHER INFORMATION.....	19
SIGNATURES.....	20

PART I - FINANCIAL INFORMATION

ITEM 1: Financial Statements

COMMODORE APPLIED TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET
(Dollars in Thousands, except per share data)

	March 31, 2003	December 31, 2002
ASSETS	-----	-----
	(unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 62	\$ 59

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

Accounts receivable, net	42	92
Prepaid assets and other current receivables	109	167
	-----	-----
Total Current Assets	213	318
Property and Equipment, net	308	358
Intangible Assets		
Patents and completed technology, net of accumulated amortization of \$50 and \$40 respectively	50	60
	-----	-----
Total Assets	\$ 571	\$ 736
	=====	=====

See notes to condensed consolidated financial statements.

1

COMMODORE APPLIED TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET
(Dollars in Thousands, except per share data)

	March 31, 2003	December 31, 2002
	-----	-----
	(unaudited)	
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable	\$ 1,054	\$ 1,077
Related party payable	83	80
Current portion of long term debt	-	-
Line of credit	-	-
Notes payable	1,010	714
Other accrued liabilities	3,074	2,723
	-----	-----
Total Current Liabilities	5,221	4,594
Long Term Debt	-	431
	-----	-----
Total Liabilities	5,221	5,025
Commitments and Contingencies	--	--
Stockholders' Deficit		
Convertible Preferred Stock, Series E, F & H Par value \$0.001 per share, 5% to 12% cumulative dividends, Series E And F, 3% dividends for Series H 1,561,700 authorized, 1,087,200 shares and 1,213,700 shares issued and outstanding as of March 31, 2003 and		

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

December 31, 2002, respectively. The shares had an aggregate liquidation value of \$4,907 and \$6,716 at March 31, 2003 and December 31, 2002 respectively	1	1
Common Stock, par value \$0.001 per share, 125,000,000 shares authorized, 79,732,852 and 59,027,062 issued and outstanding, at March 31, 2003 and December 31, 2002, respectively	80	59
Additional Paid-in Capital	67,177	67,129
Accumulated Deficit	(71,645)	(71,215)
	-----	-----
	(4,387)	(4,026)
Treasury Stock, 3,437,500 shares	(263)	(263)
	-----	-----
Total Stockholders' Deficit	(4,650)	(4,289)
	-----	-----
Total Liabilities and Stockholders' Deficit	\$ 571	\$ 736
	=====	=====

See notes to condensed consolidated financial statements.

2

COMMODORE APPLIED TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited - Dollars in Thousands, except per share data)

	Three months ended	
	March 31, 2003	March 31, 2002
	-----	-----
Contract revenues	\$ 164	\$ 1,087
Costs and expenses:		
Cost of sales	205	939
Research and development	59	77
General and administrative	214	538
Depreciation and amortization	66	63
	-----	-----
Total costs and expenses	544	1,617
	-----	-----
Income (loss) from operations	(380)	(530)
	-----	-----
Other income (expense):		
Interest income	--	--
Interest expense	(50)	(42)
Income taxes	--	--
	-----	-----
Net other income (expense)	(50)	(42)
	-----	-----
Loss before discontinued operations	(430)	(572)
	-----	-----
Discontinued operations	--	(402)
	-----	-----
Net loss	\$ (430)	\$ (974)
	=====	=====

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

Loss per share from continuing operations - basic and diluted	\$ (0.01)	\$ (0.01)
Loss per share from discontinued operations - basic and diluted	\$ --	\$ (0.01)
	-----	-----
Total loss per share - basic and diluted	\$ (0.01)	\$ (0.02)
	=====	=====
Number of weighted average shares outstanding (in thousands)	69,314	57,356
	=====	=====

See notes to condensed consolidated financial statements.

3

COMMODORE APPLIED TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited - Dollars in Thousands, except per share data)

	Three months ended	
	March 31, 2003	March 31, 2002
	-----	-----
Cash flows from operating activities:		
Net loss	\$ (430)	\$ (974)
Add: net loss from discontinued operations	-	402
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	66	73
Amortization of debt discount	35	18
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	50	-
Prepaid assets	58	36
Net assets of component DRM	-	931
Accounts payable	(23)	(708)
Other liabilities	170	(16)
	-----	-----
Net cash used in operating activities	(74)	(238)
Cash flows from investing activities:		
Purchase of equipment	(6)	-
Advances from (to) related parties, net	3	(19)
	-----	-----
Net cash used in investing activities	(3)	(19)
Cash flows from financing activities:		
Increase in (repayment of) line of credit	-	252
Increase in notes and loans payable	120	-
Payments on notes and loans payable	(40)	(13)
	-----	-----

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

Net cash provided by financing activities	80	239
Increase (decrease) in cash	3	(18)
Cash, beginning of period	59	170
	-----	-----
Cash, end of period	\$ 62	\$ 152
	=====	=====

See notes to condensed consolidated financial statements.

4

COMMODORE APPLIED TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2003

Note A - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements for Commodore Applied Technologies, Inc. and subsidiaries (the "Company" or "Applied") have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. The financial statement information was derived from unaudited financial statements unless indicated otherwise. 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 a fair presentation have been included. Operating results for the three-month period ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2002.

Certain prior-year amounts have been reclassified to conform to the current year presentation.

The accompanying financial statements have been prepared under the assumption that Applied will continue as a going concern. Such assumption contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. For the period ended March 31, 2003, and for the years ended December 31, 2002, 2001, and 2000, Applied incurred losses of \$430,000, \$5,972,000, \$6,554,000 and \$11,441,000, respectively. Applied has also experienced net cash (outflows) inflows from operating activities of \$(123,000), \$965,000, and \$(2,629,000) for the years ended December 31, 2002, 2001, and 2000, respectively. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary should Applied be unable to continue as a going concern. Applied's continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

basis, to obtain additional financing as may be required, and ultimately to attain profitability. Potential sources of cash include new contracts, external debt, the sale of new shares of company stock or alternative methods such as mergers or sale transactions. No assurances can be given, however, that Applied will be able to obtain any of these potential sources of cash.

Anticipated losses on contracts are provided for by a charge to income during the period such losses are identified. Changes in job performance, job conditions, estimated profitability (including those arising from contract penalty provisions) and final contract settlements may result in revisions to cost and income and are recognized in the period in which the revisions are determined. Allowances for anticipated losses totaled \$300,000 and \$238,000 at March 31, 2003 and December 31, 2002, respectively. These allowances are included in other accrued liabilities in the accompanying financial statements.

In as much as Applied rescinded certain options during 2002 and reissued new options to the option holders, the options are considered variable options and will be revalued each quarter to determine the effect on operations, if any. During the quarter ended March 31, 2003, no expense has been recognized for the variable options as the fair market value of Applied's common stock at March 31, 2003 was lower than the exercise price of the variable options.

5

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany balances and transactions have been eliminated. The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note B - Supplemental cash flow information

During the three months ended March 31, 2003, 109,000 shares of Series E Preferred Stock and 17,500 shares of Series F Preferred Stock were converted into 16,136,715 and 2,450,514 shares of common stock, respectively. The company also paid accrued dividends of \$183,000 on Preferred Stock Series E and F through the issuance of 2,118,560 shares of common stock. The Company accrued dividends on Preferred Stock Series E and F and H of \$114,000, which is included in Other Accrued Liabilities.

During the three months ended March 31, 2002, 20,000 shares of Preferred Stock Series F were converted into 1,360,544 shares of common stock. The company also paid accrued dividends of \$120,000 on Preferred Stock Series E and F through the issuance of 867,392 shares of common stock. The Company accrued dividends on Preferred Stock Series E and F of \$51,000, which is included in Other Accrued Liabilities.

Note C - Other accrued liabilities

Other accrued liabilities consist of the following:

	March 31, 2003	December 31, 2002
	-----	-----
Dividend payable	\$ 1,141	\$ 1,210

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

Compensation and employee benefits	937	842
Loss reserve	300	238
Related party obligation to issue stock for converted note payable and accrued interest	287	--
Related parties	185	185
Accrued interest	126	155
Other	98	93
	-----	-----
	\$ 3,074	\$ 2,723
	=====	=====

Note D - Liability to issue shares of common stock

During March 2003, a shareholder and officer agreed to convert his \$250,000 note payable and \$37,000 of accrued interest due from the Company into 13,189,841 shares of the Company's common stock. As the issuance of the common stock has not occurred as of March 31, 2003, the Company has included these amounts in Other Accrued Liabilities at March 31, 2003. The Company anticipates issuing the shares of common stock when the shares are authorized to be issued.

6

Note E - Segment information

The Company has identified three reportable segments in which it operates, based on the guidelines set forth in the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 131. These three segments are as follows: (i) Commodore Advanced Sciences, Inc., which primarily provides various engineering, legal, sampling, and public relations services to Government agencies on a cost plus basis; (ii) Commodore Solutions, Inc., which is commercializing technologies to treat mixed and hazardous waste; and (iii) Corporate overhead and other miscellaneous activities.

Dispute Resolution Management, Inc. ("DRM"), from August 30, 2000 (date of acquisition of 81% of DRM by the Company) to May 16, 2002 (date of dissolution of 81% of DRM by the Company), provided a package of services to help companies recover financial settlements from insurance policies to defray costs associated with environmental liabilities. Loss from DRM is recorded in the discontinued operations section of the segment information.

Applied evaluates segment performance based on the segment's net income (loss). Applied's foreign and export sales and assets located outside of the United States are not significant. Summarized financial information concerning Applied's reportable segments is shown in the following tables.

Three Months Ended March 31, 2003

	Total	Advanced Sciences	Solution	Corporate Overhead and Other
Contract Revenues	\$ 164	\$ 164	\$ --	\$ --
Costs and expenses				

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

Cost of Sales	205	205	--	--
Research and Development	59	--	59	--
General and Administrative	214	76	62	76
Depreciation and Amortization	66	10	56	--
	-----	-----	-----	-----
Total costs and expenses	544	291	(177)	76
	-----	-----	-----	-----
Income (Loss) from Operations	(380)	(127)	(177)	(76)
Interest Income	--	--	--	--
Interest Expense	(50)	(2)	--	(48)
	-----	-----	-----	-----
Income (Loss) from Continuing Operations	(430)	(129)	(177)	(124)
	-----	-----	-----	-----
Net Income (Loss)	\$ (430)	\$ (129)	\$ (177)	\$ (124)
	=====	=====	=====	=====
Total Assets	\$ 571	\$ 217	\$ 300	\$ 54
Expenditures for long-lived assets	\$ 6	\$ 6	\$ --	\$ --

7

Three Months Ended March 31, 2002

	Total	Advanced Sciences	Solution	Corporate Overhead And Other
Contract Revenues	\$ 1,087	\$ 1,087	\$ --	\$ --
Costs and expenses				
Cost of Sales	939	939	--	--
Research and Development	77	--	77	--
General and Administrative	538	210	40	288
Depreciation and Amortization	63	11	52	--
	-----	-----	-----	-----
Total costs and expenses	1,617	1,160	169	288
	-----	-----	-----	-----
Income (Loss) from Operations	(530)	(73)	(169)	(288)
Interest Income	--	--	--	--
Interest Expense	(42)	--	--	(42)
	-----	-----	-----	-----
	(572)	(73)	(169)	(330)
Loss from discontinued operations	(402)	--	--	(402)
	-----	-----	-----	-----
Net Income (Loss)	\$ (974)	\$ (73)	\$ (169)	\$ (732)
	=====	=====	=====	=====
Total Assets	\$28,114	\$ 296	\$ 350	\$ 27,468
Expenditures for long-lived assets	\$ --	\$ --	\$ --	\$ --

Note F - Net loss per common share

Basic net loss per common share ("Basic EPS") excludes dilution and is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted net loss per common share ("Diluted EPS") reflects the potential dilution that could occur if stock options or other contracts to issue common stock were exercised or converted into common stock. The computation of Diluted EPS does not assume exercise or conversion of securities that would have an anti-dilutive effect on net loss per common share.

Options and warrants to purchase 34,274,905 and 26,485,113 shares of common stock as of March 31, 2003 and 2002, respectively, were not included in the computation of Diluted EPS. The inclusion of the options would have been anti-dilutive, thereby decreasing net loss per common share.

Note G - Contingencies

Applied has matters of litigation arising in the ordinary course of business which in the opinion of management will not have a material adverse effect on its financial condition or results of operations.

Note H - Subsequent Events

Issuance of Common Stock subsequent to March 31, 2003

The Company issued a total of 5,306,325 shares of its common stock during the period from March 31, 2003 to May 15, 2003, in connection with various conversion notices from the holders of the Company's Series E Convertible Preferred Stock, par value (\$0.001) per share (the "Series E Preferred") and the holders of the Company's Series F Convertible Preferred Stock, par value (\$0.001) per share (the "Series F Preferred").

O. Mack Jones named Executive Officer of Applied on April 10, 2003

O. Mack Jones was appointed President and Chief Operating Officer of Applied on April 10, 2003. Mr. Jones has been serving as Acting President of Advanced Sciences since February 28, 2001. Mr. Jones also has served as Vice President of Field Operations since April 1998, managing its field treatability studies and commercial projects.

Advanced Sciences and Solutions relocate offices on April 18, 2003

After being headquartered in Albuquerque for over twenty-five years, the Company decided early in 2003 to relocate Advanced Sciences and Solutions to Richland, Washington. This move was completed on April 18. The Company is focusing its technologies and processes on treating mixed wastes for the US Department of Energy at primary nuclear legacy sites in the United States, and has offices in Denver (Rocky Flats) and Oak Ridge (Oak Ridge National Laboratory). This new office in Richland will allow the Company to serve the government's needs for small business participation in closing the Hanford, Washington laboratory and operations site.

ITEM 2. Management's Discussion and Analysis of Financial Condition

and Results of Operations

Overview

Commodore Applied Technologies, Inc. and subsidiaries (the "Company" or "Applied"), is engaged in providing a range of engineering, technical, and financial services to the public and private sectors related to (i) remediating contamination in soils, liquids and other materials and disposing of or reusing certain waste by-products by utilizing SET; and (ii) providing services related to, environmental management for on-site and off-site identification, investigation remediation and management of hazardous, mixed and radioactive waste.

Applied discontinued the operations of its previously 81% owned subsidiary DRM, on May 16, 2002 as a result of Applied's inability to meet the terms and conditions of the Stock Purchase Agreement with DRM. The loss from the disposition of DRM is recorded at \$4,134,000 to Applied. The Company's loss of the DRM subsidiary may have a material adverse effect on the financial condition of the Company and its cash flow problems. The Company currently requires additional cash to sustain existing operations and to meet current obligations and ongoing capital requirements. Excluding DRM, the Company's current monthly operating expenses exceed cash revenues by approximately \$80,000.

The Company is currently working on the commercialization of these technologies through development efforts, licensing arrangements and joint ventures. Through Commodore Advanced Sciences, Inc. ("Advanced Sciences") formerly Advanced Sciences, Inc., a subsidiary acquired on October 1, 1996, the Company has contracts with various government agencies and private companies in the U.S. As some government contracts are funded in one-year increments, there is a possibility for cutbacks as these contracts constitute a major portion of Advanced Sciences' revenues, and such a reduction would materially affect the operations. Advanced Sciences has experienced a significant decrease in revenue caused by fewer contracts and overall, less work being performed by Advanced Sciences. However, management believes its existing client relationships will allow the Company to obtain new contracts in the future.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2003 Compared to Three Months Ended March 31, 2002

Revenues were \$164,000 for the three months ended March 31, 2003, compared to \$1,087,000 for the three months ended March 31, 2002.

In the case of Advanced Sciences, revenues were \$164,000 for the period ended March 31, 2003 as compared with \$1,087,000 for the period ended March 31, 2002. Advanced Sciences has experienced a significant decrease in revenue caused by fewer contracts and overall, less work being performed by Advanced Sciences. The revenues from Advanced Sciences consisted of engineering and scientific services performed for the United States government under a variety of contracts, most of which provide for reimbursement of cost plus fixed fees. Revenue under cost-reimbursement contracts is recorded under the percentage of completion method as costs are incurred and include estimated fees in the proportion that costs to date bear to total estimated costs. Advanced Sciences has two major customers, each of which represent more than 10% of total revenue. The combined revenue for these two customers was \$164,000 or 100% of total revenues for the period ending March 31, 2003. Cost of sales was \$205,000 for

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

the period ending March 31, 2003 compared to \$939,000 for the period ending March 31, 2002. The decrease in cost of sales can be attributed to a decrease in variable costs caused by fewer contracts and overall, less work being performed by Advanced Sciences.

10

In the case of Commodore Solution, Inc. ("Solution"), revenues were \$0 for the period ended March 31, 2003 as compared with \$0 for the period ended March 31, 2002. There were no revenues recorded for the three-month period ended March 31, 2003 due to (i) SET processing contracts being completed but not yet billable under current revenue recognition guidelines, (ii) United States Environmental Protection Agency (the "USEPA") demonstration of the SL-2 system at a client location in Oak Ridge, Tennessee for inclusion to the Company's nationwide permit for PCB destruction; and (iii) the relocations of the SET equipment to Hanford, Washington. Revenues, when recognized, are primarily from remediation services performed for engineering and waste treatment companies in the U.S. under a variety of contracts. There was \$0 cost of sales for the three-month period ended March 31, 2003 and 2002. The cost of sales, when incurred, is attributable to sales and marketing expenses for the SET technology. Anticipated losses on engagements, if any, will be provided for by a charge to income during the period such losses are first identified.

For the three-month period ended March 31, 2003, the Company incurred research and development costs of \$59,000 as compared to \$77,000 for the three-month period ended March 31, 2002. Research and development costs include salaries, wages, and other related costs of personnel engaged in research and development activities, contract services and materials, test equipment and rent for facilities involved in research and development activities. Research and development costs are expensed when incurred, except those costs related to the design or construction of an asset having an economic useful life are capitalized, and then depreciated over the estimated useful life of the asset. The decrease in research and development expense is due to the continued commercialization focus of the Company.

General and administrative expenses for the three-month period ended March 31, 2003 were \$214,000 as compared to \$538,000 for the three-month period ended March 31, 2002. This difference is due to the decreased level of staffing and the associated office equipment, travel, expenses and supplies needed to operate for the three-month period ended March 31, 2003.

In the case of Advanced Sciences, general and administrative costs decreased from \$210,000 for the three-month period ended March 31, 2002 to \$76,000 for the three-month period ended March 31, 2003. This decrease reflects the impact of some restructuring steps in Advanced Sciences (including principally a reduction in personnel) the Company made throughout 2002 and 2003 due to the inability to replace certain completed contracts. Solution incurred general and administrative costs of \$62,000 for the three-month period year ended March 31, 2003 as compared with \$40,000 for the three-month period ended March 31, 2002. This increase was primarily due to (i) expenses associated with relocating Solutions operations to Advanced Sciences' new location in Hanford, Washington; (ii) expenses associated with a USEPA demonstration of the SL-2 system at a client location in Oak Ridge, Tennessee for inclusion to the Company's nationwide permit for PCB destruction; and (iii) increased sales and marketing effort for Solution's services, which may result in contracts that will produce revenue in 2003.

Interest income was \$0 for the three-month period ended March 31, 2003 and the three-month period ended March 31, 2002. The Company did not have a material amount of monies on deposit to generate interest income for these periods.

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

Interest expense for the three months ended March 31, 2003 was \$50,000 as compared to \$42,000 for the three months ended March 31, 2002. The increase in interest expense is due to an increase in discounts on debts for warrants amortized into interest expense during the three months ended March 31, 2003 as compared to the three months ended March 31, 2002.

11

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2003 and December 31, 2002 Advanced Sciences had a \$0 and \$0 outstanding balance, respectively, on its revolving lines of credit.

For the three-month period ended March 31, 2003, the Company incurred a net loss of \$430,000 as compared to a net loss of \$974,000 for the three-month period ended March 31, 2002. For the three-month period ended March 31, 2003, and for the years ended December 31, 2002, 2001, and 2000, Applied incurred losses of \$430,000, \$5,972,000, \$6,554,000 and \$11,441,000, respectively. Applied has also experienced net cash (outflows) inflows from operating activities of \$(123,000), \$965,000, and \$(2,629,000) for the years ended December 31, 2002, 2001, and 2000, respectively.

During the three-month period ended March 31, 2003, the Company converted 109,000 shares of Series E Preferred and 17,500 shares of Series F Preferred for 16,136,715 and 2,450,514 shares of the Company's common stock, respectively. Additionally, the Company issued 1,566,989 and 551,571 shares of the Company's common stock, respectively, in satisfaction of all accrued dividends pertaining to the Series E and Series F Preferred conversions through February 20, 2003.

On June 28, 1996, the Company issued common stock and warrants at initial public offering prices of \$6.00 per share and \$0.10 per warrant. The Company's warrants, previously extended from June 16, 2001, expired on June 16, 2002. On March 6, 2003, the Company's common stock ceased to be listed on the American Stock Exchange ("AMEX") and began trading in the over-the-counter market in the so-called "pink sheets" of the National Quotation Bureau, Inc. and the OTC Bulletin Board of the National Association of Securities Dealers, Inc. (the "OTCBB"), where it is currently traded under the symbol CXII.

The Company's loss of the DRM subsidiary effective May 16, 2002 has had, and may continue to have, a material adverse effect on the financial condition of the Company and its cash flow problems. The Company currently requires additional cash to sustain existing operations and to meet current obligations and ongoing capital requirements. The Company's current monthly operating expenses exceed cash revenues by approximately \$80,000 at March 31, 2003.

In November 1999, the Company completed \$2.5 million in financing through private placement. The Company issued 335,000 shares of a new Series E Convertible Preferred Stock (the "Series E Preferred"), convertible into common stock at the market price, after September 30, 2000 and up through April 30, 2004 at which time it automatically converts to common stock. The Series E Preferred has a variable rate dividend averaging 8.15% over the term of the security. There are 169,000 shares of Series E Preferred with a face value of \$1,690,000 outstanding as of March 31, 2003. There is \$707,141 of accrued dividends payable on the Series E Preferred as of March 31, 2003.

In March 2000, the Company completed \$2.0 million in financing through private placement. The Company issued 266,700 shares of a new Series F

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

Convertible Preferred Stock (the "Series F Preferred"), convertible into common stock at the market price, after September 30, 2000 and up through April 30, 2004 at which time it automatically converts to common stock. The Series F Preferred has a variable rate dividend averaging 8.15% over the term of the security. There are 118,200 shares of Series F Preferred with a face value of \$1,182,000 outstanding as of March 31, 2003. There is \$421,266 of accrued dividends payable on the Series F Preferred as of March 31, 2003.

In September 2000, the Company completed \$500,000 in financing in the form of a loan (the "Brewer Note") from S. Brewer Enterprises, Inc. ("SB Enterprises"), which is owned by one of its officers and directors, Shelby T. Brewer. The Brewer Note bears a 9.75% interest rate, payable monthly, with a balloon principal payment at the end of the term. The Brewer Note was due and payable on March 15, 2001 and was extended under the same terms and conditions until December 31, 2001. The Brewer Note was convertible into Common Stock at the market price up through December 31, 2001.

12

On March 15, 2001, SB Enterprises executed an Amended and Restated Promissory Note (the "Restated Brewer Note"), which extended the maturity date of the note until December 31, 2001. Additionally, the conversion price feature of the Restated Brewer Note was changed to the 5-day average closing price of the Company's common stock prior to a conversion notice. On April 9, 2001, SB Enterprises issued a conversion notice for \$250,000 of the outstanding principal of the Brewer Restated Note. The conversion price was calculated based upon the previous 5-day average of the closing price of the Company's common stock, and the Restated Brewer Note was converted into 1,041,667 shares of the Company's common stock. The Company believes that this transaction is exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), under Section 4(2) thereof as a transaction not involving any public offering of securities.

On December 12, 2002, SB Enterprises executed an Amended and Restated Promissory Note Extension (the "Restated Brewer Note Extension"), which extended the maturity date of the Restated Brewer Note until January 1, 2004. In connection with the Restated Brewer Note Extension, the Company issued SB Enterprises a 2-year warrant for 1,000,000 shares of the Company's common stock at an exercise price of \$0.05 per share. On March 14, 2003, SB Enterprises issued a conversion notice for the remaining principal balance of \$250,000 plus accrued interest of \$36,563. The conversion price was calculated based upon the previous 5-day average of the closing price of the Company's common stock, and the Restated Brewer Note was converted into 13,189,842 shares of the Company's common stock. These shares have not been issued to SB Enterprises as of May 15, 2003 and are recorded as a liability for \$286,563. The Company believes that this transaction is exempt from the registration requirements of the Securities Act, under Section 4(2) thereof as a transaction not involving any public offering of securities.

In October 2001, Advanced Sciences refinanced their line of credit with Commerce Funding Corporation (the "Commerce Credit Line"). The Commerce Credit Line is not to exceed 85 percent of eligible receivables or \$1,000,000 and is due October 2002, and subsequently extended until November 2003, with interest payable monthly at prime plus 2 percent (6.75 percent as of December 31, 2002). The Commerce Credit Line is collateralized by the receivables of Advanced Sciences and is guaranteed by the Company. The Commerce Credit Line contains certain financial covenants and restrictions including minimum ratios that Advanced Sciences must satisfy. Advanced Sciences was in compliance with the covenants of the Commerce Credit Line at April 15, 2003.

In addition, the Commerce Credit Line agreement stipulates that no

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

payments shall be made by Advanced Sciences to the Company other than monthly scheduled payments of principal with respect to the \$8,280,000 subordinated indebtedness owed by Advanced Sciences to the Company (which is eliminated in consolidation) and intercompany indebtedness not to exceed \$20,000 in any month. In addition, Advanced Sciences shall not incur indebtedness in excess of \$25,000, other than trade payables, the above subordinated indebtedness and other contractual obligations to suppliers and customers incurred in the ordinary course of business.

In November 2000, the Company completed \$500,000 in financing in the form of a loan (the "Weiss Group Note") from a group of four investors; \$75,000 of which was borrowed from the son of Paul E. Hannesson, our former President and Chief Executive Officer, and \$25,000 of which was borrowed from Stephen A. Weiss, a shareholder of Greenberg Traurig, LLP, our former corporate and securities counsel. The Weiss Group Note bears interest at 12% per annum, was due and payable on February 12, 2001, and is secured by the first \$500,000 of loans or dividends that the Company may receive from DRM. As consideration for such loan, Environmental, one of the Company's principal stockholders owning approximately 16.58% of the Company's common stock, transferred to the investors a total of 1,000,000 shares of the Company's common stock. The current principal balance of the Weiss Group Note is \$254,231 and remains unpaid as of May 15, 2003. All have granted payment extensions until January 1, 2004.

13

Effective April 16, 2001, the Company issued warrants to purchase 1,000,000 shares of its common stock at an exercise price of \$0.22 per share (the closing price of our common stock on the AMEX on such date) to all holders of the Weiss Group Note in consideration of the extension of the due date of the Weiss Group Note from February 12, 2001 to June 30, 2001. The Company believes that this transaction is exempt from the registration requirements of the Securities Act, under Section 4(2) thereof as a transaction not involving any public offering of securities.

Effective January 24, 2002, the Company issued warrants to purchase 500,000 shares of its common stock at an exercise price of \$0.15 per share (the closing price of our common stock on the AMEX on such date) to all holders of the Weiss Group Note in consideration of the extension of the due date of such loans by such persons from June 30, 2001 to May 31, 2002. The Company believes that this transaction is exempt from the registration requirements of the Securities Act, under Section 4(2) thereof as a transaction not involving any public offering of securities.

Effective October 29, 2002, the lenders under the Weiss Group Note voluntarily cancelled all warrants, issued on April 16, 2001, to purchase 1,000,000 shares at an exercise price of \$0.22 per share of the Company's common stock in connection with the Weiss Group Note. Effective October 29, 2002, the lenders under the Weiss Group Note voluntarily cancelled all warrants, issued on January 24, 2002, to purchase 500,000 shares at an exercise price of \$0.15 per share of the Company's common stock in connection with the Weiss Group Note.

Effective October 29, 2002, the Company issued warrants to purchase 1,500,000 shares of its common stock at an exercise price of \$0.05 per share (the closing price of our common stock on the AMEX on such date) to all holders of the Weiss Group Note in consideration of the extension of the due date of such loans by such persons from May 31, 2002 to January 1, 2004. The Company believes that this transaction is exempt from the registration requirements of the Securities Act, under Section 4(2) thereof as a transaction not involving any public offering of securities.

On June 13, 2001, the Company issued and sold to Milford Capital

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

Management, Inc. and the Shaar Fund, Ltd. (hereinafter known as "Milford/Shaar") one-year, 15% Senior Secured Promissory Notes (the "Milford/Shaar Bridge Loan Notes") in the aggregate principal amount of \$1,000,000. In connection with the Milford/Shaar Bridge Loan Notes, the Company issued to Milford/Shaar a five-year warrant for 333,334 shares of the Company's common stock at an exercise price of \$0.22 per share. The Company pledged its equipment and SET related intellectual property as collateral for the Milford/Shaar Bridge Loan Notes. The Company shall pay Milford/Shaar principal and interest on a monthly basis in arrears. The Milford/Shaar Bridge Loan Notes may be prepaid at any time without penalty. The Company believes that this transaction is exempt from the registration requirements of the Securities Act, under Section 4(2) thereof as a transaction not involving any public offering of securities.

The Company made all payments on the Milford/Shaar Bridge Loan Notes until November 13, 2001. The Company asked for and received a forbearance of payments on the Milford/Shaar Bridge Loan Notes from November 13, 2001 until August 13, 2002. The Shaar Fund, Ltd., through the Shaar Bridge Loan, continues to provide cash installments on a periodic basis in the form of additional principal. The current principal balance of the Milford/Shaar Bridge Loan Notes is \$782,283 and remains unpaid as of May 15, 2003. Additionally, as of May 15, 2003, there is \$119,173 in accumulated forbearance fees and \$100,000 due in exit fees on the Milford/Shaar Bridge Loan Notes. The Company has not been notified of a default of the Milford/Shaar Bridge Loan Notes as of May 15, 2003.

14

On October 2, 2002, Mr. Bentley Blum, a director of the Company, had previously loaned the Company \$125,000 in cash installments over the period of one year (the "Blum Loan"). The Company elected to convert the Blum Loan to the Company's common stock under the conversion feature of the Blum Loan, based upon the 5-day average closing price of the Company's common stock prior to October 2, 2002. On October 2, 2002, Blum issued a conversion notice for \$125,000 of the outstanding principal of the Blum Loan into 2,500,000 shares. Mr. Blum continues to provide cash installments in the form of a demand note ("Blum Demand Note") to the Company. The Blum Demand Note bears interest at 9% per annum. The current principal balance of the Blum Demand Note is \$132,032 and remains unpaid as of May 15, 2003. The Company believes that this transaction is exempt from the registration requirements of the Securities Act, under Section 4(2) thereof as a transaction not involving any public offering of securities.

On August 30, 2000, the Company entered into a Stock Purchase Agreement (the "Agreement") Applied completed a stock purchase agreement with Dispute Resolution Management, Inc. (DRM) and its two shareholders, William J. Russell ("Russell") and Tamie B. Speciale ("Speciale").

On May 16, 2002, William J. Russell and Tamie B. Speciale (the "Pledges") issued a Notice of Default and Right to Pursue Remedies (the "Notice") to the Company claiming that the Company is in default under the Agreement and the related Stock Pledge Agreement (the "Stock Pledge"). As of May 16, 2002, the Company no longer owned an 81% interest in DRM.

On August 19, 2002, the Company entered into a settlement agreement with DRM (the "DRM Settlement Agreement"). Under terms of the DRM Settlement Agreement, the Company acknowledged that it had previously received back 4,750,000 shares of its common stock from DRM and its shareholders. As part of the DRM Settlement Agreement, the Company received an additional 1,187,500 shares of its common stock from DRM and its shareholders.

Under the DRM Settlement Agreement, as of September 30, 2002, the Company also issued 800,000 shares of Series H Preferred stock, par value \$0.001 per share (the "Series H Preferred Stock"), each such share of Series H

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

Preferred Stock having a stated value of \$1.00 per share, to DRM, Russell and Speciale in satisfaction of the remaining liabilities relating to the purchase and working capital of DRM. The Series H Preferred Stock has the following rights, privileges, and limitations:

- a) No Series H Preferred Stock may be converted prior to June 30, 2003. Until July 31, 2005, only 80,000 shares of the Series H Preferred Stock shall be convertible in any calendar quarter. The balance of any unconverted shares of Series H Preferred Stock may be converted at any time on or after August 1, 2005.
- b) The conversion price of the Series H Preferred Stock shall be determined by the average closing price of Company's common stock in the previous 30 trading days, but in no event shall the conversion price be less than \$0.20 per share.
- c) The Series H Preferred Stock shall have a non-cumulative annual dividend of 3%, payable in cash or shares of Series H Preferred Stock within 30 days of the end of the Company's fiscal year, at the Company's election.
- d) The Series H Preferred Stock shall not be transferable.

There are 800,000 shares of Series H Preferred with a face value of \$800,000 outstanding as of March 31, 2003. There is \$14,762 of accrued dividends payable on the Series H Preferred as of March 31, 2003.

15

The financial information included in the accompanying form 10Q for the period ending March 31, 2003 reflects the terms of the DRM Settlement Agreement. For the year ended December 31, 2002 the Company recorded a loss on the disposal of DRM in the amount of \$4,134,000. The Company's loss of the DRM subsidiary has had, and may continue to have, a material adverse effect on the financial condition of the Company and its cash flow problems. The Company currently requires additional cash to sustain existing operations and to meet current obligations and ongoing capital requirements. The Company's current monthly operating expenses exceed cash revenues by approximately \$80,000.

The Company's auditor's opinion on our fiscal 2002 financial statements contains a "going concern" qualification in which they express doubt about the Company's ability to continue in business, absent additional financing.

The Company currently is negotiating with a lender to obtain debt financing, to supplement funds generated from operations, to meet the Company's cash needs over the next 12 months. The Company intends to meet its long term capital needs through obtaining additional contracts that will generate funds from operations and obtaining additional debt or equity financing as necessary or engaging in merger or sale transactions. There can be no assurance that such sources of funds will be available to the Company or that it will be able to meet its short or long term capital requirements.

NET OPERATING LOSS CARRYFORWARDS

The Company has net operating loss carryforwards (the "NOLs") of approximately \$32,000,000, which expire in the years 2002 through 2022. The amount of NOLs that can be used in any one year will be limited by the applicable tax laws that are in effect at the time such NOLs can be utilized. The unused NOLs balances may be accumulated and used in subsequent years. A full

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

valuation allowance has been established to offset any benefit from the net operating loss carryforwards. There can be no assurance that the Company will be able to generate sufficient taxable income in the future to utilize any of the NOLs.

FORWARD-LOOKING STATEMENTS

Certain matters discussed in this Quarterly Report are "forward-looking statements" intended to qualify for the safe harbors from liability established by Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements can generally be identified as such because the context of the statement will include words such as the Company "believes," "anticipates," "expects" or words of similar import. Similarly, statements that describe the Company's future plans, objectives or goals are also forward-looking statements.

Such statements may address future events and conditions concerning, among other things, the Company's results of operations and financial condition; the consummation of acquisition and financing transactions and the effect thereof on the Company's business; capital expenditures; litigation; regulatory matters; and the Company's plans and objectives for future operations and expansion. Any such forward-looking statements would be subject to the risks and uncertainties that could cause actual results of operations, financial condition, acquisitions, financing transactions, operations, expenditures, expansion and other events to differ materially from those expressed or implied in such forward-looking statements. Any such forward-looking statements would be subject to a number of assumptions regarding, among other things, future economic, competitive and market conditions generally. Such assumptions would be based on facts and conditions as they exist at the time such statements are made as well as predictions as to future facts and conditions, the accurate prediction of which may be difficult and involve the assessment of events beyond the Company's control.

16

Further, the Company's business is subject to a number of risks and uncertainties that would affect any such forward-looking statements. These risks and uncertainties include, but are not limited to:

- o the Company's critical need for additional cash to sustain existing operations and meet existing obligations and capital requirements;
- o the ability to generate profitable operations from a large scale remediation project;
- o the ability of the Company to renew its nationwide permit to treat PCBs;
- o the ability of the Company to implement its waste processing operations, including obtaining commercial waste processing contracts and processing waste under such contracts in a timely and cost effective manner; the timing and award of contracts by the U.S. Department of Energy for the cleanup of waste sites administered by it;
- o the Company's ability to integrate acquired companies;
- o the acceptance and implementation of the Company's waste treatment technologies in the government and commercial sectors;
- o the Company's ability to obtain and perform under other large technical support services projects; developments in environmental legislation and regulation;
- o the ability of the Company to obtain future financing on favorable terms; and

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

- o other circumstances affecting anticipated revenues and costs.

These risks and uncertainties could cause actual results of the Company to differ materially from those projected or implied by such forward-looking statements.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

ITEM 4. Controls and Procedures

- (a) Evaluation of disclosure controls and procedures. As required by Rule 13a-15 under the Exchange Act, within the 90 days prior to the filing date of this report, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of the Company's management, including the Company's President and Chief Executive Officer, and the Company's Chief Financial Officer and Chief Accounting Officer. Based upon that evaluation, the Company's President and Chief Executive Officer, and Chief Financial Officer and Chief Accounting Officer have concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in the Company's periodic SEC filings. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rule and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to management, include the Company's Chief Executive Officer, and Chief Financial Officer and Chief Accounting Officer as appropriate, to allow timely decisions regarding required disclosures.

17

- (b) Changes in internal controls. There have been no changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

18

PART II - OTHER INFORMATION

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

ITEM 1. Legal Proceedings

There have been no material legal proceedings to which the Company is a party which have not been disclosed in previous filings with the Securities and Exchange Commission. There are no material developments to be reported in any previously reported legal proceedings.

ITEM 2. Change in Securities

Not applicable

ITEM 3. Defaults among Senior Securities

Not applicable.

ITEM 4. Submission of Matters to a Vote of Security Holders

Not applicable.

ITEM 5. Other Events

Not applicable.

ITEM 6. Exhibits and Reports on Form 8 - K

(a) Exhibits -

1. 99.1 - Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
2. 99.2 - Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K.

1. The Company filed a Current Report on Form 8-K, dated April 16, 2003, announcing its 2002 Fiscal Year End earnings.

19

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.

Date: May 15, 2003

COMMODORE APPLIED TECHNOLOGIES, INC.
(Registrant)

By /s/ James M. DeAngelis

James M. DeAngelis - Senior Vice
President and Chief Financial

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

Officer (as both a duly authorized officer of the registrant and the principal financial officer of the registrant)

20

SECTION 302 CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Shelby T. Brewer, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Commodore Applied Technologies, Inc.;
- 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 we 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

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

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.

Date: May 15, 2003

/s/ Shelby T. Brewer

Chairman and Chief Executive Officer

21

SECTION 302 CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, James M. DeAngelis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Commodore Applied Technologies, Inc.;
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 we 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

Edgar Filing: COMMODORE APPLIED TECHNOLOGIES INC - Form 10-Q

- 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.

Date: May 15, 2003

/s/ James M. DeAngelis

Chief Financial Officer and
Treasurer