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

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The statements contained in this report which are not historical fact are "forward-looking statements" that involve various important assumptions, risks, uncertainties and other factors which could cause the Company's actual results for 2001 and beyond to differ materially from those expressed in such forward-looking statements. These important factors include, without limitation, competitive factors and pricing pressures, changes in legal and regulatory requirements, technological change or difficulties, product development risks, commercialization and trade difficulties and general economic conditions, as well as other risks previously disclosed in the Company's securities filings and press releases.

GENERAL

We are a wood products company which has been in business since 1980. Our business has increased over the years. We are almost wholly dependent on sales to Home Depot. Arbor also has traded securities for its own account.

RESULTS OF OPERATIONS

QUARTER ENDED JULY 31, 2001 COMPARED TO THE QUARTER ENDED JULY 31, 2000.

Net sales for the quarter ended July 31, 2001 were approximately \$132,000, an increase of 42% as compared to net sales of approximately \$93,000 for the quarter ended July 31, 2000. Net sales increased due to more sales to Home Depot.

Cost of sales were approximately \$67,000 for the quarter ended July 31, 2001, an increase of approximately \$20,000 or 43% over the comparable 2000 period cost of sales of approximately \$47,000. This increase is primarily attributable to Arbor's increase in sales.

Selling, general and administrative expenses were approximately \$157,000 for the quarter ended July 31, 2001, an increase of approximately \$62,000 or 65% over selling, general and administrative expenses of approximately \$95,000 for the quarter ended July 31, 2000. This increase was due primarily to an increase in shipping and packing expenses of approximately \$30,000, and an overall increase in other general expenses of \$32,000.

Interest income for the quarter ended July 31, 2001 was approximately \$3,000 compared to \$3,000 for the quarter ended July 31, 2000.

Arbor's net loss increased from approximately \$46,000 for the quarter ended July 31, 2000 to approximately \$89,000 for the quarter ended July 31, 2001. This was an increase of approximately \$43,000, or 93%.

LIQUIDITY AND CAPITAL RESOURCES

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In the periods discussed above, Arbor's working capital requirements have been met primarily from sales of its wood products and partial payment of its notes receivable from related parties. At July 31, 2001 we had working capital of approximately \$630,000.

As at July 31, 2001, we had cash and cash equivalents of approximately \$286,000, which represented 39% of total assets. Arbor believes it has adequate working capital and will generate net revenues adequate to fund its operations for at least the next 12 months.

Net cash used in operating activities increased by approximately \$250,000 for the three months ended July 31, 2001 as compared to the three months ended July 31, 2000. This increase was primarily attributable to the following factors: (i) an increase in net loss of \$43,000, (ii) an increase in inventories of \$151,000 and (iii) a decrease in payables of \$75,000, offset by an increase in receivables of \$11,000.

The Company had no capital expenditures during the quarter ended July 31, 2001, compared with approximately \$18,000 for the quarter ended July 31, 2000.

ARBOR ENTECH CORPORATION
BALANCE SHEET
JULY 31, 2001
(Unaudited)

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 285,561
Accounts Receivable	41,829
Inventories	310,328
Prepaid Expenses	36,917
Deposits	10,000

Total Current Assets	684,635
Property, Plant and Equipment (Net of Accumulated Depreciation of \$73,952)	47,048

	\$ 731,683
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 52,490
Taxes Payable	2,304

Total Current Liabilities	54,794

Commitments and Contingencies

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Stockholders' Equity:	
Common Stock, \$.001 Par Value; Authorized 10,000,000 Shares; Issued and Outstanding 7,050,540 Shares	7,050
Additional Paid-In Capital	2,170,343
Retained Earnings (Deficit)	(450,478)
Notes Receivable - Related Parties	(1,050,026)

Total Stockholders' Equity	676,889

	\$ 731,683
	=====

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

ARBOR ENTECH CORPORATION
STATEMENT OF OPERATIONS
(Unaudited)

	Quarter Ended July 31,	
	2001	2000
	-----	-----
Net Sales	\$ 132,049	\$ 92,654
	-----	-----
Costs and Expenses:		
Cost of Sales	66,880	46,816
Selling, General and Administrative Expenses	157,051	94,814
	-----	-----
	223,931	141,630
	-----	-----
Loss from Operations	(91,882)	(48,976)
	-----	-----
Other Income:		
Interest Income	3,323	2,889
	-----	-----
	3,323	2,889
	-----	-----
Net Loss	\$ (88,559)	\$ (46,087)
	=====	=====
Earnings Per Common Share - Basic	\$ (.01)	\$ (.01)
	=====	=====
Weighted Average Shares Outstanding	7,050,540	7,050,540
	=====	=====

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

ARBOR ENTECH CORPORATION STATEMENT OF CASH FLOWS (Unaudited)

	Quarter Ended July 31,	
	2001	2000
Cash Flows from Operating Activities:		
Net Loss	\$(88,559)	\$(46,317)
Adjustments to Reconcile Net Loss to Net Cash (Used) in Operating Activities:		
Depreciation	3,393	2,100
Changes in Operating Assets and Liabilities:		
Decrease in Accounts Receivable	14,022	3,300
(Increase) in Inventories	(185,490)	(33,300)
(Increase) in Prepaid Expenses	(317)	(8,000)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(33,307)	13,000
(Decrease) in Taxes Payable	(49,619)	(20,000)
Total Adjustments	(251,318)	(43,000)
Net Cash (Used) in Operating Activities	(339,877)	(89,317)
Cash Flows from Investing Activities:		
Capital Expenditures	-	(17,000)
Net Cash (Used) in Investing Activities	-	(17,000)
Cash Flows from Financing Activities:		
Loans to Related Parties	(24,447)	(22,000)
Capital Contributed	24,447	22,000
Net Cash (Used) In Financing Activities	-	-
(Decrease) in Cash and Cash Equivalents	(339,877)	(107,317)
Cash and Cash Equivalents - Beginning of Period	625,438	496,000
Cash and Cash Equivalents - End of Period	\$ 285,561	\$ 388,683

Supplemental Cash Flow Information:

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Cash Paid for Interest	\$ -	\$ -
	=====	=====
Cash Paid for Income Taxes	\$ 42,305	\$ 29
	=====	=====

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

ARBOR ENTECH CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 JULY 31, 2001
 (Unaudited)

NOTE 1 - UNAUDITED INTERIM FINANCIAL STATEMENT

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

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

NOTE 2 - INVENTORIES

Inventories consist of the following:

Raw Materials	\$ 207,920
Finished Goods	102,408

	\$ 310,328
	=====

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

Land	\$ 3,000
Building and Improvements	61,114
Machinery and Equipment	4,300
Computers	12,804
Automotive Equipment	39,782

	121,000
Less: Accumulated Depreciation	73,952

	\$ 47,048
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The land and building are collateralized by a mortgage held by the Company's Secretary/Treasurer (see Note 5).

NOTE 4 - NOTES RECEIVABLE - RELATED PARTIES

Notes receivable from related parties consists of amounts due from affiliated companies. These loans originally had no specific repayment terms and are classified as a deduction from stockholders' equity. Although the loans bear interest such interest is not recorded as income for financial statement purposes but as additional contributed capital. In November 1999 the remaining two loans were memorialized into 10 year promissory notes bearing interest at 10% per annum.

The notes consist of the following:

Receivable from:

Rushmore Financial Services, Inc. (a)	\$ 784,024
Double H Management Corp. (b)	195,072

	979,096
Accrued Interest	70,930

	\$1,050,026
	=====

(a) A corporation wholly owned by Mr. Shefts and Mr. Houtkin.

(b) A wholly owned subsidiary of Rushmore Financial Services, Inc.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

LINE OF CREDIT

The Company has a revolving credit facility with its Secretary/Treasurer, secured by a mortgage of the Company's real property located in Tioga County, Pennsylvania. This revolving line of credit provides for the extension of credit in the aggregate principal amount of \$100,000 with interest at 11% per annum. Principal and interest are payable on demand. There was no balance due at July 31, 2001 on this credit facility.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) None

(b) None

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused

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this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ARBOR ENTECH CORPORATION
Registrant

By: s/Harvey Houtkin
President

By: s/Mark Shefts
Mark Shefts
Chief Financial Officer

Dated: September 14, 2001