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YORK RESEARCH CORP
Form 10-Q
January 16, 2001

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 November 30, 2000

OR

// TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from _____ to _____

Commission file number 0-72

York Research Corporation

(Exact name of registrant as specified)

Delaware

06-0608633

(State or other jurisdiction of
of incorporation or organization)

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

280 Park Avenue, Suite 2700 West, New York, New York 10017

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (212) 557-6200

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

Indicate by check whether registrant (1) has filed all reports required
to be filed by Section 13 or 15 (d) of the Securities and Exchange Act of 1934
during the preceding 12 months (or for such shorter period that the registrant
was required to file such reports), and (2) has been subject to such filing
requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's

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classes of common stock, as of the close of the period covered by this report
15,262,696

YORK RESEARCH CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

| | November 2000 |
|--|------------------|
| | (Unaudit |
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | \$ 1,4 |
| Marketable securities | 1,4 |
| Trade accounts receivable | 3,9 |
| Other receivables - related parties | 7,9 |
| Cash in escrow | 2,6 |
| Deferred tax asset | 8,1 |
| Other current assets | 4 |
| Total current assets | 26,1 |
| Property, plant and equipment, net | 131,0 |
| Long-term receivables - WCTP | 18,1 |
| Long-term notes receivable - WCTP | 57,3 |
| Intangible assets, net | 16,1 |
| Deferred tax asset | 7,1 |
| Other assets (including advances to employees of \$797,840 and \$769,136, respectively) | 2,3 |
| Total assets | \$ 258,2 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | |
| Current liabilities: | |
| Project payables | \$ 7,9 |
| Accrued expenses and other payables | 7,0 |
| Income tax payable | 2 |
| Project notes payable - current portion | 3,2 |
| Net liabilities of discontinued operations | 50,6 |
| Total current liabilities | 69,1 |
| Project notes payable | 144,0 |
| Other long-term liabilities | |
| Deferred revenue and other credits | 2,8 |
| Total liabilities | 215,9 |
| Minority interest in partnership | 3,2 |
| Commitments and contingencies | |
| Stockholders' equity | |
| Common stock, Class A, \$.01 par value; authorized 10,000,000 | |

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| | |
|---|----------|
| shares; none issued | |
| Common stock, \$.01 par value; authorized 50,000,000 shares; issued 15,420,820 and 15,270,156 shares, respectively | 1 |
| Additional paid-in capital | 68,7 |
| Accumulated deficit | (27,8 |
| Accumulated other comprehensive income (net of tax of \$460,200 and \$353,800, respectively) | 8 |
| | ----- |
| | 41,8 |
| Less: | |
| Treasury stock, at cost (158,124 shares) | (1,5 |
| Notes receivable - sale of common stock | (4 |
| Deferred compensation - ESOP | (9 |
| | ----- |
| Total stockholders' equity | 38,9 |
| | ----- |
| Total liabilities and stockholders' equity | \$ 258,2 |
| | ===== |

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

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YORK RESEARCH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

| | (Unaudited) | |
|---|---------------------------|---------------|
| | For the Nine Months Ended | |
| | November 30, | |
| | 2000 | 1999 |
| | ----- | ----- |
| Revenues | \$ 27,190,103 | \$ 13,797,731 |
| Costs of revenues | 16,006,937 | 5,843,566 |
| | ----- | ----- |
| Gross profit | 11,183,166 | 7,954,165 |
| | ----- | ----- |
| Selling, general and administrative: | | |
| Power project services | 1,662,323 | 2,003,319 |
| General corporate expenses | 5,264,021 | 6,349,069 |
| | ----- | ----- |
| Total selling, general and administrative | 6,926,344 | 8,352,388 |
| | ----- | ----- |
| Other income (expense): | | |
| Interest income - WCTP | 3,773,212 | 3,239,547 |
| Interest income | 503,693 | 1,127,849 |
| Interest expense | (13,351,536) | (4,775,284) |
| Other income | 6,324,375 | 4,515,432 |
| Minority interest in partnership | (474,926) | (408,024) |
| | ----- | ----- |

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| | | | |
|---|--------------|----------------|----|
| | (3,225,182) | 3,699,520 | |
| | ----- | | |
| Income from continuing operations before income taxes | 1,031,640 | 3,301,297 | |
| Benefit for income taxes: | (1,110,000) | (515,913) | |
| | ----- | | |
| Income from continuing operations | 2,141,640 | 3,817,210 | |
| Discontinued operations: | | | |
| Loss from discontinued operations | - | (2,227,160) | |
| Estimated loss on disposal (loss from electric marketing operations) | - | (6,192,058) | |
| | ----- | | |
| Total loss from discontinued operations | - | (8,419,218) | |
| | ----- | | |
| Net income (loss) | \$ 2,141,640 | \$ (4,602,008) | \$ |
| | ===== | | |
| Comprehensive income (loss) | \$ 2,348,356 | \$ (4,602,008) | \$ |
| | ===== | | |
| Earnings (loss) per share - Basic: | | | |
| Continuing operations | \$ 0.14 | \$ 0.26 | \$ |
| Discontinued operations | \$ - | \$ (0.58) | \$ |
| | ----- | | |
| Total | \$ 0.14 | \$ (0.32) | \$ |
| | ===== | | |
| Weighted average number of common shares used in computing basic earnings (loss) per share | 15,139,011 | 14,591,397 | |
| | ===== | | |
| Earnings (loss) per share - Diluted: | | | |
| Continuing operations | \$ 0.14 | \$ 0.25 | \$ |
| Discontinued operations | \$ - | \$ (0.55) | \$ |
| | ----- | | |
| Total | \$ 0.14 | \$ (0.30) | \$ |
| | ===== | | |
| Weighted average number of common shares and common share equivalents used in computing diluted earnings (loss) per share | 15,139,011 | 15,381,461 | |
| | ===== | | |

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

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| | 2000 |
|--|---------|
| | ----- |
| OPERATING ACTIVITIES: | |
| Net income from continuing operations | \$ 2,14 |
| Adjustments to reconcile net income from continuing operations to net cash used in operating activities: | |
| Depreciation and amortization | 3,56 |
| Deferred taxes | (1,11 |
| Amortization of deferred credits | (12 |
| Amortization of deferred charges | 1,73 |
| ESOP contribution | 40 |
| Minority interest in partnership | 47 |
| Gain on sale of marketable securities | (31 |
| Changes in operating assets and liabilities: | |
| Net increase in receivables | (2,99 |
| Net increase in notes receivable, other current assets, and other assets | (3,29 |
| Net decrease in accounts payable, accrued expenses, and long-term liabilities | (5,41 |
| Decrease in accrued taxes | (68 |
| | ----- |
| NET CASH USED IN OPERATING ACTIVITIES OF CONTINUING OPERATIONS | (5,63 |
| | ----- |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES OF DISCONTINUED OPERATIONS | 7,62 |
| | ----- |
| INVESTING ACTIVITIES: | |
| Construction in progress | |
| Deposits into cash in escrow | (13,91 |
| Receipts from cash in escrow | 21,63 |
| Proceeds from sale of marketable securities | 35 |
| Purchase of property, plant and equipment | (2,65 |
| | ----- |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | 5,42 |
| | ----- |
| FINANCING ACTIVITIES: | |
| Payment of project notes | (2,68 |
| Amounts received from ESOP | |
| Proceeds from exercise of stock options and warrants | |
| | ----- |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES OF CONTINUING OPERATIONS | (2,68 |
| | ----- |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES OF DISCONTINUED OPERATIONS | (10,73 |
| | ----- |
| DECREASE IN CASH AND CASH EQUIVALENTS | (6,01 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 7,49 |
| | ----- |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$ 1,47 |
| | ===== |

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

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YORK RESEARCH CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) General

In the opinion of management, the accompanying consolidated, unaudited financial statements contain all adjustments necessary to present fairly York Research Corporation and Subsidiaries' ("York" or the "Company") consolidated financial position as at November 30, 2000, results of operations for the nine and three months ended November 30, 2000 and 1999, and cash flows for the nine months ended November 30, 2000 and 1999.

Certain financial information which is normally included in financial statements prepared in accordance with generally accepted accounting principles, but which is not required for interim reporting purposes, has been condensed or omitted. The accompanying financial statements need to be read in conjunction with the financial statements and notes thereto included in the Registrant's Form 10-K.

Certain amounts in the Fiscal 2000 consolidated financial statements were reclassified to conform to the Fiscal 2001 presentation. Any adjustments that have been made to the financial statements are of a normal recurring nature.

(2) Per Share Data

Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders by the weighted-average common shares outstanding for the period. Diluted earnings per share reflects the weighted average common shares outstanding plus the potential dilutive effect of securities or contracts which are in the money and convertible to common shares, such as options and warrants, unless antidilutive based upon income (loss) from continuing operations. The following is a reconciliation of the number of shares used in the basic and diluted computation of earnings per share for the nine and three months ended November 30, 2000 and 1999:

| | Nine Months Ended November 30, | | Three Months Ended November 30, | |
|---|-----------------------------------|------------|------------------------------------|------------|
| | 2000 | 1999 | 2000 | 1999 |
| Weighted average number of common shares outstanding | 15,184,101 | 14,982,680 | 15,262,696 | 15,126,284 |
| Average of unreleased ESOP | | | | |

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| | | | | |
|---|------------|------------|------------|------------|
| shares | (45,090) | (391,283) | (109,559) | (244,931) |
| Weighted average number of common shares outstanding - basic | 15,139,011 | 14,591,397 | 15,153,137 | 14,881,353 |
| Dilution (warrants and options) | - | 790,064 | - | 289,087 |
| Weighted average number of common shares and common share equivalents outstanding - diluted | 15,139,011 | 15,381,461 | 15,153,137 | 15,170,440 |

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YORK RESEARCH CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following chart summarizes the number of options and warrants not included in the computation of diluted earnings per share for the nine and three months ended November 30, 2000 and 1999, as the results would have been antidilutive. The options and warrants expire between January 2001 and July 2010.

| | Nine Months Ended November 30, | | Three Months Ended November 30, | |
|----------------------|-----------------------------------|-------------------|------------------------------------|-------------------|
| | 2000 | 1999 | 2000 | 1999 |
| Options and Warrants | 3,765,019 | 1,588,266 | 3,765,019 | 3,493,956 |
| Price Range | \$1.63 to \$8.00 | \$5.88 to \$11.00 | \$1.63 to \$8.00 | \$4.50 to \$11.00 |

(3) Significant New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", ("SFAS 133") which requires entities to recognize all derivatives in their financial statements as either assets or liabilities measured at fair value. SFAS 133 also specifies new methods of accounting for hedging transactions, prescribes the items and transactions that may be hedged, and specifies detailed criteria to be met to qualify for hedge accounting. SFAS 133 is effective for fiscal years beginning after June 15, 2000. The Company is currently evaluating the impact that SFAS 133 may have on the Company's consolidated financial statements and disclosures.

(4) Discontinued Operations

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A. Natural Gas Marketing

As of February 28, 2000, North American Energy Conservation, Inc. ("NAEC") discontinued its natural gas marketing business. On March 2, 2000, NAEC filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the Southern District of New York. NAEC ceased the wholesale natural gas business as of February 28, 2000, but continued its retail natural gas business until it sold the retail business to Amerada Hess Corporation on April 20, 2000 for \$250,000 payable between July 1, 2000 and December 31, 2000. Amerada Hess assumed all obligations in connection with the Syracuse office and equipment leases and hired all of the NAEC Syracuse personnel. The filing of Chapter 11 was necessitated by an extreme credit crunch which rendered NAEC unable to purchase natural gas to meet its commitments and unable to pay its creditors for natural gas previously delivered.

As of February 28, 2000, the Company accounted for the NAEC wholesale and retail natural gas marketing business as a discontinued operation, as well as the electric marketing business, which was discontinued previously.

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YORK RESEARCH CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The natural gas marketing operations of NAEC are reflected as a discontinued operation for all periods presented. Since the fiscal year ended February 28, 2000, revenues and associated costs of revenues for one day, February 29, 2000, are included below. The operating results of the discontinued operation for the nine and three months ended November 30, 2000 (which had been accrued as of February 28, 2000), and 1999 are summarized as follows:

| | Nine Months Ended November 30, | | Three Months Ended November 30, | |
|----------------------|-----------------------------------|----------------|------------------------------------|----------------|
| | 2000 | 1999 | 2000 | 1999 |
| Revenues | \$ 2,734,250 | \$ 800,317,822 | \$ - | \$ 279,972,563 |
| Loss from operations | \$ (4,093,188) | \$ (3,759,166) | \$ (803,990) | \$ (1,981,337) |

B. Electric Marketing

During the quarter ended August 31, 1998, unprecedented turmoil in the electric marketing business was caused in part by widely reported failures of certain suppliers to deliver contracted power to a multitude of utilities and marketers, including NAEC. NAEC and many others were required to immediately meet existing fixed price commitments. The resulting turmoil caused prices to

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immediately increase from normal prices in the range of \$30 per megawatt hour to as much as \$7,000 per megawatt hour.

Repercussions from the suppliers' failures caused continuing instability throughout the summer, as market participants found themselves with unbalanced portfolios and a shortage of available sources. NAEC met many of its commitments at substantially increased cost.

As a result, in August 1998, York determined that NAEC should discontinue the electric marketing business due to the volatility, lack of liquidity and unacceptable risk parameters. Operations ceased in December 1999, when all commitments were met.

The electric marketing operations of NAEC are reflected as a discontinued operation for all periods presented. The operating results of the discontinued operation are summarized as follows:

| | Nine Months Ended November 30, | | Three Months Ended November 30, | |
|----------------------|-----------------------------------|----------------|------------------------------------|----------------|
| | 2000 | 1999 | 2000 | 1999 |
| Revenues | \$ - | \$ 55,973,668 | \$ - | \$ 14,898,341 |
| Loss from operations | \$ - | \$ (9,192,058) | \$ - | \$ (2,919,280) |

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YORK RESEARCH CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

C. Net liabilities of discontinued operations

As of November 30, 2000, net liabilities of discontinued operations consisted mainly of trade accounts receivable, trade accounts payable and liquidated damages alleged to be owed to certain gas suppliers.

In addition NAEC also maintained a line of credit that is collateralized by all of the assets of NAEC and is guaranteed by the Company. The line of credit bears interest at 1/2% per annum over the prime rate.

(5) Income Taxes

For the nine and three months ended November 30, 2000, the Company recognized a tax benefit of \$1,330,000 and \$330,000, respectively, related to federal wind tax credits generated by the Big Spring facility. For the nine and three months ended November 30, 1999, the federal wind tax credits were \$1,389,000 and \$450,000, respectively.

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(6) Contingencies

Previously reported legal actions against the Company based upon guarantees of NAEC obligations have either been discontinued or are not being prosecuted by mutual consent. All remaining plaintiffs have executed a settlement agreement which was approved by the bankruptcy court on January 8, 2001. The Company anticipates that the remaining actions will now be discontinued. The settlement agreement calls for the Company to settle these obligations with the formation of a trust to be funded by May 1, 2001, or as extended by agreement, through a combination of an initial cash payment of approximately \$13 million, six million shares of common stock which would be sold over time under controlled conditions to liquidate the obligations, and a carried interest in the Company's net available cash flow, as defined, which will be used to the extent the sale of the common stock is insufficient to liquidate all obligations. In addition, NAEC's lender for the line of credit has reached an accommodation with the Company pursuant to which it has agreed not to oppose the entry of an injunction preventing it from pursuing its litigation against the Company. Such litigation is therefore stayed. Included in NAEC's estimate of its total pre-petition obligations, NAEC has accrued its estimate of the maximum liability to these creditors as well as to the lender for the line of credit.

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YORK RESEARCH CORPORATION AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The Company's business is Greenpower, which includes developing, constructing and operating Greenenergy production facilities, including those that utilize natural gas as fuel to produce thermal and electric power ("cogeneration") or renewable energy projects primarily converting wind energy into transmittable electric power.

Within our Greenpower business, we have five currently operating facilities: in New York City, the 38MW Warbasse cogeneration facility (the "Warbasse facility") and the 286MW Brooklyn Navy Yard cogeneration facility (the "BNY facility"); in Big Spring, Texas, a 34MW wind energy facility (the "Big Spring facility"), and a 6.6MW wind energy facility (the "West Texas project"); and a 225 MW natural gas fueled power project in the Republic of Trinidad and Tobago (the "Trinidad project"). Other power projects are in earlier stages of development.

On March 2, 2000 North American Energy Conservation, Inc. ("NAEC"), an 85% owned subsidiary of the Company, filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the Southern District of New York. As of February 28, 2000, the Company accounted for NAEC's wholesale and retail natural gas marketing business as a discontinued operation, as well as the electric marketing business, which was discontinued previously. On April 20, 2000 NAEC sold its retail natural gas marketing business to Amerada Hess Corporation.

Liquidity and Capital Resources

Overview

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The Company finances initial development of a projects' cash needs from its own funds. When a project is determined to be feasible, the Company will generally seek to finance construction through some form of non-recourse project financing. Once a project is operational, any additional capital requirements are expected to be met by the operations of the facility. In addition, the Company may finance future projects through the sale of partial interests (or in some cases significant interests) or other financing techniques. For example, construction of the West Texas project was financed by a capital contribution of the limited partner in this project.

General corporate and pre-financing project development and negative working capital needs have historically been met by the cash flow derived from the power projects. However, unless the Company is successful in the restructuring described below, there can be no assurance that it will have sufficient working capital to meet its obligations.

As of March 2, 2000 NAEC estimated that the total third party obligations that would be the subject of the Chapter 11 proceedings approximated \$66 million. Of this amount approximately \$25.6 million represents liquidated damages alleged to be owed to certain natural gas suppliers. York has guaranteed approximately \$46 million of total pre-petition debt of NAEC, although the total guaranteed amount could change as additional information is obtained. York and NAEC have conducted extensive discussions with both the guaranteed and non-guaranteed creditor groups and have arrived at a settlement agreement, which was approved by the bankruptcy court on January 8, 2001. The Company will settle these obligations with the formation of a trust to be funded by May 1, 2001, or as extended by agreement, through a combination of an initial cash payment of approximately \$13 million, six million shares of common stock which would be sold over time under controlled conditions to liquidate the obligations, and a carried interest in the Company's net available cash flow, as defined, which will be used to the extent the sale of the common stock is insufficient to liquidate all obligations.

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YORK RESEARCH CORPORATION AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Reference is made to the Company's Current Report on Form 8-K dated March 2, 2000 for a complete description of the background and circumstances surrounding the NAEC filing. As a result of the bankruptcy filing, all actions against NAEC are stayed.

York has retained Credit Suisse First Boston ("CSFB") to help explore strategic financing alternatives for certain York domestic and international power projects. If these efforts are successful, York expects to utilize a portion of the net proceeds (after redeeming the existing senior secured portfolio bonds), to fund the settlement agreement regarding its NAEC related liabilities, and the balance to fund continuing project development and for general corporate purposes.

There can be no assurance that the settlement agreement referred to above reached with the creditor groups will receive final bankruptcy court approval and will culminate in an agreement to resolve NAEC's liabilities or York's obligations with respect thereto. There also can be no assurance that

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CSFB's efforts on behalf of the Company will be successful.

General

During the nine months ended November, 2000, cash and cash equivalents decreased approximately \$6 million. Cash used in operating activities of continuing operations was approximately \$5.6 million.

During the nine months ended November 30, 2000, investing activities provided approximately \$5.4 million. Net cash flow from the escrow accounts was approximately \$7.7 million. The Company purchased approximately \$2.7 million of property, plant and equipment utilizing cash received from the escrow accounts.

During the nine months ended November 30, 2000, financing activities used approximately \$2.7 million for a principal payment on the project notes.

Results of Operations

2000 Compared to 1999

Revenues include the sale of electric energy to utility customers by the Big Spring and Trinidad projects. Revenues also include power project services such as engineering services, fuel procurement and other services. Cost of revenues include fuel, payroll, depreciation and other operations and maintenance costs. Revenues increased approximately \$13,392,000 and \$2,925,000, respectively, and cost of revenues increased approximately \$10,163,000 and \$4,120,000, respectively, when comparing the nine and three months ended November 30, 2000 to the nine and three months ended November 30, 1999. These increases are primarily the result of the commencement of operations of the Trinidad project in September 1999 and increased revenues and related costs of fuel for the Warbasse facility.

The Big Spring project revenues increased approximately \$621,000 and \$26,000, respectively, and cost of revenues increased approximately \$1,841,000 and \$890,000, respectively, when comparing the nine and three months ended November 30, 2000 to the nine and three months ended November 30, 1999. These increases are primarily the result of full commercial operation being achieved in December 1999. Of the increase in cost of revenues, approximately \$1,095,000 and \$364,000, respectively, relates to depreciation. Depreciation commenced January 1, 2000.

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YORK RESEARCH CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Trinidad project revenues increased approximately \$9,588,000 and \$269,000, respectively, and cost of revenues increased approximately \$3,299,000 and \$675,000, respectively, when comparing the nine and three months ended November 30, 2000 to the nine and three months ended November 30, 1999. These increases are due to the commencement of operations of the Trinidad Project in September 1999. Of the increase in cost of revenues, approximately \$1,791,000 and \$262,000, respectively, relates to depreciation. Depreciation commenced October 1, 1999. The Trinidad project has no fuel risk because the government provides all the fuel utilized by the project.

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Selling, general and administrative expenses decreased approximately \$1,426,000 and \$1,212,000 respectively, when comparing the nine and three months ended November 30, 2000 to the same periods in the prior year. These decreases were primarily due to reduced payroll and employee benefit costs, a reduction in professional fees and various other costs.

Interest income decreased approximately \$624,000 and \$138,000, respectively, when comparing the nine and three months ended November 30, 2000 to the nine and three months ended November 30, 1999 due to decreased levels of cash available for investment resulting principally from payments on construction of the Trinidad and Big Spring projects. Interest income - WCTP increased approximately \$534,000 and \$119,000, respectively, due to increases in the variable interest rate charged.

Interest expense increased approximately \$8,576,000 and \$2,231,000, respectively, when comparing the nine and three months ended November 30, 2000 to the nine and three months ended November 30, 1999. The increase was primarily caused by the impact of capitalizing construction period interest of approximately \$8,632,000 and \$1,978,000, respectively, in the nine and three months ended November 30, 1999.

Other income increased approximately \$1,809,000 and \$450,000, respectively, when comparing the nine and three months ended November 30, 2000 to the same periods in the prior year. The increase for the nine months was primarily due to an increase in royalty fees from BNYLP of approximately \$1,358,000 and a gain on sale of marketable securities of approximately \$320,000. The increase for the three months was primarily due to higher royalty fees of approximately \$429,000.

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YORK RESEARCH CORPORATION AND SUBSIDIARIES

PART II

ITEM 1. Legal Proceedings

Previously reported legal actions against the Company based upon guarantees of NAEC obligations have either been discontinued or are not being prosecuted by mutual consent. All remaining plaintiffs have executed a settlement agreement which was approved by the bankruptcy court on January 8, 2001. The Company anticipates that the remaining actions will now be discontinued. In addition, NAEC's lender for the line of credit has reached an accommodation with the Company pursuant to which it has agreed not to oppose the entry of an injunction preventing it from pursuing its litigation against the Company. Such litigation is therefore stayed. Included in NAEC's estimate of its total pre-petition obligations, NAEC has accrued its estimate of the maximum liability to these creditors as well as to the lender for the line of credit (see Note 6).

ITEM 6. Exhibits and reports on Form 8-K

(a) Exhibits

None

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- (b) There were no reports on Form 8-K filed during the three months ended November 30, 2000.

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YORK RESEARCH CORPORATION AND SUBSIDIARIES

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.

Dated: January 16, 2001

/s/ Robert M. Beningson

Robert M. Beningson
Chairman of the Board and
President

Dated: January 16, 2001

/s/ Michael Trachtenberg

Michael Trachtenberg
Executive Vice President
and Chief Financial and
Accounting Officer

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