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SEL-LEB MARKETING INC
Form 10QSB
May 15, 2002

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended March 31, 2002

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT For the
transition period from _____ to _____

Commission File Number 1-13856

SEL-LEB MARKETING, INC.

(EXACT NAME OF SMALL BUSINESS ISSUER AS SPECIFIED IN ITS CHARTER)

NEW YORK
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

11-3180295
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

495 River Street, Paterson, NJ 07524
(Address of principal executive offices)
973-225-9880
(Issuer's telephone number)

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

Yes ☒ No ☐

State the number of shares outstanding for each of the issuer's classes of common equity, as of the latest practicable date: 2,261,018 shares of common stock as of May 13, 2002.

Transitional Small Business Disclosure Format (check one):

Yes ☐ No ☒

SEL-LEB MARKETING, INC. AND SUBSIDIARY

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SEL-LEB MARKETING, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS MARCH 31, 2002 AND DECEMBER 31, 2001

ASSETS	March 31, 2002 ----- (Unaudited)	December 31, 2001 ----- (Note 1)
Current assets:		
Cash and cash equivalents	\$ 56,370	\$ 60,300
Accounts receivable, less allowance for doubtful accounts of \$328,520 and \$266,120	8,609,964	9,163,755
Inventories	8,651,304	8,297,918
Deferred tax assets, net	321,309	297,545
Prepaid expenses and other current assets	857,420	832,460
	-----	-----
Total current assets	18,496,367	18,651,978
Property and equipment, at cost, net of accumulated depreciation and amortization of \$1,173,151 and \$1,153,237	148,451	164,130
Other assets	213,740	214,203
	-----	-----
Totals	\$ 18,858,558 =====	\$ 19,030,311 =====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Note payable under line of credit	\$ 3,704,753	\$ 2,622,390
Current portion of long-term debt	257,510	307,080

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Accounts payable	1,648,406	4,626,583
Accrued expenses and other liabilities	3,708,667	2,080,918
	-----	-----
Total current liabilities	9,319,336	9,636,971
Long-term debt, net of current portion	625,733	690,274
	-----	-----
Total liabilities	9,945,069	10,327,245
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; 10,000,000 shares authorized; none issued	--	--
Common stock, \$.01 par value; 40,000,000 shares authorized; 2,261,018 shares issued and outstanding	22,611	22,611
Additional paid-in capital	6,496,359	6,496,359
Retained earnings	2,433,519	2,223,096
Less receivable in connection with equity transactions	(39,000)	(39,000)
	-----	-----
Total stockholders' equity	8,913,489	8,703,066
	-----	-----
Totals	\$ 18,858,558	\$ 19,030,311
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

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SEL-LEB MARKETING, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME THREE MONTHS ENDED MARCH 31, 2002 AND 2001 (Unaudited)

	2002	2001
	-----	-----
Net sales	\$5,707,857	\$5,013,797
	-----	-----
Operating expenses:		
Cost of sales	3,895,216	3,518,719
Selling, general and administrative expenses	1,412,567	1,179,805
	-----	-----
Totals	5,307,783	4,698,524
	-----	-----
Operating income	400,074	315,273
Interest expense, net of interest income of \$672 and \$673	60,651	121,779
	-----	-----
Income before provision for income taxes	339,423	193,494
Provision for income taxes	129,000	77,500

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	-----	-----
Net income	\$ 210,423	\$ 115,994
	=====	=====
Net earnings per share:		
Basic	\$.09	\$.05
	=====	=====
Diluted	\$.09	\$.05
	=====	=====
Weighted average shares outstanding:		
Basic	2,261,018	2,261,018
	=====	=====
Diluted	2,420,056	2,328,333
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

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SEL-LEB MARKETING, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY THREE MONTHS ENDED MARCH 31, 2002 (Unaudited)

	Common Stock		Additional	Retained	Receivable in
	Shares	Amount	Paid-in	Earnings	Connection
	-----	-----	-----	-----	With Equity
	-----	-----	-----	-----	Transactions
Balance, January 1, 2002	2,261,018	\$22,611	\$6,496,359	\$2,223,096	\$ (39,000)
Net income				210,423	
Balance, March 31, 2002	2,261,018	\$22,611	\$6,496,359	\$2,433,519	\$ (39,000)
	=====	=====	=====	=====	=====

See Notes to Condensed Consolidated Financial Statements.

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SEL-LEB MARKETING, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2002 AND 2001 (Unaudited)

2002

2001

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	-----	-----
Operating activities:		
Net income	\$ 210,423	\$ 115,994
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	19,914	54,989
Provision for doubtful accounts	62,400	32,428
Deferred income taxes	(23,764)	(21,925)
Changes in operating assets and liabilities:		
Accounts receivable	491,391	(480,747)
Inventories	(353,386)	(426,602)
Prepaid expenses and other current assets	(24,960)	10,015
Other assets	463	(26,582)
Accounts payable, accrued expenses and other liabilities	(1,350,428)	67,751
	-----	-----
Net cash used in operating activities	(967,947)	(674,679)
	-----	-----
Investing activities -- purchases of property and equipment	(4,235)	(39,970)
	-----	-----
Financing activities:		
Proceeds from note payable under line of credit, net of repayments	1,082,363	821,446
Repayments of long-term debt	(114,111)	(213,881)
	-----	-----
Net cash provided by financing activities	968,252	607,565
	-----	-----
Net decrease in cash and cash equivalents	(3,930)	(107,084)
Cash and cash equivalents, beginning of period	60,300	213,920
	-----	-----
Cash and cash equivalents, end of period	\$ 56,370	\$ 106,836
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

SEL-LEB MARKETING, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1 -- Organization and basis of presentation:

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position of Sel-Leb Marketing, Inc. ("Sel-Leb") and its 80%-owned subsidiary, Ales Signature, Ltd. ("Ales"), as of March 31, 2002, their results of operations and cash flows for the three months ended March 31, 2002 and 2001 and their changes in stockholders' equity for the three months ended March 31, 2002. Sel-Leb and Ales are referred to together herein as the "Company." Information included in the

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condensed consolidated balance sheet as of December 31, 2001 has been derived from the audited consolidated balance sheet included in the Company's Form 10-KSB for the year ended December 31, 2001 (the "10-KSB") previously filed with the Securities and Exchange Commission (the "SEC"). Pursuant to rules and regulations of the SEC, certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted from these consolidated financial statements unless significant changes have taken place since the end of the most recent fiscal year. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements, notes to consolidated financial statements and the other information in the 10-KSB.

The consolidated results of operations for the three months ended March 31, 2002 are not necessarily indicative of the results to be expected for the full year ending December 31, 2002.

Certain accounts in the 2001 condensed consolidated financial statements have been reclassified to conform with the 2002 presentations.

Note 2 -- Earnings per share:

As further explained in Note 1 in the 10-KSB, the Company has adopted the provisions of Statement of Financial Accounting Standards No. 128, "Earnings per Share", which require the presentation of "basic" and, if appropriate, "diluted" earnings per common share. Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during each period. The calculation of diluted earnings per share is similar to that of basic earnings per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if all potentially dilutive common shares, such as those issuable upon the exercise of stock options and warrants, were issued during the period.

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SEL-LEB MARKETING, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 2 -- Earnings per share (concluded):

In computing diluted earnings per share for the three months ended March 31, 2002 and 2001, the assumed exercise of the Company's outstanding stock options and warrants, adjusted for the application of the treasury stock method, would have increased the weighted average number of common shares outstanding as shown in the table below:

	2002	2001
	-----	-----
Basic weighted average shares outstanding	2,261,018	2,261,018
Shares arising from assumed exercise of:		
Options	135,736	67,215
Warrants (A)	23,302	
	-----	-----

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Diluted weighted average shares outstanding	2,420,056	2,328,233
	=====	=====

(A) The warrants expired on April 15, 2002.

Note 3 -- Note payable under line of credit:

As further explained in Note 3 in the 10-KSB, during December 1998, the Company entered into a loan agreement pursuant to which Merrill Lynch Business Financial Services, Inc. ("Merrill Lynch") is providing the Company with a credit facility (the "Facility"). Based on the latest amendments to the loan agreement, as of March 31, 2002, the Facility consists of a revolving line of credit, with maximum borrowings of \$3,800,000 against the Company's eligible accounts receivable and inventories through October 31, 2002, and three term loans (see Note 4 in the 10-KSB). Borrowings under the revolving line of credit, which totaled \$3,704,753 at March 31, 2002, bear interest, which is payable monthly, at 2.75% above the 30-day London Interbank Offering Rate (an effective rate of 4.63% as of March 31, 2002). Outstanding borrowings under the Facility are secured by substantially all of the Company's assets.

Note 4 -- Stock options and warrants:

Descriptions of the Company's stock option plans and other information related to stock options and warrants are included in Note 5 in the 10-KSB. Certain information related to options outstanding at March 31, 2002 and changes in options outstanding during the three months ended March 31, 2002 are summarized below:

	Shares or Price	Weighted Average Exercise Price
Outstanding at January 1, 2002	650,008	\$2.19
Canceled	(1,150)	2.50

Outstanding at March 31, 2002	648,858	\$2.19
	=====	=====
Options exercisable at March 31, 2002	536,887	
	=====	

SEL-LEB MARKETING, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 5 -- Goodwill:

As of March 31, 2002, goodwill, which is comprised of costs in excess of net assets of acquired businesses, had an immaterial carrying value that was included in other assets. Through December 31, 2001, goodwill was being amortized on a straight-line basis over periods not exceeding ten years. Goodwill amortization totaled approximately \$8,500 in the three months ended

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March 31, 2001. In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Under SFAS 142, goodwill and other intangible assets with indefinite useful lives will no longer be systematically amortized. Instead such assets will be subject to reduction only when their carrying amounts exceed their estimated fair values based on impairment tests established by SFAS 142 that will be made at least annually. The Company was required to apply the provisions of SFAS 142 and discontinue amortization effective as of January 1, 2002. The Company will also be required to make its first impairment tests no later than December 31, 2002. Management expects that these tests will not have any significant effects on the Company's consolidated financial position and results of operations.

Note 6 -- Segment information:

The Company has adopted the provisions of Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). Pursuant to the provisions of SFAS 131, the Company is reporting segment sales and gross margins in the same format reviewed by the Company's management (the "management approach"). The Company has two reportable segments: "Opportunity" and "Cosmetics". The Opportunity segment is comprised of the operations connected with the acquisition, sale and distribution of name-brand and off-brand products which are purchased from manufacturers, wholesalers or retailers as a result of close-outs, overstocks and/or changes in the packaging of brand name items. The Cosmetics segment is comprised of the acquisition, sale and distribution of all other products, including "celebrity endorsed" and "tie-in" cosmetics and health and beauty aid products and designer and all other fragrances.

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SEL-LEB MARKETING, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 6 -- Segment information (concluded):

Net sales, cost of sales and other related segment information for the three months ended March 31, 2002 and 2001 follows:

	2002	2001
	-----	-----
Net sales:		
Opportunity	\$2,344,079	\$2,479,160
Cosmetics	3,363,778	2,534,637
	-----	-----
Totals	5,707,857	5,013,797
	-----	-----
Cost of sales:		
Opportunity	1,693,664	1,558,731
Cosmetics	2,201,552	1,959,988
	-----	-----
Totals	3,895,216	3,518,719
	-----	-----
Selling, general and administrative expenses	1,412,567	1,179,805

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Total operating expenses	----- 5,307,783 -----	----- 4,698,524 -----
Operating income	400,074	315,273
Interest expense, net	----- 60,651 -----	----- 121,779 -----
Income before provision for income taxes	\$ 339,423 =====	\$ 193,494 =====

* * *

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion and analysis of the Company's results of operations, liquidity and financial condition should be read in conjunction with the Condensed Consolidated Financial Statements of the Company and related notes thereto. This Quarterly Report on Form 10-QSB contains certain forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements due to a number of factors, including but not limited to general trends in the retail industry (both general as well as electronic outlets), the ability of the Company to extend its financing arrangements (or obtain satisfactory alternative financing) on favorable terms, or at all, the ability of the Company to successfully implement its expansion plans, consumer acceptance of any products developed and sold by the Company, the ability of the Company to develop its "celebrity" product business, the ability of the Company to sell its specially purchased merchandise at favorable prices, on a timely basis or at all, and other factors set forth herein or in reports and other documents filed by the Company with the SEC. In addition, quarterly results in the Company's two business segments do not necessarily indicate trends in the Company's overall business operations, due to the timing of special purchases, special sales and large sales to any one particular customer.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to accounts receivable, inventories, property and equipment, stock based compensation, income taxes and contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Except as described below, relating to Goodwill, the accounting policies and estimates used as of December 31, 2001 and as outlined in the Company's previously filed Form 10-KSB, have been applied consistently for the quarter

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ended March 31, 2002.

GOODWILL -- Goodwill is comprised of costs in excess of net assets of acquired businesses that were being amortized on a straight-line basis over periods not exceeding ten years. In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Under SFAS 142, goodwill and other intangible assets with indefinite useful lives will no longer be systematically amortized. Instead such assets will be subject to reduction only when their carrying amounts exceed their estimated fair values based on impairment tests established by SFAS 142 that will be made at least annually. The Company began to apply the provisions of SFAS 142 effective January 1, 2002, and discontinued amortization effective as of that date. During the three months ended March 31, 2001, Goodwill amortization totaled approximately \$8,500. The Company will also be required to make its first impairment tests no later than December 31, 2002. The effects of these tests on the Company's consolidated financial position and results of operations has not been determined. As of March 31, 2002, goodwill had an immaterial carrying value that was included in other assets.

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CONDENSED CONSOLIDATED RESULTS OF OPERATIONS: Three Months Ended March 31, 2002
Compared to the Three Months Ended March 31, 2001

The Company has two principal business segments (see Note 6 to the Company's Condensed Consolidated Financial Statements - Unaudited) - Opportunity and Cosmetics.

	MARCH 31, 2002	MARCH 31, 2001
	-----	-----
Net sales:		
Opportunity	\$2,344,079	\$2,479,160
Cosmetics	\$3,363,778	\$2,534,637
	-----	-----
Total net sales	\$5,707,857	\$5,013,797
	-----	-----
Cost of sales:		
Opportunity	\$1,693,664	\$1,558,731
Cosmetics	\$2,201,552	\$1,959,988
	-----	-----
Total cost of sales	\$3,895,216	\$3,518,719
Selling, general and administrative expenses	\$1,412,567	\$1,179,805
	-----	-----
Total operating expenses	\$5,307,783	\$4,698,524
	-----	-----
Operating income	\$ 400,074	\$ 315,273
Interest expense, net	\$ 60,651	\$ 121,779
	-----	-----

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Income before income taxes	\$ 339,423	\$ 193,494
	=====	=====

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- (A) The net decrease in sales in this segment of our business was approximately \$135,000 and resulted primarily from the decline in sales of a line of specially purchased merchandise that neared complete sell-off in the fourth quarter of 2001. As a result, this merchandise had less availability during the first-quarter of 2002. This was partially offset during the quarter ended March 31, 2002, by sales of a product line that was introduced during the third quarter of 2001.

- (B) During the three months ended March 31, 2002, as compared to the quarter ended March 31, 2001, sales for this segment of our business increased primarily as a result of growth in the electronic media portion of our business.

- (C) Cost of sales for the "Opportunity" segment of our business increased from approximately 63% of sales in the first three months of 2001 to 72% of sales in the first three months of 2002. The increased cost resulted primarily from reduced sales of the line of specially purchased merchandise that had yielded higher margins.

- (D) Cost of sales for the "Cosmetic" segment of our business was approximately 77% of sales for the three months ended March 31, 2001 as compared to 65% for the three months ended March 31, 2002. This resulted primarily from higher sales in the electronic media portion of the business, which typically yield higher margins.

- (E) Selling, general and administrative expenses consist principally of payroll, rent, commissions, royalties, insurance, professional fees, and travel and promotional expenses. The increase during the three months ended March 31, 2002 versus the three months ended March 31, 2001 is primarily the result of higher costs due to more sales being made through outside sales agencies and the electronic media, which have higher associated selling expenses.

- (F) The decrease in interest expense during the three month period ended March 31, 2002 versus the three month period ended March 31, 2001 resulted primarily from less borrowings outstanding, coupled with reductions in the borrowing rate.

Liquidity and Capital Resources

At March 31, 2002 we had working capital of approximately \$9,177,000 including cash and cash equivalents of approximately \$56,000. Cash and cash equivalents decreased during the three months ended March 31, 2002 from approximately \$60,000 to \$56,000 as more fully discussed below.

During the three months ended March 31, 2002 our operating activities used cash and cash equivalents of approximately \$968,000. This consisted primarily of paying down accounts payable, accrued expenses and other liabilities by approximately \$1,350,000 and the acquisition of additional inventories of approximately \$353,000, offset by approximately \$210,000 in net income and

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net collections on accounts receivable of approximately \$491,000.

In addition, during the three months ended March 31, 2002, our financing activities provided approximately \$968,000 of cash and cash equivalents. The primary change was an increase in borrowings under our credit line of approximately \$1,082,000, partially offset by payments of principal on long-term debt of approximately \$114,000.

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In December, 1998 we entered into a credit facility ("Facility") with Merrill Lynch Business Financial Services, Inc. ("Merrill Lynch"), as more fully described in Notes 3 and 4 to the annual report which has been previously filed on Form 10-KSB, and in Note 3 of the Condensed Consolidated Financial Statements at March 31, 2002. At March 31, 2002, the credit facility provided for the following:

- 1) A revolving line of credit through October 31, 2002 with maximum borrowings of \$3,800,000 against the Company's eligible accounts receivable and inventories through October 31, 2002. At March 31, 2002 we had \$3,704,753 outstanding under the revolving line of credit, representing a net increase in our borrowings under the revolving line of credit of \$1,082,363 from December 31, 2001. As of May 13, 2002 the outstanding balance under the revolving line of credit was \$3,604,879.
- 2) A \$900,000 term loan originated in December 1998 payable in monthly installments of \$10,714 plus interest through January 2006. This term loan had an outstanding balance of \$492,857 as of March 31, 2002.
- 3) A \$500,000 term loan originated in October 1999 payable in monthly installments of \$8,333 plus interest through November 2004. This term loan had an outstanding balance of \$275,004 as of March 31, 2002.
- 4) A \$600,000 term loan originating in January, 2001 having an outstanding balance of \$50,000 as of December 31, 2001, which was repaid during January, 2002.

The revolving line of credit with Merrill Lynch requires interest to be paid monthly at 2.75% above the 30 day London Interbank offering (LIBOR) rate (an effective rate of 4.63% at March 31, 2002).

The Company intends to engage in discussions with Merrill Lynch with a view to extending and increasing the Facility and presently believes that it will be able to reach such an agreement with Merrill Lynch. In the event Merrill Lynch does not extend the Facility, however, the Company intends to contact other banks and financing sources and believes that it would then be able to arrange adequate alternative financing, although there can be no assurance of such. If the Company is unable to extend the current Facility and cannot obtain adequate alternative financing, and its cash available from operations is insufficient to satisfy the Company's obligations then due to Merrill Lynch, Merrill Lynch would be entitled to exercise all remedies available to it as a secured lender.

In addition to the Merrill Lynch credit facility, on September 26, 1997 and December 28, 1999, the Company entered into two other 6% term loans in the amount of \$100,000 each. As of March 31, 2002, \$41,946 and \$73,440 were outstanding under the 1997 loan and 1999 loan, respectively.

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As of May 13, 2002, the outstanding balance under all term loans was \$840,447.

The tables below summarize our long term debt and our lease commitments as of March 31, 2002:

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long term Obligations As of March 31, 2002					
Merill Lynch	\$768,000	\$229,000	\$539,000	--	--
Other	\$115,000	\$ 29,000	\$ 86,000	--	--

	Amount of Commitment Expiration Per Period				
	Total Amounts Committed	Less than 1 year	1-3 years	4-5 years	Over 5 years
Total Lease Commitments As of March 31, 2002					
495 River Street	\$573,000	\$275,000	\$298,000	--	--

The Company anticipates that its working capital, together with anticipated cash flow from the Company's operations, will be sufficient to satisfy the Company's cash requirements for at least twelve months assuming that the Company's Facility is extended or adequate alternative financing arrangements are obtained by the Company. In the event the Company's plans change, due to unanticipated expenses or difficulties or otherwise, or if the working capital and projected cash flow otherwise are insufficient to fund operations, or if the Company's Facility is not extended on satisfactory terms, or at all, the Company could be required to seek financing sooner than currently anticipated. Except for the revolving credit portion of the Facility, which expires on October 31, 2002, and the various term loans, the Company has no current arrangements with respect to, or sources of, financing. Accordingly, there can be no assurance that financing will be available to the Company when needed, on commercially reasonable terms, or at all. The Company's inability to obtain adequate financing when needed would have a material adverse effect on the Company. In addition, any equity financing obtained by the Company could involve substantial dilution to the interests of the Company's stockholders.

PART II OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits

None

B. Reports on Form 8-K

No reports on Form 8-K were filed by the registrant during the three month period ended March 31, 2002.

Signatures

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SEL-LEB MARKETING, INC.

/s/ Jack Koegel

Jack Koegel

Vice Chairman and Chief Operating Officer

/s/ George Fischer

George Fischer

Chief Financial Officer (As principal
financial and accounting officer)

May 14, 2002