

CYTATION CORP
Form 10QSB
August 05, 2002

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the quarterly period ended June 30, 2002

Commission file Number 0 5388

CYTATION CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware

16-0961436

(State or Other Jurisdiction of
Incorporation)

(I.R.S. Employer Identification Number)

251 Thames Street, No. 8, Bristol, RI 02809
(Address of Principal Executive Offices) (Zip Code)

(401) 254-8800
(Registrant's Telephone Number, Including Area Code)

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 NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date:

Common Stock, \$.001 Par Value - 37,361,857 shares as of June 30, 2002.

FORWARD-LOOKING INFORMATION

THIS FORM 10-QSB AND OTHER STATEMENTS ISSUED OR MADE FROM TIME TO TIME BY CYTATION CORPORATION OR ITS REPRESENTATIVES CONTAIN STATEMENTS WHICH MAY CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE SECURITIES ACT OF 1933 AND THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED BY THE PRIVATE SECURITIES LITIGATION

REFORM ACT OF 1995, FIFTEEN U.S.C.A. SECTIONS 77Z-2 AND 78U-5 (SUPP. 1996). THOSE STATEMENTS INCLUDE STATEMENTS REGARDING THE INTENT, BELIEF OR CURRENT EXPECTATIONS OF CYTATION CORPORATION AND MEMBERS OF ITS MANAGEMENT TEAM AS WELL AS THE ASSUMPTIONS ON WHICH SUCH STATEMENTS ARE BASED. PROSPECTIVE INVESTORS ARE CAUTIONED THAT ANY SUCH FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND INVOLVE RISKS AND UNCERTAINTIES, AND THAT ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE CONTEMPLATED BY SUCH FORWARD-LOOKING STATEMENTS. THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE OR REVISE FORWARD-LOOKING STATEMENTS TO REFLECT CHANGED ASSUMPTIONS, THE OCCURRENCE OF UNANTICIPATED EVENTS OR CHANGES TO FUTURE OPERATING RESULTS OVER TIME.

PART 1 FINANCIAL INFORMATION

Item 1. Financial Statements.

Cytation Corporation (Formerly CollegeLink.com Incorporated)

CONTENTS

UNAUDITED FINANCIAL STATEMENTS

Balance Sheets as of June 30, 2002 and December 31, 2001

Statement of Operations for the Three Months Ended June 30, 2002 and 2000

Statement of Operations for the Six Months Ended June 30, 2002 and 2001

Statement of Cash Flows for the Six Months Ended June 30, 2002 and 2001

Notes to Financial Statements

Cytation Corporation (Formerly CollegeLink.com Incorporated)

Balance Sheets

ASSETS

June 30,

December 31,

2002

2001

(Unaudited)

(Audited)

Edgar Filing: CYTATION CORP - Form 10QSB

CURRENT ASSETS: Cash \$

| | |
|---|----------------|
| | 6,857 |
| | \$ |
| | 79,861 |
| Cash in escrow account | |
| | 429,093 |
| | 424,781 |
| Notes receivable, stockholders | |
| | 21,598 |
| | 21,598 |
| Notes receivable, others | |
| | 160,551 |
| | 180,405 |
| Prepaid expenses and other current assets | |
| | <u>30,202</u> |
| | <u>154,637</u> |
| Total Current Assets | |
| | 648,301 |
| | 861,282 |
| PROPERTY AND EQUIPMENT, Net | |
| | <u>18,504</u> |
| | <u>31,687</u> |
| TOTAL ASSETS | |
| | \$ |
| | 666,805 |
| | \$ |
| | 892,969 |

=====

=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES: Accounts payable and accrued expenses

\$

368,579

\$

211,273

COMMITMENTS AND CONTINGENCIES

-

-

STOCKHOLDERS' EQUITY:

Series A convertible preferred stock, \$4.00 stated value, \$0.01 par value;

2,500,000 shares authorized, 1,140,000 shares issued and outstanding

(Liquidation value of \$4,560,000) 4,584,980 4,584,980 Series B convertible preferred stock, \$7.625 stated value, \$0.01 par value;
300,000 shares authorized, -0- shares issued and outstanding

-

-

Series C convertible preferred stock, \$4.00 stated value, \$0.01 par value;

1,000,000 shares authorized, -0- shares issued and outstanding

-

-

Common stock, \$0.001 par value, 100,000,000 shares authorized, 37,361,857 shares issued and outstanding

37,361

37,361

Additional paid-in capital

28,467,440

28,467,440

Deferred compensation

(120,000)

| | |
|---|---------------------|
| | (410,000) |
| Accumulated deficit | |
| | <u>(32,671,555)</u> |
| | <u>(31,998,085)</u> |
| TOTAL STOCKHOLDERS' EQUITY | |
| | <u>298,226</u> |
| | <u>681,696</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | |
| | \$ |
| | 666,805 |
| | \$ |
| | 892,969 |
| | ===== |
| | ===== |

See notes to financial statements.

Cytation Corporation (Formerly CollegeLink.com Incorporated)
Statement of Operations
For The Three Months Ended June 30, 2002 and 2001
(Unaudited)

| | <u>2002</u> | <u>2001</u> |
|-----------------------------------|----------------|------------------|
| REVENUES: | | |
| College and high school programs | \$ - | \$ 1,626,415 |
| Web site hosting and web services | - | 59,627 |
| Other revenues | <u>-</u> | <u>28,530</u> |
| | - | 1,714,572 |
| COST OF GOODS SOLD | <u>-</u> | <u>1,636,730</u> |
| GROSS PROFIT | <u>-</u> | <u>77,842</u> |
| OPERATING EXPENSES: | | |
| Technology | - | 56,214 |
| Depreciation and amortization | 6,960 | 141,855 |
| Sales and marketing | - | 370,324 |
| General and administrative | <u>283,434</u> | <u>442,546</u> |

Edgar Filing: CYTATION CORP - Form 10QSB

| | | |
|---|----------------|------------------|
| TOTAL OPERATING EXPENSES | <u>290,394</u> | <u>1,010,939</u> |
| OPERATING LOSS | (290,394) | (933,097) |
| OTHER INCOME (EXPENSES): | | |
| Interest income (expense), net | 1,594 | (20,998) |
| Gain on sale of business units | <u>-</u> | <u>778,005</u> |
| TOTAL OTHER INCOME (EXPENSES) | <u>1,594</u> | <u>757,007</u> |
| LOSS BEFORE INCOME TAXES | (288,800) | (176,090) |
| INCOME TAXES | <u>-</u> | <u>-</u> |
| NET LOSS | (288,800) | (176,090) |
| PREFERRED STOCK DIVIDEND EARNED | <u>68,775</u> | <u>128,775</u> |
| NET LOSS ATTRIBUTABLE TO COMMON SHARES | \$ (357,575) | \$ (304,865) |
| | ===== | ===== |
| Net Loss Per Share (Basis and Diluted) | \$ (0.01) | \$ (0.02) |
| | ===== | ===== |
| Weighted Average Common Shares Outstanding | 37,361,857 | 15,196,564 |
| | ===== | ===== |

See notes to financial statements.

Cytation Corporation (Formerly CollegeLink.com Incorporated)

Statement of Operations

For The Six Months Ended June 30, 2002 and 2001

(Unaudited)

| | 2002 | 2001 |
|-----------------------------------|-------------|------------------|
| REVENUES: | | |
| College and high school programs | \$ - | \$ 2,927,597 |
| Web site hosting and web services | - | 59,627 |
| Other revenues | <u>-</u> | <u>72,856</u> |
| | - | 3,060,080 |
| COST OF GOODS SOLD | <u>-</u> | <u>2,541,768</u> |
| GROSS PROFIT | <u>-</u> | <u>518,312</u> |
| OPERATING EXPENSES: | | |

Edgar Filing: CYTATION CORP - Form 10QSB

| | | |
|---|------------------|--------------------|
| Technology | - | 87,477 |
| Depreciation and amortization | 13,920 | 303,681 |
| Sales and marketing | - | 509,691 |
| General and administrative | <u>662,850</u> | <u>1,780,380</u> |
| TOTAL OPERATING EXPENSES | <u>676,770</u> | <u>2,681,229</u> |
| OPERATING LOSS | <u>(676,770)</u> | <u>(2,162,917)</u> |
| OTHER INCOME (EXPENSES): | | |
| Interest income (expense), net | 3,300 | (37,552) |
| Gain on sale of business units | <u>-</u> | <u>778,005</u> |
| TOTAL OTHER INCOME (EXPENSES) | <u>3,300</u> | <u>740,453</u> |
| LOSS BEFORE INCOME TAXES | (673,470) | (1,422,464) |
| INCOME TAXES | <u>-</u> | <u>-</u> |
| NET INCOME LOSS | (673,470) | (1,422,464) |
| PREFERRED STOCK DIVIDEND EARNED | <u>137,549</u> | <u>257,549</u> |
| NET LOSS ATTRIBUTABLE TO COMMON SHARES | \$ (811,019) | \$ (1,680,013) |
| | ===== | ===== |
| Net Loss Per Share (Basis and Diluted) | \$ (0.02) | \$ (0.11) |
| | ===== | ===== |
| Weighted Average Common Shares Outstanding | 37,361,857 | 15,284,770 |
| | ===== | ===== |

See notes to financial statements.

Cytation Corporation (Formerly CollegeLink.com Incorporated)

Statement of Cash Flows

For the Six Months Ended June 30, 2002 and 2001

(Unaudited)

| | <u>2002</u> | <u>2001</u> |
|--|--------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (673,470) | \$ (1,422,464) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |

Edgar Filing: CYTATION CORP - Form 10QSB

| | | |
|---|---------------------|----------------------|
| Depreciation and amortization | 13,920 | 303,681 |
| Amortization of deferred compensation | 290,000 | 214,422 |
| Accrued interest on note payable | - | 37,735 |
| Gain on sale of business units | - (778,005) | |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | - | (52,271) |
| Prepaid expenses and others | 124,435 | 272,001 |
| Cash in escrow account | (4,312) | - |
| Accounts payable and accrued expenses | 157,306 | 1,335,664 |
| Unearned revenue | <u>-</u> | <u>566,302</u> |
| NET CASH USED IN OPERATING ACTIVITIES | <u>(92,121)</u> | <u>(655,539)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (737) | (30,194) |
| Collection on notes receivable | 19,854 | 25,000 |
| Capitalization of software development costs | <u>-</u> | <u>(6,811)</u> |
| NET CASH USED IN INVESTING ACTIVITIES | <u>19,117</u> | <u>(12,005)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from (payments of) note payable and debt | - | 500,000 |
| Purchase of treasury stock | - | (600,000) |
| Proceeds from sale of business units | 3,353,421 | |
| Proceeds from issuance of common stock | <u>-</u> | <u>641</u> |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | <u>-</u> | <u>3,254,062</u> |
| NET INCREASE (DECREASE) IN CASH | (73,004) | 2,586,518 |
| CASH, Beginning | <u>79,861</u> | <u>161,481</u> |
| CASH, Ending | \$ 6,857 | \$ 2,747,999 |
| | <u>=====</u> | <u>=====</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW: | | |
| Cash paid during the periods for: | | |
| Interest | \$ - | \$ - |
| | <u>=====</u> | <u>=====</u> |
| Taxes | \$ - | \$ - |
| | <u>=====</u> | <u>=====</u> |
| Non-cash investing and financing activities: | | |
| Offset note receivable with accrued expenses | \$ - | \$ 10,000 |
| | <u>=====</u> | <u>=====</u> |

See notes to financial statements.

Notes To Financial Statements

1. Basis of Presentation:

The accompanying unaudited financial statements of Cytation Corporation (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to prepare them for inclusion as part of the Form 10QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The financial statements for the periods ended June 30, 2002 and 2001 are unaudited and include all adjustments which in the opinion of management are necessary, in order to make the financial statements not misleading. All such adjustments are of a normal recurring nature. The results of the Company's operations for any interim period are not necessarily indicative of the results of the Company's operations for a full fiscal year. For further information, refer to the financial statements and footnotes thereto included in the Company's Form 10KSB filed with the Securities and Exchange Commission for the period ended December 31, 2001.

2. The Company:

Until June 20, 2001, the Company provided an extensive range of in-school and online services directed at high school students and their parents, high school counselors, college admissions officers and corporations which target the teen marketplace. On June 20, 2001, the Company sold all of its assets associated with these activities to TMP Worldwide Inc.

3. Deferred Compensation:

On July 2, 2001, the Company's board of directors authorized advances to two officers of the Company in the aggregate amount of \$600,000. These advances are repayable by either officer if the officer leaves the employment of the Company before January 2003, unless certain events occur before such date. These advances have been booked as deferred compensation and amortized over fifteen months. In addition, the Company also advanced \$50,000 to one of the officers in lieu of his participation in the Company's retirement plans, which amount has been recorded as compensation expense in the quarter ended March 31, 2002.

4. Legal Proceedings:

On February 7, 2002, Gerald Paxton, a former consultant to the Company, filed a demand for arbitration arising under his consulting agreement with the Company. The Company and Mr. Paxton have tentatively agreed to resolve this matter.

Item 2. Management's Discussion and Analysis or Plan of Operation

The Company sold all of its revenue producing assets on June 20, 2001. Accordingly, the following should be read in conjunction with Item 5 hereof.

Results of Operations

As a result of the sale in June 2001 by the Company of substantially all of its assets (including all of its revenue generating assets) to TMP and the prior sales of the Company's Internet services businesses, the Company no longer is engaged in any business in which it was engaged during its three fiscal years ended June 30, 1998, 1999 and 2000, its six-month transition period ending December 31, 2000 or its fiscal year ended December 31, 2001. Accordingly, management does not believe that it is informative or useful to compare the results of operations of the principal business which it conducted until June 20, 2001 but which it no longer owns with the results of operations of this

business and other discontinued businesses for prior periods, including the three month period ended June 30, 2001.

Liquidity and Capital Resources

Net cash used in operating activities was \$92,121 for the six month period ended June 30, 2002 compared to \$655,539 for the six month period ended June 30, 2001, shortly after the Company discontinued its former business and sold its operating assets. See Item 5. As of June 30, 2002, the Company had working capital of \$279,722 compared to working capital of \$2,293,618 as of June 30, 2001.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

On February 7, 2002, Gerald Paxton, a former consultant to the Company, filed a demand for arbitration arising under his consulting agreement with the Company. The Company and Mr. Paxton have tentatively agreed to resolve this matter.

Item 2. Change in Securities.

None

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

Certification under Sarbanes-Oxley Act. Our president and acting chief financial officer has furnished to the SEC the certification with respect to this Report that is required by Section 906 of the Sarbanes-Oxley Act of 2002.

Sale of assets. On June 20, 2001, Cytation Corporation (then known as CollegeLink.com Incorporated) and its wholly owned subsidiary Cytation Bristol Corporation (then known as CollegeLink Corporation) sold substantially all of their respective assets, including all of their respective operating assets, to TMP. TMP is the parent corporation of TMP Interactive Inc. d/b/a Monster.com. As consideration for the sale, TMP paid Cytation Corporation approximately \$4,202,000 in cash and assumed approximately \$3,062,000 of Cytation's liabilities. Among the liabilities that TMP assumed were notes issued by Cytation to TMP in the aggregate principal amount of \$1,000,000.

Trading of securities. On May 22, 2001, the Company's common stock stopped trading on the American Stock Exchange where it had traded under the symbol "APS". From May 22, 2001 through June 21, 2001, the Company's common stock traded on the Nasdaq Over the Counter Bulletin Board under the symbol "CLGK". Since June 21, 2001, the Company's common stock has traded on the Nasdaq Over the Counter Bulletin Board under the symbol "CYTY".

Item 6. Exhibits and Reports on Form 8-K.

Edgar Filing: CYTATION CORP - Form 10QSB

(a) Exhibits:

The following exhibits are filed as part of or incorporated by reference into this Report:

| Exhibit | Description |
|----------------|--|
| 3.1 | Amended and Restated Certificate of Incorporation of the Company(2) |
| 3.2 | Articles of Merger between the Company and Cytation Corporation, dated February 11, 1999(1) |
| 3.3 | Articles of Merger between CollegeLink.com Incorporated and ECI, Inc., dated August 10, 1999(2) |
| 3.4 | Certificate of Merger of CollegeLink.com Incorporated and ECI, Inc., dated August 10, 1999(2) |
| 3.5 | Certificate of Ownership and Merger between the Company and CollegeLink.com Incorporated, dated November 15, 1999(2) |
| 3.6 | By-Laws of the Company(2) |
| 4.1 | Please see Exhibits 3.1 and 3.6 for provisions of the Amended and Restated Certificate of Incorporation and By-Laws of the Company defining the rights of holders of the common stock of the Company |
| 10.1 | Consulting Agreement by and among CollegeLink.com Incorporated and Gerald A. Paxton, dated August 10, 1999(2) |
| 10.2 | Amended and Restated Asset Purchase Agreement by and among TMP Worldwide, Inc., CollegeLink.com Incorporated and CollegeLink Corporation, dated May 2, 2001(3) |
| 10.3 | Escrow Agreement by and among the Company, TMP Worldwide, Inc, and Eastern Bank and Trust Company, dated June 20, 2001 |
| 10.4 | Bill of Sale and Assignment, by and among TMP Worldwide, Inc., CollegeLink.com Incorporated and CollegeLink Corporation, dated June 20, 2001 |
| 10.5 | Non-Competition and Non-Solicitation Agreement between TMP Worldwide and Richard A. Fisher, dated June 20, 2001 |
| 10.6 | Non-Competition and Non-Solicitation Agreement between TMP Worldwide and Kevin J. High, dated June 20, 2001 |
| 10.7 | Employment Agreement, dated October 15, 2001, between the Company and Richard A. Fisher |
| 10.8 | Employment Agreement, dated October 15, 2001, between the Company and Kevin High |
| 10.9 | Lease dated September 22, 1999 between the Company and Midview, LLC |
| 24.1 | Power of Attorney (contained on the signature page of this Form 10-KSB) |
| 99.1 | Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (4) |

(1) Incorporated by reference from the Company's Form 8-K, Current Report, filed March 18, 1999, and later amended on April 2, 1999.

(2) Filed as Exhibit to the Company's Registration Statement No. 333-85079 on Form SB-2 and incorporated herein by reference.

(3) Filed as an Exhibit to the Company's Proxy Statement filed May 25, 2001 and incorporated herein by reference.

(4) Filed herewith.

(b) Reports on Form 8-K

None

SIGNATURE

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 hereunto duly authorized.

CYTATION CORPORATION

By: /s/ Kevin J. High

Name: Kevin J. High

Title: President

Date: August 5, 2002