SEL-LEB MARKETING INC
Form 10QSB
August 14, 2001

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2001

[ ] 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	11-3180295
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

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 [X] No [ ]

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 2,261,018 shares of common stock as of August 13, 2001

Transitional Small Business Disclosure Format (check one):

Yes [ ] No [X]

SEL-LEB MARKETING, INC. AND SUBSIDIARY

Part I - Financial Information

Part II - Other Information

SEL-LEB MARKETING, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS
JUNE 30, 2001 AND DECEMBER 31, 2000

ASSETS	J 30, (Una
Current assets:	
Cash and cash equivalents	$
Accounts receivable, less allowance for doubtful accounts of $229,100 and $195,274	5,41
Inventories	11,04
Deferred tax assets, net	33
Prepaid expenses and other current assets	83
Total current assets	17,63

Property and equipment, at cost, net of accumulated depreciation and amortization of $1,190,431 and $1,123,601	27
Goodwill, net of accumulated amortization of $181,366 and $164,136	16
Other assets	15
Totals	$18,23

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Note payable under line of credit	$ 4,28
Current portion of long-term debt	55
Accounts payable	3,08
Accrued expenses and other liabilities	1,00
Total current liabilities	8,92
Long-term debt, net of current portion	79
Total liabilities	9,72
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	2
Additional paid-in capital	6,49
Retained earnings	2,02
Less receivable in connection with equity transactions	(3
Total stockholders' equity	8,50
Totals	$18,23

See Notes to Condensed Consolidated Financial Statements.

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SEL-LEB MARKETING, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2001 AND 2000
(Unaudited)

	2001	2000
Net sales	$ 9,562,246	$ 10,027,566
Operating expenses:		
Cost of sales	6,923,062	7,621,393
Selling, general and administrative expenses	2,284,788	2,028,479
Totals	9,207,850	9,649,872

Operating income	354,396	377,694
Other income (expense):		
Interest expense, net of interest income of $673 and $22,199	(226,446)	(187,944)
Income from litigation settlement	280,000	
Totals	53,554	(187,944)
Income before income taxes	407,950	189,750
Provision for income taxes	163,180	75,900
Net income	$ 244,770	$ 113,850
Net earnings per share:		
Basic	$ .11	$ .05
Diluted	$ .11	$ .05
Weighted average shares outstanding:		
Basic	2,261,018	2,261,018
Diluted	2,318,633	2,422,026

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 JUNE 30, 2001 AND 2000
(Unaudited)

	2001	2000
Net sales	$ 4,548,449	$ 4,995,872
Operating expenses:		
Cost of sales	3,468,229	3,500,338
Selling, general and administrative expenses	1,041,097	974,705
Totals	4,509,326	4,475,043
Operating income	39,123	520,829
Other income (expense):		
Interest expense, net of interest income of $18,699		

in 2000	(104,667)	(95,007)
Income from litigation settlement	280,000	
Totals	175,333	(95,007)
Income before income taxes	214,456	425,822
Provision for income taxes	85,680	170,890
Net income	$ 128,776	$ 254,932
Net earnings per share:		
Basic	$ .06	$ .11
Diluted	$ .06	$ .11
Weighted average shares outstanding:		
Basic	2,261,018	2,261,018
Diluted	2,302,977	2,393,478

See Notes to Condensed Consolidated Financial Statements.

SEL-LEB MARKETING, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2001
(Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Receivable in Connection with Equity Transactions	S
	Shares	Amount				
Balance, January 1, 2001	2,261,018	$22,611	$6,496,359	$1,779,427	$(42,000)	$
Decrease in receivable in connection with equity transaction					3,000	
Net income				244,770		
Balance, June 30, 2001	2,261,018	$22,611	$6,496,359	$2,024,197	$(39,000)	$

See Notes to Condensed Consolidated Financial Statements.

SEL-LEB MARKETING, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2001 AND 2000
(Unaudited)

	2001
Operating activities:	
Net income	$ 244,770
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation and amortization	116,735
Provision for doubtful accounts	33,826
Deferred income taxes	(35,615)
Changes in operating assets and liabilities:	
Accounts receivable	(497,359)
Inventories	(1,249,488)
Prepaid expenses and other current assets	(215,924)
Other assets	(25,447)
Accounts payable, accrued expenses and other liabilities	1,017,830
Net cash used in operating activities	(610,672)
Investing activities - purchases of property and equipment	(45,237)
Financing activities:	
Proceeds from note payable under line of credit, net of repayments	879,158
Repayments of long-term debt	(432,036)
Decrease in receivable in connection with equity transactions	3,000
Net cash provided by financing activities	450,122
Net decrease in cash and cash equivalents	(205,787)
Cash and cash equivalents, beginning of period	213,920
Cash and cash equivalents, end of period	$ 8,133

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 June 30, 2001, their results of operations for the six and three months ended June 30, 2001 and 2000, their changes in stockholders' equity for the six months ended June 30, 2001 and their cash flows for the six months ended June 30, 2001 and 2000. Sel-Leb and Ales are referred to together herein as the "Company." Information included in the condensed consolidated balance sheet as of December 31, 2000 has been derived from the audited consolidated balance sheet included in the Company's Form 10-KSB for the year ended December 31, 2000 (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 six and three months ended June 30, 2001 are not necessarily indicative of the results to be expected for the full year ending December 31, 2001.

Note 2 - Earnings (loss) 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" ("FAS 128"), which require the presentation of "basic" earnings (loss) per common share and, if appropriate, "diluted" earnings per common share. Basic earnings (loss) per share is calculated by dividing net income (loss) 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.

SEL-LEB MARKETING, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 2 - Earnings (loss) per share (concluded):

In computing diluted earnings per share for the six and three months ended June 30, 2001 and 2000, the assumed exercise of all 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:

	Six Months Ended June 30,		Three Months June 30
	2001	2000	2001
Basic weighted average shares outstanding	2,261,018	2,261,018	2,261,018
Shares arising from assumed exercise of:			
Stock options	57,615	119,315	41,959
Warrants		41,693	
Diluted weighted average shares outstanding	2,318,633	2,422,026	2,302,977

Note 3 - Note payable under revolving 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 June 30, 2001, the Facility consists of a revolving line of credit for borrowings against the Company's eligible accounts receivable and inventories through October 31, 2001, and three term loans (see Note 4 in the 10-KSB). As of June 30, 2001, the maximum amount the Company could borrow under the line of credit was $4,300,000. Maximum borrowings will decrease by $50,000 at the end of each month from July 31, 2001 through September 30, 2001. Borrowings under the revolving line of credit, which totaled $4,283,663 at June 30, 2001, bear interest, which is payable monthly, at 2.65% above the 30-day commercial paper rate (an effective rate of 6.38% as of June 30, 2001). 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. No options or warrants were granted, exercised or cancelled during the six and three months ended June 30, 2001.

SEL-LEB MARKETING, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 5 - Litigation settlement:

On May 30, 2001, the Company entered into an agreement to settle a legal action it had brought against one of its licensors for an alleged breach of contract. The accompanying condensed consolidated statements of income for the six and three months ended June 30, 2001 include the Company's income from the litigation settlement which totaled $280,000.

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.

Net sales, cost of sales and other related segment information for the six and three months ended June 30, 2001 and 2000 follows:

	Six Months Ended June 30,		Three Mon Ended Ju	
	2001	2000	2001	
Net sales:				
Opportunity	$4,196,761	$ 4,517,243	$1,687,601	$2
Cosmetics	5,365,485	5,510,323	2,860,848	2
Total net sales	9,562,246	10,027,566	4,548,449	4
Cost of sales:				
Opportunity	2,635,784	3,153,171	1,077,053	1
Cosmetics	4,287,278	4,468,222	2,391,176	1
Total cost of sales	6,923,062	7,621,393	3,468,229	3
Selling, general and administrative expenses	2,284,788	2,028,479	1,041,097	
Total operating expenses	9,207,850	9,649,872	4,509,326	4
Operating income	354,396	377,694	39,123	
Other income (expense):				
Interest expense, net	(226,446)	(187,944)	(104,667)	

Income from litigation settlement	280,000		280,000	
Income before income taxes	$ 407,950	$ 189,750	$ 214,456	$

* * *

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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, including statements concerning the adequacy of the Company's sources of cash to finance its current and future operations. 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, 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.

Consolidated Results of Operations: Six months Ended June 30, 2001 Compared to the Six Months Ended June 30, 2000:

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

	June 30, 2001	June 30, 2000	$ C
Net sales:			
Opportunity	$4,196,761	$ 4,517,243	$ (
Cosmetics	$5,365,485	$ 5,510,323	$ (
Total net sales	$9,562,246	$10,027,566	$ (
Cost of sales:			
Opportunity	$2,635,784	$ 3,153,171	$ (
Cosmetics	$4,287,278	$ 4,468,222	$ (

Total cost of sales	$6,923,062	$ 7,621,393	$ (
Selling general and administrative expenses	$2,284,788	$ 2,028,479	$
Total operating expenses	$9,207,850	$ 9,649,872	$ (
Operating income	$ 354,396	$ 377,694	$
Other income	$ 280,000	$ 0	$
Interest expense, net	$ (226,446)	$ (187,944)	$
Income before income taxes	$ 407,950	$ 189,750	$

(A) The "Opportunity" segment of our business is comprised of the acquisition, sale and distribution of name-brand and off-brand products which are purchased from either manufacturers, wholesalers, or retailers as a result of close-outs, overstocks and/or change-of-packaging of name-brand items. The net decrease in this segment of our business, of approximately $320,000, primarily resulted from a conscious decision to restrict sales, because of the Company's perception that there were severe credit issues with certain of our customers. This was partially offset by the introduction during the second quarter of 2000 of a line of specially purchased merchandise, which increased this segment's overall sales during the first quarter of 2001.

(B) The "Cosmetic" segment of our business 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. This segment increased in certain components of the category as a result of increased sales in the electronic media portion of the business, as well as the successful continued introduction of new products and development of new customers. However, this increase did not offset the reduction in sales versus the same period last year for a specialty fragrance line which was completely sold out during the year 2000, which, in the first six months of 2000, had sales of approximately $1,200,000.

(C) Cost of sales for the "Opportunity" segment of our business decreased from approximately 70% in 2000 to 63% in 2001. This decrease resulted primarily from significantly higher margins on the sale of a line of specially purchased merchandise, which was introduced during the second quarter of 2000.

(D) Cost of sales for the "Cosmetic" segment of our business was approximately 81% of sales for the six months ended June 30, 2000 as compared to 80% for the six months ended June 30, 2001. The increase in margins for this segment resulted primarily from the increased sales in the electronic media portion of our business, which generally yields a higher gross profit margin.

(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 six months ended June 30, 2001 versus the six months ended June 30, 2000 is primarily the result of higher costs due to more sales being made through outside sales agencies and the electronic media, which has higher selling expenses associated with it.

(F) Other income represents proceeds from the settlement of a legal action brought against one of the Company's licensors for an alleged breach of contract.

(G) The increase in interest expense during the six month period ended June 30, 2001 versus the six month period ended June 30, 2000 results primarily from additional borrowings under the credit facility to fund the increased levels of inventory, to meet anticipated sales demands.

Consolidated Results of Operations: Three months Ended June 30, 2001 Compared to the Three Months Ended June 30, 2000:

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

	June 30, 2001	June 30, 2000	$ Change	
Net sales:				
Opportunity	$1,687,601	$2,598,775	$ (911,174)	(A)
Cosmetics	$2,860,848	$2,397,097	$ 463,751	(B)
Total net sales	$4,548,449	$4,995,872	$ (447,423)	
Cost of sales:				
Opportunity	$1,077,053	$1,521,475	$ (444,422)	(C)
Cosmetics	$2,391,176	$1,978,863	$ 412,313	(D)
Total cost of sales	$3,468,229	$3,500,338	$ (32,109)	
Selling general and administrative expenses	$1,041,097	$ 974,705	$ 66,392	(E)
Total operating expenses	$4,509,326	$4,475,043	$ 34,283	
Operating income	$ 39,123	$ 520,829	$ (481,706)	
Other income	$ 280,000	$ 0	$ 280,000	(F)
Interest expense, net	$ (104,667)	$ (95,007)	$ (9,660)	(G)
Income before income taxes	$ 214,456	$ 425,822	$ (211,366)	

(A) The "Opportunity" segment of our business is comprised of the acquisition, sale and distribution of name-brand and off-brand products which are purchased from either manufacturers, wholesalers, or retailers as a result of close-outs, overstocks and/or change-of-packaging of name-brand items. The net decrease in this segment of our business, of approximately $911,000 resulted primarily from a conscious decision to restrict sales, because of the Company's perception that there were severe credit issues with certain of our accounts, coupled with lower sales of the new line of specially purchased merchandise versus the same period in 2000.

(B) The "Cosmetic" segment of our business 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. This segment increased in certain components of the category as a result of increased

sales in the electronic media portion of the business, as well as the successful continued introduction of new products and development of new customers.

(C) Cost of sales for the "Opportunity" segment of our business increased from approximately 59% in 2000 to 64% in 2001. This increase resulted primarily from lower sales on the sale of a line of specially purchased merchandise, which yield significantly higher margins, versus the same period in 2000.

(D) Cost of sales for the "Cosmetic" segment of our business was approximately 82% of sales for the three months ended June 30, 2000 as compared to 84% for the three months ended June 30, 2001. The decrease in margins for this segment resulted primarily from the Company's decision to provide sales at lower than usual margins to customers with whom the Company is hopeful of doing significant business in the future. This decrease was partially offset by increased sales in the electronic media portion of our business, which generally yields a higher gross profit margin.

(E) Selling general and administrative expenses consist principally of payroll, rent, commissions, insurance, royalties, professional fees, and travel and promotional expenses. The increase during the three months ended June 30, 2001 versus the three months ended June 30, 2000 are primarily the result of higher costs due to more sales being made through outside sales agencies and the electronic media, which has higher selling expenses associated with it.

(F) Other income represents proceeds from the settlement of a legal action brought against one of the Company's licensors for an alleged breach of contract.

(G) The increase in interest expense during the three month period ended June 30, 2001 versus the three month period ended June 30, 2000 results primarily from additional borrowings under the credit facility to fund the increased levels of inventory, to meet anticipated sales demands.

Liquidity and Capital Resources

At June 30, 2001 we had working capital of approximately $8,709,000 including cash and cash equivalents of approximately $8,000. Cash and cash equivalents decreased during the three months ended June 30, 2001 from approximately $214,000 to $8,000, resulting primarily from our financing activities, more fully discussed below.

During the six months ended June 30, 2001 we used approximately $611,000 in our operations, primarily to increase inventory by approximately $1,249,000, in order to meet anticipated sales demands, and, to fund the increase in accounts receivable of approximately $497,000. These increases were partially offset by operating profits of approximately $245,000 and an increase in accounts payable, accrued expenses and other liabilities of approximately $1,018,000.

During the six months ended June 30, 2001 we used approximately $45,000 for the acquisition of property and equipment, and received approximately $450,000 from our financing activities.

Our cash and cash equivalent position of approximately $8,000 at June 30, 2001 result primarily from our various financing activities. 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 June 30, 2001. As amended, the credit facility provides for the following:

1) A revolving line of credit with maximum borrowings of $4,300,000 against the Company's eligible accounts receivable and inventories through October 31, 2001. Maximum borrowings will decrease by $50,000 at the end of each month from July 31, 2001, through September 30, 2001. At June 30, 2001 we had $4,283,663 outstanding under the revolving line of credit, representing a net increase in our revolving line of credit of $879,158 from December 31, 2000.

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 $581,126 as of June 30, 2001.

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 $341,668 as of June 30, 2001.

4) A $600,000 term loan originated in December 2000 payable in monthly installments of $50,000 plus interest through December 2001. This term loan had an outstanding balance of $300,000 as of June 30, 2001.

Each of the aforementioned loans with Merrill Lynch require interest to be paid monthly at 2.65% above the 30-day commercial paper rate (an effective rate of 6.38 % at June 30, 2001).

In addition to the Merrill Lynch credit facility, on September 26, 1997 the Paterson Restoration Corporation provided us with a $100,000 term loan, which bears interest at 6% and provides for monthly installments in the amount of $1,461 through October 1, 2004. On December 28, 1999 the Paterson Restoration Corporation provided us with an additional $100,000 term loan, which bears interest at 6% and provides for monthly installments of $1,461 through January 1, 2007. As of June 30, 2001 $52,932 and $83,050 were outstanding under the 1997 loan and the 1999 loan, respectively.

Pursuant to the terms of the term loans, we made principal payments of $432,036 during the six months ended June 30, 2001.

As of August 13, 2001, the outstanding balance under the Revolving Line of Credit was $4,098,486 and under the term loans, including the Paterson Restoration Corporation was $1,284,930.

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, the Company could be required to seek financing sooner than currently anticipated. Except for the Facility, which expires on October 31, 2001, and the term loans under the Facility, 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 could 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. The Company believes that it will be able to extend the current Facility, although there can be no assurance of such.

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PART II OTHER INFORMATION

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

The Annual Meeting of Shareholders of the Company (the "Annual Meeting") was held on July 25, 2001. At the Annual Meeting, the shareholders of the Company voted upon the election of directors (Proposal No. 1), with seven nominees being elected. The votes cast with respect to the election of directors are set forth below. No other directors' term of office continued after the Annual Meeting.

In addition, at the Annual Meting, the shareholders of the Company authorized a proposal to amend the Company's Certificate of Incorporation to effect a reverse stock split of the Company's common stock of not greater than 1 for 8 (Proposal No. 2).

The votes were cast as follows:

PROPOSAL NO. 1

NAME	NUMBER OF VOTES FOR	NUMBER OF VOTES WITHHELD
Harold Markowitz	2,159,024	39,023
Paul Sharp	2,159,024	39,023
Jorge Lazaro	2,159,024	39,023
Jack Koegel	2,153,373	44,674
Stanley R. Goodman	2,153,473	44,574
Edward C. Ross	2,153,473	44,574
L. Douglas Bailey	2,153,373	44,674

PROPOSAL NO. 2

NUMBER OF VOTES FOR	NUMBER OF VOTES AGAINST	ABSTENTIONS
2,141,751	54,746	1,550

ITEM 5. OTHER INFORMATION

On July 22, 2001, Jan S. Mirsky, Executive Vice President - Finance and a Director of the Company, passed away. The Company is currently seeking to fill the vacancy in the position of principal financial officer.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits

10.1 Extension of Temporary Increase and Renewal for the WCMA Line of Credit

B. Reports on Form 8-K

On May 2, 2001 the registrant filed a current report on Form 8-K in which the Company reported, pursuant to item 5 thereof, that it had issued a press release announcing the potential delisting of the registrant's securities from Nasdaq.

On May 29, 2001 the registrant filed a current report on Form 8-K in which the Company reported, pursuant to item 5 thereof, that it had issued a press release announcing the potential delisting of the registrant's securities from Nasdaq.

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
As duly authorized officer of the registrant

/s/ George Fischer

George Fischer
Controller
As chief accounting officer of the registrant

August 14, 2001