

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

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FILER

CHAMPIONLYTE PRODUCTS INC

CIK: **1093819** | IRS No.: **650510294** | State of Incorp.: **FL** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **000-28223** | Film No.: **02644837**
SIC: **2060** Sugar & confectionery products

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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 Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission File No. 0-28223

CHAMPIONLYTE PRODUCTS, INC.

(Exact Name of Small Business Issuer as Specified in its Charter)

Florida

(State of Other Jurisdiction of
Incorporation or Organization)

65-0510294

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

1356 N.W. Boca Raton Boulevard, Boca Raton, FL 33432
(Address of Principal Executive Offices)

(561) 417-6800
(Issuer's Telephone Number, Including Area Code)

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 reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

As of April 30, 2002, the issuer had issued and outstanding 7,526,399 shares of its common stock, par value \$0.001 per share.

Transitional Small Business Disclosure Format (check one): Yes No

CHAMPIONLYTE PRODUCTS, INC.
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CHAMPIONLYTE PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

MARCH 31, 2002
(Unaudited)

ASSETS

Current assets:

Cash and cash equivalents	\$	141,642
Marketable securities - available-for-sale		354,841
Accounts receivable, net		109,311
Inventory		22,961
Advances		2,383
Prepaid expenses		30,540

Total current assets		661,678
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Property and equipment, net		165,937
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Licensing agreement, net		130,532
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Deposits		11,246
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	\$	969,393
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LIABILITIES AND STOCKHOLDERS' DEFICIENCY

Current liabilities:

Accounts payable	\$	298,964
Accrued expenses and other current liabilities		182,376
Current portion of note payable		3,428

Total current liabilities		484,768
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Note payable, net of current portion		7,754
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Series II redeemable convertible preferred stock, par value \$.01 - authorized 8,500 shares, 8,230 shares issued and outstanding		8,229,727
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Commitments and contingency		-
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Stockholders' deficiency:

Series I convertible preferred stock, par value \$1.00 - authorized 100,000 shares, 3,500 shares issued and outstanding		-
Common stock, par value \$.001 - authorized 40,000,000 shares, issued and outstanding 7,501,399		7,502
Additional paid-in capital		4,976,058
Deferred compensation		(86,745)
Accumulated other comprehensive income - unrealized gain on marketable securities		1,840
Accumulated deficit		(12,651,511)

Total stockholders' deficiency		(7,752,856)
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	\$	969,393
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CHAMPIONLYTE PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	2002	2001
	(Unaudited)	(Unaudited)
<S>	<C>	<C>
Net sales	\$ 264,643	\$ 239,038
Cost of goods sold	158,845	144,207
Gross profit	105,798	94,831
Selling, general and administrative	886,984	1,210,039
Loss from operations	(781,186)	(1,115,208)
Other income (expense):		
Investment income	8,720	69,788
Interest expense	(300)	(13,393)
Expenses relating to the conversion of notes to Series II Convertible Preferred Stock	-	(898,605)
Other expenses, net	8,420	(842,210)
Net loss	(772,766)	(1,957,418)
Series II preferred dividends	102,872	93,727
Net loss available to common shareholders	\$ (875,638)	\$ (2,051,145)
Loss per common share available to shareholders - basic and diluted	\$ (0.12)	\$ (0.32)
Weighted average number of common shares outstanding - basic and diluted	7,501,399	6,378,899
Other comprehensive loss:		
Net loss	\$ (772,766)	\$ (1,957,418)
Unrealized gain (loss) from marketable securities	1,840	73,443
Comprehensive loss	\$ (770,926)	\$ (1,883,975)

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CHAMPIONLYTE PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2002	2001
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
<S> Net loss	\$ (772,766)	\$ (1,957,418)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	18,274	290,546
Common stock and options issued for services	54,857	36,393
Amortization of debt discount	-	635,442
Changes in current assets and liabilities:		
Accounts receivable	(1,007)	620
Other receivable	100,000	-
Inventory	1,526	(24,535)
Advances	(268)	-
Prepaid expenses	21,852	(15,720)
Deposits	-	(200)
Accounts payable	35,450	9,185
Accrued expenses and other current liabilities	(4,388)	(15,823)
Net cash used in operating activities	(546,470)	(1,041,510)
Cash flows from investing activities:		
Purchase of marketable securities	624,597	(21,650)
Capital expenditures	-	(40,168)
Net cash used in investing activities	624,597	(61,818)
Cash flows from financing activities:		
Principal payments on notes payable	(811)	(741)
Net cash used in financing activities	(811)	(741)
Net decrease in cash	77,316	(1,104,069)
Cash, beginning of year	64,326	1,456,684
Cash, end of period	\$ 141,642	\$ 352,615
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year:		
Interest expense	\$ -	\$ 13,393
Income taxes	\$ -	\$ -
Noncash investing and financing activities:		
Conversion of note payable to Series II preferred stock	\$ -	\$ 8,229,727

See notes to consolidated financial statements

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CHAMPIONLYTE PRODUCTS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial statements and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and disclosures required for annual financial statements. These financial statements should be read in conjunction with the consolidated financial statements and related footnotes for the year ended December 31, 2001 included in the Form 10-KSB for the year then ended.

In the opinion of the Company's management, all adjustments (consisting of normal recurring accruals) necessary to present fairly the Company's financial position as of March 31, 2002, and the results of operations and cash flows for the three-month periods ended March 31, 2002 and 2001 have been included.

The results of operations for the three-month period ended March 31, 2002, are not necessarily indicative of the results to be expected for the full year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Form 10-KSB as filed with the Securities and Exchange Commission for the year ended December 31, 2001.

COMMITMENTS

On January 31, 2002, the Company entered into a three-month employment agreement, expiring April 30, 2002, with its interim chief operating officer. The executive will receive 100,000 options of the Company's common stock, at an exercise price of \$0.10 per share. The Company valued these options using the intrinsic value method under APB No. 25., or \$0.50 per share. Such value was deferred and amortized over the term of the contract, as of March 31, 2002 there was \$16,667 in deferred compensation.

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Item 2 Management's Discussion and Analysis or Plan of Operations

RESULTS OF OPERATIONS

ChampionLyte Products's net sales revenues for the quarter ended March 31, 2002 were \$264,643, as compared to \$239,038 in the comparable period of 2001. The Company did not experience the growth it had previously anticipated due to a reformulation of its ChampionLyte refresher drinks during the quarter. The Company began shipments of the reformulated refresher drinks during April 2002 and anticipates increased period-to-period sales in the second quarter of 2002. ChampionLyte Products's gross margin was 40% for the quarters ended March 31, 2002 and 2001, respectively.

Selling, general and administrative expenses and other expenses, net, decreased from \$1,210,039 for the quarter ended March 31, 2001 to \$886,984 for the quarter ended March 31, 2002 or a decrease of \$323,055 (27%). The major element of that decrease was a decrease in advertising and media expenses from approximately \$586,000 for the quarter ended March 31, 2001 to approximately \$194,000 or a decrease of \$392,000 (67%) in the comparable 2002 period. Such decrease in advertising and media expenditures was undertaken to conserve the Company's

working capital. The decrease was offset by an increase in noncash compensation costs of approximately \$18,000 for the quarter ended March 31, 2002, as compared to the comparable period of 2001 associated with the issuance of Common Stock for consulting services rendered. Such increase was also offset by incremental period-to-period costs of approximately \$50,000 in other general expense accounts such as payroll, insurance and rent.

Other income and (expense) increased from a net expense of \$842,210 for the quarter ended March 31, 2001 to net other income of \$8,420, or an increase of \$850,630. Such increase was due to non-recurring interest charges of \$899,000 during the quarter ended March 31, 2001 relating to the conversion of notes payable into Series II Convertible Preferred Stock. Additionally, in comparison to the comparable period during 2001, interest expense decreased by \$13,000 and investment income decreased by \$61,000.

ChampionLyte had a net loss available to common shareholders of \$875,638 (\$0.12 per share) during the quarter ended March 31, 2002, as compared to a net loss available to common shareholders of \$2,051,134 (\$0.32 per share) during the comparable prior period.

LIQUIDITY AND CAPITAL RESOURCES

ChampionLyte's available cash and marketable securities at March 31, 2002 were approximately \$498,000, as compared to approximately \$4,186,000 at March 31, 2001. The decrease is primarily attributable to the increase in operating activities that were funded by the US Bancorp financing which occurred in June 2000.

As a result of the U.S. Bancorp financing, management believes that it has sufficient working capital to carry out its business plan for the operation and expansion of its syrup business and for the continued introduction and growth of its sports refresher drink for approximately the next four to six months. Until the Company's working capital improves, the Company is significantly reducing its spending on marketing and advertising, as well as budgeting additional cost cutting measures to ensure that our working capital is sufficient to continue to carryout our business plan. Based on the pace of current orders and anticipated growth in the current quarters, we believe that operations will increasingly contribute to cash flow during the next twelve months. Additionally, we are actively seeking additional sources of capital that will enable us to achieve our long-term objectives of nationally marketing our product lines. However, we may not be able to obtain such capital on acceptable terms or conditions. In such event the Company will have to modify its business plan accordingly.

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PART II - OTHER INFORMATION

Item 1 Legal Proceedings

None.

Item 2 Changes in Securities and Use of Proceeds

None.

Item 3 Defaults Upon Senior Securities

None.

Item 4 Submissions of Matters to a Vote of Security Holders

None.

Item 5 Other Events

None.

Item 6 Exhibits and Reports on Form 8-K

(a) Exhibits required by item 601 of Regulation S-B

None.

(b) Reports on Form 8-K

None.

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SIGNATURES

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

CHAMPIONLYTE PRODUCTS, INC.

By:/s/ Mark Streisfeld

Mark Streisfeld, President

By:/s/ Christopher A. Valleau

Christopher A. Valleau,
Vice President, Finance

Date: May 13, 2002

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