

Edgar Filing: LUCILLE FARMS INC - Form 10-Q

LUCILLE FARMS INC  
Form 10-Q  
February 14, 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(x) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND  
EXCHANGE ACT OF 1934

For the Quarterly period Ended: December 31, 2001

Commission File Number 1-12506

LUCILLE FARMS, INC.  
-----

(Exact Name of Registrant as Specified in its Charter)

|  |  |
|--|--|
| Delaware<br>-----<br>(State or other Jurisdiction<br>Of Incorporation) | 13-2963923<br>-----<br>(I.R.S. Employer<br>Identification No.) |
|--|--|

|  |                              |
|--|------------------------------|
| 150 River Road, P.O. Box 517<br>Montville, New Jersey<br>-----<br>(Address of Principal Executive Offices) | 07045<br>-----<br>(Zip Code) |
|--|------------------------------|

Registrant's Telephone Number, Including Area Code: (973) 334-6030

Former name, former address and former fiscal year, if changed since last  
report. N/A  
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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 x NO  
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The number of shares of Registrant's common stock, par value \$.001 per share,  
outstanding as of November 6, 2001 was 2,951,442.

Item 1. Financial Statements

LUCILLE FARMS, INC.

CONSOLIDATED BALANCE SHEET

ASSETS

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|  | DECEMBER 31, 2001<br>-----<br>(UNAUDITED) | MARCH 31<br>----- |
|--|---|-------------------|
| CURRENT ASSETS:  |   |                   |
| Cash and cash equivalents  | \$ 237,000                                | \$                |
| Accounts receivable, net of allowances of<br>\$148,000 at December 31, 2001 and<br>\$132,000 at March 31, 2001 | 3,506,000                                 | 4,                |
| Inventories  | 3,135,000                                 | 2,                |
| Deferred income taxes  | 71,000                                    |                   |
| Prepaid expenses and other current assets  | 117,000                                   |                   |
|  | -----                                     | -----             |
| Total Current Assets   | 7,066,000                                 | 7,                |
|  | -----                                     | -----             |
| PROPERTY, PLANT AND EQUIPMENT, NET   | 10,205,000                                | 9,                |
|  | -----                                     | -----             |
| OTHER ASSETS:  |   |                   |
| Due from officers  | 94,000                                    |                   |
| Deferred income taxes  | 527,000                                   |                   |
| Deferred loan costs, net   | 285,000                                   |                   |
| Other  | 93,000                                    |                   |
|  | -----                                     | -----             |
| Total Other Assets   | 999,000                                   | 1,                |
|  | -----                                     | -----             |
| TOTAL ASSETS   | \$ 18,270,000                             | \$ 17,            |
|  | -----                                     | -----             |

See notes to consolidated financial statements

LUCILLE FARMS, INC.

CONSOLIDATED BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

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|   | DECEMBER 31, 2001 | MARCH 31, |
|---|-------------------|-----------|
|   | -----             | -----     |
|   | (UNAUDITED)       |           |
| CURRENT LIABILITIES:  |                   |           |
| Accounts payable  | \$ 5,839,000      | \$ 5,     |
| Current portion of long-term debt   | 171,000           |           |
| Revolving credit line   | 3,306,000         |           |
| Accrued expenses  | 344,000           |           |
|   | -----             | -----     |
| Total Current Liabilities   | 9,660,000         | 6,        |
|   | -----             | -----     |
| LONG-TERM LIABILITIES:  |                   |           |
| Long-term debt  | 6,784,000         | 4,        |
| Revolving credit line   | --                | 4,        |
| Deferred income taxes   | 598,000           |           |
|   | -----             | -----     |
| Total Long-term Liabilities   | 7,382,000         | 9,        |
|   | -----             | -----     |
| TOTAL LIABILITIES   | 17,042,000        | 15,       |
|   | -----             | -----     |
| STOCKHOLDERS' EQUITY:   |                   |           |
| Preferred Stock- face value   | 540,000           |           |
| Common stock- \$.001 par value,<br>10,000,000 shares authorized,<br>3,021,342 shares issued               | 3,000             |           |
| Additional paid-in capital  | 4,454,000         | 4,        |
| Retained (Deficit) earnings   | (3,604,000)       | (3,       |
|   | -----             | -----     |
|   | 1,393,000         | 1,        |
| Less: 69,900 shares at December 31, 2001<br>and 50,000 shares at March 31, 2001<br>treasury stock at cost | (165,000)         | (         |
|   | -----             | -----     |
| Total Stockholders' Equity  | 1,228,000         | 1,        |
|   | -----             | -----     |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY  | \$ 18,270,000     | \$ 17,    |
|   | -----             | -----     |

See notes to consolidated financial statements



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See notes to consolidated financial statements

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LUCILLE FARMS, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2001 AND 2000

|                                      | Three Months Ended Decem |              |
|--------------------------------------|--------------------------|--------------|
|                                      | 2001                     | 2000         |
|                                      | -----                    | -----        |
| SALES                                | \$ 9,568,000             | \$ 9,568,000 |
| COST OF SALES                        | 9,423,000                | 9,423,000    |
|                                      | -----                    | -----        |
| GROSS PROFIT                         | 145,000                  | 145,000      |
|                                      | -----                    | -----        |
| OTHER EXPENSE (INCOME):              |                          |              |
| Selling                              | 633,000                  | 633,000      |
| General and administrative           | 251,000                  | 251,000      |
| Interest income                      | (1,000)                  | (1,000)      |
| Interest expense                     | 197,000                  | 197,000      |
|                                      | -----                    | -----        |
| TOTAL OTHER EXPENSE (INCOME)         | 1,080,000                | 1,080,000    |
|                                      | -----                    | -----        |
| INCOME (LOSS) BEFORE INCOME TAXES    | (935,000)                | (935,000)    |
| (Provision) benefit for income taxes | 1,000                    | 1,000        |
|                                      | -----                    | -----        |
| NET INCOME (LOSS)                    | \$ (934,000)             | \$ (934,000) |
|                                      | -----                    | -----        |
| NET INCOME (LOSS) PER SHARE          |                          |              |
| :Basic                               | \$ (.32)                 | \$ (.32)     |
|                                      | -----                    | -----        |
| :Diluted                             | \$ (.32)                 | \$ (.32)     |
|                                      | -----                    | -----        |
| WEIGHTED AVERAGE SHARES              |                          |              |

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OUTSTANDING USED TO COMPUTE  
NET INCOME PER SHARE

|          |           |       |
|----------|-----------|-------|
| :Basic   | 2,951,442 | 2,    |
|          | -----     | ----- |
| :Diluted | 2,951,442 | 2,    |
|          | -----     | ----- |

See notes to consolidated financial statements

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LUCILLE FARMS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

|   | Nine Months Ended December |                |
|---|----------------------------|----------------|
|   | 2001                       | 2000           |
|   | -----                      | -----          |
| CASH FLOWS FROM OPERATING ACTIVITIES:                               |                            |                |
| NET INCOME (LOSS)   | \$ (548,000)               | \$ (1,000,000) |
| Adjustments to reconcile net (loss)<br>income to net cash (used by) |                            |                |
| Operating activities:   |                            |                |
| Value of options issued for service                                 | 6,000                      |                |
| Depreciation and amortization                                       | 533,000                    |                |
| Provision for doubtful accounts                                     | 16,000                     |                |
| (Increase) decrease in assets:                                      |                            |                |
| Accounts receivable   | 1,092,000                  |                |
| Inventories   | (972,000)                  |                |
| Prepaid expenses and other current assets                           | 2,000                      |                |
| Other assets  | (35,000)                   |                |
| Increase (decrease) in liabilities:                                 |                            |                |
| Accounts payable  | 324,000                    | 1,000,000      |
| Accrued expenses  | (46,000)                   |                |
|   | -----                      | -----          |
| Net Cash (Used by) Operating Activities                             | 372,000                    |                |
|   | -----                      | -----          |
| CASH FLOW FROM INVESTING ACTIVITIES:                                |                            |                |
| Purchase of property, plant equipment                               | (1,187,000)                |                |
|   | -----                      | -----          |
| Net Cash (used by) Investing Activities                             | (1,187,000)                |                |
|   | -----                      | -----          |

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### CASH FLOW FROM FINANCING ACTIVITIES:

|  |            |       |
|--|------------|-------|
| (Payments of) proceeds from revolving credit loan-net    | (961,000)  |       |
| (Payments of) proceeds from long-term debt and notes-net | 1,801,000  |       |
|  | -----      | ----- |
| Net Cash (Used by) Provided by Financing Activities      | 840,000    |       |
| NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS      | 25,000     | (     |
| CASH AND CASH EQUIVALENTS-BEGINNING                      | 212,000    |       |
|  | -----      | ----- |
| CASH AND CASH EQUIVALENTS-ENDING                         | \$ 237,000 | \$    |
|  | -----      | ----- |

See notes to consolidated financial statements

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LUCILLE FARMS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The Consolidated Balance Sheet as of December 31, 2001, the Consolidated Statement of Operations for the three and nine month periods ended December 31, 2001 and 2000 and the Consolidated Statement of Cash Flows for the nine month periods ended December 31, 2001 and 2000 have been prepared by the Company without audit. In the opinion of management, the accompanying consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position of Lucille Farms, Inc. as of December 31, 2001, the results of its operations for the three months and nine months ended December 31, 2001 and 2000 and its cash flows for the nine months ended December 31, 2001 and 2000.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principals have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Although the Company believes that the disclosures are adequate to make the information presented not misleading, it is suggested that these financial statements be read in conjunction with the year-end financial statements and notes thereto for the fiscal year ended March 31, 2001 included in the Company's Annual Report on Form 10-K as filed with the SEC.

The accounting policies followed by the Company are set forth in the notes to the Company's consolidated financial statements as set forth in its Annual Report on Form 10-K as filed with the SEC.

2. The results of operations for the three and nine months ended December 31, 2001 are not necessarily indicative of the results to be expected for the entire fiscal year.

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3. Inventories are summarized as follows:

|                        | December 31, 2001 | March 31, 2001 |
|------------------------|-------------------|----------------|
|                        | -----             | -----          |
| Finished goods         | \$ 2,014,000      | \$ 1,000,000   |
| Raw Materials          | 586,000           | 586,000        |
| Supplies and Packaging | 535,000           | 535,000        |
|                        | -----             | -----          |
|                        | \$ 3,135,000      | \$ 2,121,000   |
|                        | -----             | -----          |

4. In May 2001 the Company obtained a new \$2,000,000 bank loan. The loan, collateralized by the Company's plant and equipment, bears interest at 1% above the bank's national variable rate. The loan is due in annual principal installments of \$500,000 beginning May 2003. Interest is payable monthly.

The Company's revolving credit line of \$5,000,000 matures on June 1, 2002. The Company is in the process of negotiating an extension to this line of credit for an additional twelve months. Should the Company be unable to secure the required financing, it will result in a material adverse effect in the Company's liquidity.

5. Income(loss) per share of common stock was computed by dividing net income(loss) by the weighted average number of common shares outstanding during the period in accordance with the provisions of the Statement of Financial Accounting Standards No. 128. Basic and diluted per share amounts are the same for the three and nine month periods ended December 31, 2001 and 2000 since the effect of stock options would be antidilutive and therefore not taken into consideration. Conversion of preferred stock was not taken into consideration since the effect would be antidilutive.

6. For the nine months ended December 31, 2001, non cash investing and financing activities were \$540,000 for the preferred stock issued for equipment. and reduction of amounts due from officers of \$39,800 in exchange for 19,900 shares of treasury stock

7. The Company has requested waivers from its lending institutions in order to comply with its working capital and capital expenditure covenants.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS



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### Results of Operations

The Company's conventional cheese product's, which account for substantially all of the Company's sales, are commodity items. The Company prices its conventional cheese products competitively with others in the industry, which pricing, since May 1997, is referenced to the Chicago Mercantile Exchange (and was formerly referenced to the Wisconsin Block Cheddar Market.) The price the Company pays for fluid milk, a significant component of cost of goods sold, is not determined until the month after its cheese has been sold. While the Company generally can anticipate a change in the price of milk, it cannot anticipate the extent thereof. By virtue of the pricing structure for its cheese and the competitive nature of the marketplace, the Company cannot always pass along to the customer the changes in the cost of milk in the price of its conventional cheese. As a consequence thereof, the Company's gross profit margin for such cheese is subject to fluctuation, which fluctuation, however slight, can have a significant effect on the Company's profitability.

The Company is unable to predict any future increase or decrease in the prices in the Chicago Mercantile Exchange as such markets are subject to fluctuation based on factors and commodity markets outside of the control of the Company. Although the cost of fluid milk does tend to move correspondingly with the prices on the Chicago Mercantile Exchange, the extent of such movement and the timing thereof also is not predictable as it is subject to government control and support. As a result of these factors, the Company is unable to predict pricing trends. With respect to the effect of the events of September 11, 2001, and its resultant effects on the economy, management believes that there has been a significant impact on the results of this quarter.

Three months ended December 31, 2001 compared to three months ended December 31, 2000.

Sales for the three months ended December 31, 2001 increased to \$9,568,000 from \$9,190,000 for the comparable period in 2000, an increase of \$378,000 (or 4.1%). Approximately \$1,202,000 (or 318.0%) of such amount was due to an increase in the average selling price of cheese and approximately \$258,000 (or 68.3%) was due to increased whey sales produced in our new facility. Those increases were offset by a decrease in the number of pounds of cheese sold resulting in a \$1,082,000, or (286.2%) decrease in sales when compared to the same period in 2000.

Cost of sales and gross profit margin for the three months ended December 31, 2001 was \$9,423,000 (or 98.5% of sales) and \$145,000 (or 1.5% of sales), respectively, compared to a cost of sales and gross profit margin of \$9,000,000 (or 97.9% of sales) and \$190,000 (or 2.1% of sales), respectively, for the comparable period in 2000. Both periods experienced rising cost of materials (as a percentage of sales) and shrinking gross profit margins due to an increase in the company's cost of raw materials as a percentage of selling price.

Selling, general and administrative expenses for the three months ended December 31, 2001 amounted to \$884,000 (or 9.2% of sales) compared to \$655,000 or (7.1% of sales) for the comparable period in 2000. The increase in selling, general, and administrative expenses as a percentage of sales was primarily due to the increased sales in the period, and a corresponding increase in freight

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out expenses and insurance expense.

Interest expense for the three months ended December 31, 2001 amounted to \$197,000 compared to \$217,000 for the three months ended December 31, 2000 a decrease of \$20,000. This decrease is the result of falling interest rates and lower revolving line credit usage in the period and interest capitalized during construction during the period of \$20,000.

The benefit for income tax for the three month periods ended December 31, 2001 of \$1,000, and December 31, 2000 of \$0.00 reflects minimum state taxes. Charges and credits for Federal income taxes were offset by changes in the valuation allowances for the three months ended December 31, 2001 and December 31, 2000. Such amounts are re-evaluated each quarter based on the results of operations.

The Company's net loss of \$934,000 for the three months ended December 31, 2001 represents an increase of \$254,000 from the net operating loss of \$680,000 for the comparable period in 2000. The primary factors contributing to these changes are discussed above.

With respect to its gross profit margin, the Company is continuing its efforts to increase sales of its value-added products which are less dependent on the Chicago Mercantile Exchange. The Company has now positioned itself to co-pack private label retail products. However, there can be no assurance as to whether such sales can be achieved or maintained. In addition, the Company has continued to upgrade its equipment to enable it to reduce costs and add product lines with greater margins.

Nine months ended December 31, 2001 compared to nine months ended December 31, 2000.

Sales for the nine months ended December 31, 2001 increased to \$34,698,000 from \$29,532,000 for the comparable period in 2000, an increase of \$5,166,000 (or 17.5%). Approximately \$3,151,000 (or 61.0%) of such amount was due to a decrease in the number of pounds of cheese sold but was offset by approximately \$7,475,000 (or 144.7%) due to an increase in the average selling price for cheese, and approximately \$842,000 or (16.3%) was due to increased whey sales produced in our new facility.

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The volume decrease was due to decreased demand in the commodity cheese markets. The increase in average selling price was the result of an increase in block cheddar market prices resulting in a higher average selling price per pound of cheese in the period.

Cost of sales and gross profit margin for the nine months ended December 31, 2001 was \$32,096,000 (or 92.5% of sales) and \$2,602,000 (or 7.5% of sales), respectively, compared to a cost of sales and gross profit margin of \$28,231,000 (or 95.6% of sales) and \$1,301,000 (or 4.4% of sales), respectively, for the comparable period in 2000. The decrease in cost of sales and corresponding increase in gross profit margin for 2001 (as a percent of sales and corresponding increases in gross profit margin in 2001) was primarily due to a decrease in the Company's cost of raw materials as a percentage of selling price.

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Selling, general and administrative expenses for the nine months ended December 31, 2001 amounted to \$2,509,000 (or 7.3% of sales) compared to \$1,922,000 or (6.5% of sales) for the comparable period in 2000. The increase in selling, general, and administrative expenses as a percentage of sales was primarily due to the increased sales in the period, and an increase in insurance and depreciation expense.

Interest expense for the nine months ended December 31, 2001 amounted to \$646,000 compared to \$617,000 for the nine months ended December 31, 2000 an increase of \$29,000. This increase is the result of increased borrowing due to the addition of new production equipment and higher revolving line usage in the period, less interest capitalized during construction during the period of \$20,000.

The provision for income tax for the nine month period ended December 31, 2001 of \$2,000 and December 31, 2000 of \$2,000 reflect minimum state taxes. Charges for Federal income taxes were offset by changes in the valuation allowances for the nine months ended December 31, 2001 and December 30, 2000. Such amounts are re-evaluated each quarter based on the results of operations.

The Company's net loss of \$548,000 for the nine months ended December 31, 2001 represents a decrease of \$685,000 from the net loss of \$1,233,000 for the comparable period in 2000. The primary factors contributing to these changes are discussed above.

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### Liquidity and Capital Resources

The Company's \$5,000,000 revolving bank line of credit which is available for the Company's working capital requirements has been reclassified from long term to current due to an expiration date of June 1,2002.

At December 31,2001, \$3,306,000 was outstanding under such revolving line of credit and \$1,694,000 was available for additional borrowing at that time (based on the inventory and receivable formula). Advances under this facility are limited to 50% of inventory and 80% of receivables. The rate of interest on amounts borrowed against the revolving credit facility is prime plus 1%. A .25% annual unused line fee is also charged on this facility. The Company intends to continue to utilize this line of credit as needed for operations.

On February 8, 1999, a \$4,950,000 bank loan agreement was signed. The loan is collateralized by the Company's plant and equipment. Provisions of the loan are as follows:

A \$3,960,000 commercial term note with interest fixed at 9.75 percent having an amortization period of 20 years with a maturity in February 2019.

A \$990,000 commercial term note with interest fixed at 10.75 percent having an amortization period of 20 years with a maturity in February 2019.

On May 23,2001, a new \$2,000,000 bank loan agreement was signed. The new loan is collateralized by the Company's plant and equipment. Provisions of the loan are as follows:

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A promissory note with interest payable at 1% above the rate of interest established by the bank as its National Variable Rate and principle repayable in four consecutive annual installments of \$500,000.00 with the first such installment due on May 1, 2003 and the last such installment due on May 1, 2006.

Proceeds of the new loan were used for working capital.

The Company's major source of external working capital financing has been the revolving line of credit. For the foreseeable future the Company believes that its current working capital, its new \$2,000,000 bank loan, and its existing line of credit will continue to represent the Company's major source of working capital financing besides income generated from operations.

For the nine months ended December 31, 2001, cash used by operating activities was \$372,000. An increase in inventory of \$972,000 with a decrease in accrued expenses of \$46,000 and other assets of \$35,000 decreased cash while a decrease in accounts receivable of \$1,092,000, prepaid expenses of \$2,000 along with an increase in accounts payable of \$324,000 provided cash. A loss from operations of \$548,000 also decreased cash in the period.

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Net cash used by investing activities was \$1,187,000 for the period ended December 31, 2001 which represented purchase of property, plant and equipment.

Net cash provided by financing activities was \$840,000 for the period ended December 31, 2001. Net proceeds from long-term debt and notes of \$1,801,000 provided cash in the period. Payments of the revolving credit loan of \$961,000 decreased cash in the period.

The Company is presently negotiating to renew its \$5,000,000 revolving credit line for an additional 12 months from June 1, 2002. The Company estimates that based on current plans and its ability to extend this revolving line of credit its resources, including revenues from operations and utilization from its existing credit line, should be sufficient to meet anticipated needs for at least 12 months. Should the Company be unable to secure the required financing, it will result in a material adverse effect in the Company's liquidity.

### Forward Looking Statements

This Quarterly Report on Form 10Q (and any other reports issued by the Company from time to time) contains certain forward-looking statements made in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements, including statements regarding the Company's ability to improve margins and increase value added and nutritional sales, are based on current expectations that involve numerous risks and uncertainties. Actual results could differ materially from those anticipated in such forward-looking statements as a result of various known and unknown factors including, without limitation, future economic, competitive, regulatory, and market conditions, future business decisions, the uncertainties inherent in the pricing of cheese on the Chicago Mercantile Exchange upon which the Company's prices are based, changes in consumer tastes, fluctuations in milk prices, and those factors discussed above under Management's Discussion and

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Analysis of Financial Condition and Results of Operations. Words such as "believes," "anticipates," "expects," "intends," "may," and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. The Company undertakes no obligation to revise any of these forward-looking statements.

### Item 2. Changes in Securities and Use of Proceeds

On June 12, 2001, the Company issued \$ 540,000 of Series A Redeemable Convertible Preferred Stock to an accredited investor in exchange for roll drying equipment. The shares were sold pursuant to Section 4 (2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder.

Effective October 1, 2001 the Company acquired 19,900 shares of common stock from the estate of a former stockholder in settlement of \$39,800 of amounts due to the Company.

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

The registrant does not utilize market rate sensitive instruments for trading or other purposes.

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## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

None.

### Item 2. Changes in Securities and Use of Proceeds

On June 12, 2001, the Company issued \$540,000 of Series A Redeemable Convertible Preferred Stock to an accredited investor in exchange for roll drying equipment. The shares were sold pursuant to Section 4 (2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder.

### Item 3. Defaults upon Senior Securities

None.

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

An Annual Meeting of Stockholders was held on December 4, 2001. The matters voted on at the meeting and the votes cast were as follows.

- (a) The following directors were reappointed to serve as directors until the Annual Meeting of Stockholders of the Company to be held in the year 2002.

|                  | Votes For<br>----- | Votes Withheld<br>----- |
|------------------|--------------------|-------------------------|
| Gennaro Falivene | 2,178,875          | 204,050                 |
| Alfonso Falivene | 2,190,825          | 192,100                 |

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|                   |           |         |
|-------------------|-----------|---------|
| Stephen M. Katz   | 2,191,025 | 191,900 |
| Howard S. Breslow | 2,337,325 | 45,600  |
| Jay Rosengarten   | 2,336,325 | 46,600  |
| Dr. Mali Reddy    | 2,337,325 | 45,600  |

- (b) The selection of Citrin, Cooperman & Company, LLP as independent auditors for the year ending March 31, 2001 was ratified.

| For       | Against | Abstain |
|-----------|---------|---------|
| -----     | -----   | -----   |
| 2,330,425 | 52,300  | 200     |

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

None.

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SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

February 8, 2002

Lucille Farms, Inc.  
-----

(Registrant)

By: /s/ Alfonso Falivene  
-----

Alfonso Falivene  
President (Duly Authorized)

By: /s/ Stephen Katz  
-----

Vice President-Finance  
and Administration  
(Principal Financial Officer)

