IMAGE TECHNOLOGY LABORATORIES INC
Form 10QSB/A
May 15, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER

IMAGE TECHNOLOGY LABORATORIES, INC.

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

DELAWARE	22-53531373
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(IRS EMPLOYER I.D. NO.)

167 SCHWENK DRIVE, KINGSTON, NEW YORK 12401
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(845) 338-3366

(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 Securities Exchange Act of 1934 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 |X| No |_|

APPLICABLE ONLY TO CORPORATE ISSUERS

The number of shares of common stock outstanding as of March 31, 2001 was 10,964,112.

PART I

Item 1. Financial Statements.

Image Technology Laboratories, Inc.
(A Development Stage Company)

INDEX TO FINANCIAL STATEMENTS

* * *

Image Technology Laboratories, Inc.
(A Development Stage Company)

Condensed Balance Sheets
March 31, 2001 and December 31, 2000

ASSETS	March 31, 2001 (Unaudited)	December 31, 2000
Current assets - cash and cash equivalents	$ 606,659	$ 725,105

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses	$ 8,665	$ 20,663
Accrued compensation payable to stockholders	326,435	297,945
Notes payable to stockholders	5,200	5,200
Total liabilities	340,300	323,808
Stockholders' equity:		
Preferred stock, par value $.01 per share; 5,000,000 shares authorized; 1,500,000 shares issued and outstanding	15,000	15,000
Common stock, par value $.01 per share; 50,000,000 shares authorized; 10,964,112 and 10,962,862 shares issued and outstanding	109,641	109,628
Additional paid-in capital	1,452,016	1,451,404
Common stock subscription receivable	(10,000)	(10,000)
Unearned compensation	(262,500)	(300,000)
Deficit accumulated in the development stage	(1,037,798)	(864,735)
Total stockholders' equity	266,359	401,297
Totals	$ 606,659	$ 725,105

See Notes to Condensed Financial Statements.

Image Technology Laboratories, Inc.
(A Development Stage Company)

Condensed Statements of Operations
Three Months Ended March 31, 2001 and 2000
and Period From January 1, 1998
(Date of Inception) to March 31, 2001
(Unaudited)

	THREE MONTHS ENDED MARCH 31, 2001	THREE MONTHS ENDED MARCH 31, 2000	PERIOD FROM JANUARY 1, 1998 TO MARCH 31, 2001
Revenues	$ -	$ -	$ -
Research and development expenses	151,764	150,000	785,562
General and administrative expenses	21,299	80,728	252,236
Net loss	$ (173,063)	$ (230,728)	$(1,037,798)
Basic net loss per share	$(.01)	$(.03)	
Basic weighted average shares outstanding	12,462,973	9,207,340	

See Notes to Condensed Financial Statements.

Image Technology Laboratories, Inc.
(A Development Stage Company)

Condensed Statement of Changes in Stockholders' Equity
Three Months Ended March 31, 2001
and Period from January 1, 1998
(Date of Inception) to March 31, 2001
(Unaudited)

	PREFERRED STOCK NUMBER OF SHARES	PREFERRED STOCK AMOUNT	COMMON STOCK NUMBER OF SHARES	COMMON STOCK AMOUNT	AD TI PA CA
Issuance of shares effective as of January 1, 1998 to founders			7,288,750	$ 72,887	$ (
Net loss					
Balance, December 31, 1998			7,288,750	72,887	(
Net loss					
Balance, December 31, 1999			7,288,750	72,887	(
Issuance of preferred stock in exchange for services	1,500,000	$15,000			4
Issuance of common stock in exchange for services			250,000	2,500	
Sales of units of common stock and warrants through private placement, net of expenses, in February 2000			799,729	7,997	1
Subscription for units of common stock and warrants through private placement			33,333	333	
Sales of units of common stock and warrants through public offering completed in October 2000, net of expenses			2,591,050	25,911	8
Amortization of unearned compensation					
Net loss					
Balance, December 31, 2000	1,500,000	15,000	10,962,862	109,628	1,4
Issuance of common stock upon exercise of warrants			1,250	13	
Amortization of unearned compensation					
Net loss					
Balance, March 31, 2001	1,500,000	$15,000	10,964,112	$109,641	$1,4

	UNEARNED COMPEN- SATION	DEFICIT ACCUMU- LATED IN THE DEVELOP - MENT STAGE	TOTAL STOCK- HOLDERS EQUITY
Issuance of shares effective as of January 1, 1998 to founders			$ 21,25
Net loss		$ (18,407)	(18,40
Balance, December 31, 1998		(18,407)	2,84
Net loss		(733)	(73
Balance, December 31, 1999		(19,140)	2,11
Issuance of preferred stock in exchange for services	$(450,000)		
Issuance of common stock in exchange for services			75,00
Sales of units of common stock and warrants through private placement, net of expenses, in February 2000			179,92
Subscription for units of common stock and warrants through private placement			
Sales of units of common stock and warrants through public offering completed in October 2000, net of expenses			839,86
Amortization of unearned compensation	150,000		150,00
Net loss		(845,595)	(845,59
Balance, December 31, 2000	(300,000)	(864,735)	401,29
Issuance of common stock upon exercise of warrants			62
Amortization of unearned compensation	37,500		37,50
Net loss		(173,063)	(173,06
Balance, March 31, 2001	$(262,500)	$(1,037,798)	$ 266,35

See Notes to Condensed Financial Statements.

Image Technology Laboratories, Inc.
(A Development Stage Company)

Condensed Statements of Cash Flows
Three Months Ended March 31, 2001 and 2000
and Period from January 1, 1998
(Date of Inception) to March 31, 2001
(Unaudited)

	THREE MONTHS ENDED MARCH 31, 2001	THREE MONTHS ENDED MARCH 31, 2000	PERIOD FROM JANUARY 1, 1998 TO MARCH 31, 2001
Operating activities:			
Net loss	$(173,063)	$ (230,728)	$(1,037,7
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of unearned compensation	37,500	37,500	187,5
Common stock issued for services		75,000	75,0
Amortization of capitalized software costs			2,1
Changes in operating assets and liabilities:			
Prepaid professional fees		(60,000)	
Accrued compensation payable to stockholders	28,490	112,500	326,4
Accounts payable and accrued expenses	(11,998)		8,6
Net cash used in operating activities	(119,071)	(65,728)	(438,0
Investing activities - software costs capitalized			(2,1
Financing activities:			
Proceeds from issuance of notes payable to stockholders		100	5,2
Proceeds from issuance of common stock	625		21,8
Net proceeds from private placement and public offering of units of common stock and warrants		185,000	1,024,7
Payments of deferred private placement costs			(5,0
Net cash provided by financing activities	625	185,100	1,046,8
Net increase (decrease) in cash	(118,446)	119,372	606,6
Cash, beginning of period	725,105	24	--

Cash, end of period	$ 606,659	$ 119,396	$ 606,6

See Notes to Condensed Financial Statements.

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Image Technology Laboratories, Inc.
(A Development Stage Company)

Notes to Condensed Financial Statements
(Unaudited)

Note 1 - Unaudited interim financial statements:

In the opinion of management, the accompanying unaudited condensed financial statements reflect all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position of Image Technology Laboratories, Inc. (the "Company") as of March 31, 2001, its results of operations for the three months ended March 31, 2001 and 2000, changes in stockholders' equity for the three months ended March 31, 2001 and cash flows for the three months ended March 31, 2001 and 2000 and the related cumulative amounts for the period from January 1, 1998 (date of inception) to March 31, 2001. Certain terms used herein are defined in the audited financial statements of the Company as of December 31, 2000 and for the years ended December 31, 2000 and 1999 and period from January 1, 1998 (date of inception) to December 31, 2000 (the "Audited Financial Statements") included in the Company's Annual Report on Form 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 financial statements unless significant changes have taken place since the end of the most recent fiscal year. Accordingly, the accompanying unaudited condensed financial statements should be read in conjunction with the Audited Financial Statements and the other information included in the Form 10-KSB.

The results of operations for the three months ended March 31, 2001 are not necessarily indicative of the results of operations for the full year ending December 31, 2001.

Note 2 - Earnings (loss) per share:

The Company presents basic earnings (loss) per share and, if appropriate, diluted earnings per share in accordance with the provisions of Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128").

The rights of the Company's preferred and common stockholders are substantially equivalent. The Company has included the 1,500,000 preferred shares from the date of their issuance in the weighted average number of shares outstanding in the computation of basic loss per share for the three months ended March 31, 2001 and 2000 in accordance with the "two class" method of computing earnings (loss) per share set forth in SFAS 128.

Since the Company had a loss for the three months ended March 31, 2001, the assumed effects of the exercise of 3,000,000 options and 3,672,862 and 1,083,062 warrants outstanding at March 31, 2001 and 2000, respectively, would have been anti-dilutive.

Note 3 - Exercise of warrants:

During the three months ended March 31, 2001, warrantholders redeemed 1,250 warrants and received 1,250 shares of common stock at a redemption price of $.50 per share or $625. As of March 31, 2001, 3,672,862 warrants are outstanding.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

OVERVIEW

The following is a discussion of certain factors affecting Image

Technology Laboratories, Inc.'s results of operations, liquidity and capital resources. You should read the following, discussion and analysis in conjunction with Image Technology Laboratories, Inc.'s unaudited condensed financial statements and related notes which are included elsewhere in this filing.

Image Technology Laboratories, Inc., was incorporated on December 5, 1997 and commenced operations on January 1, 1998. We are in the process of developing picture archiving and communications software which will be used to input diagnostic images in digital format from original imaging sources and to store, print and display those images. Such software is used in the management of medical diagnostic images by hospitals, health maintenance organizations, group medical practices and individual radiologists to increase accuracy, reduce costs and boost productivity.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31,2001
COMPARED TO THE THREE MONTHS ENDED MARCH31, 2000

As of March 31, 2001, we had not generated any revenues from operations and, accordingly, we were still in the development stage. We do not expect to generate any revenues from our planned operations prior to the third quarter of 2001.

RESEARCH AND DEVELOPMENT EXPENSES:

During the three months ended March 31, 2001 , the Company incurred research and development expenses of $151,764, as compared with $150,000 in the comparable prior period.
These expenses, of which $28,490 were accrued during the three months ended March 31, 2001, were primarily compensation to the Company's three founders under their employment contracts. In addition, $37,500 of these expenses in both periods were attributable to compensation associated with the issuance to them of the preferred stock, a non cash charge.

GENERAL AND ADMINISTRATION EXPENSES:

During the three months March 31, 2001 , the Company incurred general and administrative expenses of $21,299 as compared to $80,728 in the comparable prior period. The decrease was mainly attributable to professional fees whereby during the three months ended March 31, 2000, the company incurred a charge for legal fees of $75,000 associated with the issuance of common stock for services, a non cash charge.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2001, we had cash and working capital of approximately $607,000 and $266,000, respectively. To date, the principal sources of capital resources have been proceeds from the issuance of shares of common stock to our founders of $21,250 and the net proceeds from the recently completed private placement of units of common stock and warrants of approximately $180,000. In addition, on October 15, 2000, we completed an initial public offering whereby we sold 2,591,050 units at $.40 per unit and received net proceeds of approximately $840,000. Each unit consisted of one share of common stock and one warrant. The proceeds from this offering will be used for working capital and general corporate purposes.

We do not have any pending material commitments regarding capital expenditures. Although our current sources of liquidity and cash are sufficient to satisfy our cash needs for the next twelve months, we will require additional capital to fully develop our operations and pursue our business strategies. We expect to raise or obtain additional capital through the sale of securities and through the exercise of approximately 2,500,000 warrants at an exercise price of $.50, and approximately 800,000 warrants at an exercise price of $.40. There can be no assurance that additional funds will be available. If adequate funds are not available, there will be a material adverse effect on our business, financial condition and development strategies.

CAUTIONARY STATEMENT FOR THE PURPOSES OF THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES REFORM ACT OF 1995

The statements contained in the section captioned Management's Disscussion and Analysis of Financial Condition and Results of Operations which are not historical are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements represent the Company's present expectations or beliefs concerning future events. The Company cautions that such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the uncertainty as to the Company's future profitability, the uncertainty as to the demand for the Internet virtual communities; increasing competition; the ability to hire, train, and retain sufficient qualified personnel; the ability to obtain financing on acceptable terms to finance the Company's growth.

PART II

Item 1. Legal Proceedings. None

Item 2. Changes in Securities. There are no reportable events relating to this item.

Item 3. Defaults Upon Senior Securities. None.

Item 4. Submission of Matters to a Vote of Security Holders. There are no reportable events relating to this item.

Item 5. Other Information. There are no reportable events relating to this item.

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

(A) Not applicable.

(B) None.

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.

IMAGE TECHNOLOGY LABORATORIES, INC.

Date: May 10, 2001

/S/ DAVID RYON

David Ryon, CEO and President