

Edgar Filing: IMAGE TECHNOLOGY LABORATORIES INC - Form 10QSB

IMAGE TECHNOLOGY LABORATORIES INC  
Form 10QSB  
August 14, 2003

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2003

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 (IRS EMPLOYER I.D. NO.)  
INCORPORATION OR ORGANIZATION)

602 ENTERPRISE DR., 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  NO

APPLICABLE ONLY TO CORPORATE ISSUERS

THE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING AS OF JUNE 30, 2003 WAS  
12,687,462

Image Technology Laboratories, Inc.

INDEX TO FINANCIAL STATEMENTS

Condensed Balance Sheet  
June 30, 2003 (Unaudited)

PAGE

F-2

## Edgar Filing: IMAGE TECHNOLOGY LABORATORIES INC - Form 10QSB

Condensed Statements of Operations	F-3
Six and Three Months Ended June 30, 2003 and 2002 (Unaudited)	
Condensed Statement of Changes in Stockholders' Equity (Deficiency)	F-4
Six Months Ended June 30, 2003 (Unaudited)	
Condensed Statements of Cash Flows	F-5
Six Months Ended June 30, 2003 and 2002 (Unaudited)	
Notes to Condensed Financial Statements (Unaudited)	F-6/9

\* \* \*

F-1

### Image Technology Laboratories, Inc.

#### Condensed Balance Sheet June 30, 2003

##### ASSETS

Current assets:	
Cash and cash equivalents	\$ 144,284
Prepaid expenses and other current assets	1,615
	-----
Total current assets	145,899
Equipment and improvements, net	47,531
	-----
Total	\$ 193,430
	=====

##### LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Accounts payable and accrued expenses	\$ 41,882
Notes payable to stockholders	5,200
	-----
Total current liabilities	47,082
Deferred revenues	23,333
Accrued compensation payable to stockholders	109,616
	-----
Total liabilities	180,031
	-----
Stockholders' equity:	
Preferred stock, par value \$.01 per share; 5,000,000 shares authorized; 1,500,000 shares issued and outstanding	15,000
Common stock, par value \$.01 per share; 50,000,000 shares authorized; 12,687,462 shares issued and outstanding	126,875
Additional paid-in capital	2,339,849
Shares to be issued	83,346
Accumulated deficit	(2,551,671)
	-----

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Total stockholders' equity	13,399
	-----
Total	\$ 193,430
	=====

See Notes to Condensed Financial Statements.

F-2

Image Technology Laboratories, Inc.

Condensed Statements of Operations  
Six and Three Months Ended June 30, 2003 and 2002  
(Unaudited)

	SIX MONTHS ENDED JUNE 30,		T
	2003	2002	E
	-----	-----	-----
Revenues:			
Service income	\$ 295,069	\$ 76,550	\$ 143,9
Software license fees	70,000		35,0
	-----	-----	-----
Totals	365,069	76,550	178,9
	-----	-----	-----
Costs and expenses:			
Research and development	150,000	278,750	75,0
Sales and marketing	124,686	12,761	84,8
General and administrative	175,293	197,478	67,2
	-----	-----	-----
Totals	449,979	488,989	227,1
	-----	-----	-----
Net loss	\$ (84,910)	\$ (412,439)	\$ (48,1
	=====	=====	=====
Basic net loss per share	\$ (.01)	\$ (.03)	\$ (-
	=====	=====	=====
Basic weighted average shares outstanding	13,747,366	13,161,588	13,761,6
	=====	=====	=====

See Notes to Condensed Financial Statements.

F-3

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Image Technology Laboratories, Inc.

Condensed Statement of Changes in Stockholders' Equity (Deficiency)  
Six Months Ended June 30, 2003  
(Unaudited)

	PREFERRED STOCK		COMMON STOCK		ADDI- TIONAL PAID-IN CAPITAL	S T I
	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT		
Balance, January 1, 2003	1,500,000	\$ 15,000	12,232,462	\$ 122,325	\$ 1,827,395	
Issuance of common stock upon exercise of warrants			455,000	4,550	86,450	
Accrued compensation contributed to capital					426,004	
Net loss						
Balance, June 30, 2003	1,500,000	\$ 15,000	12,687,462	\$ 126,875	\$ 2,339,849	\$

See Notes to Condensed Financial Statements.

F-4

Image Technology Laboratories, Inc.

Condensed Statements of Cash Flows  
Six Months Ended June 30, 2003 and 2002  
(Unaudited)

	2003	2002
Operating activities:		
Net loss	\$ (84,910)	\$ (412,430)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of equipment and improvements	5,836	4,590
Amortization of unearned compensation		100,000
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	8,381	
Accounts payable and accrued expenses	6,635	3,500
Deferred revenues	(70,000)	

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Accrued compensation payable to stockholders	(14,422)	71,15
	-----	-----
Net cash used in operating activities	(148,480)	(233,18
	-----	-----
Investing activities - purchases of equipment	(14,036)	
	-----	
Financing activities:		
Proceeds from exercise of warrants	174,346	16,37
Proceeds from private placement of common stock		100,00
	-----	-----
Net cash provided by financing activities	174,346	116,37
	-----	-----
Net increase (decrease) in cash	11,830	(116,80
Cash, beginning of period	132,454	151,73
	-----	-----
Cash, end of period	\$ 144,284	\$ 34,92
	=====	=====
Supplemental disclosure of noncash investing and financing activities:		
Contribution of accrued compensation payable to stockholders to capital	\$ 426,004	
	=====	

See Notes to Condensed Financial Statements.

F-5

Image Technology Laboratories, Inc.

Notes to Condensed Financial Statements  
(Unaudited)

Note 1 - Basis of presentation:

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 June 30, 2003, its results of operations for the six and three months ended June 30, 2003 and 2002, changes in stockholders' equity (deficiency) for the six months ended June 30, 2003 and cash flows for the six months ended June 30, 2003 and 2002. Certain terms used herein are defined in the audited financial statements of the Company as of December 31, 2002 and for the years ended December 31, 2002 and 2001 (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 in or omitted from these financial statements unless significant changes have taken place since the end

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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 six and three months ended June 30, 2003 are not necessarily indicative of the results of operations to be expected for the full year ending December 31, 2003.

The Company was a development stage company for accounting purposes, and was required to make certain related disclosures from January 1, 1998 (date of inception) through April 2002, at which time its "PACS" software product became available for sale (see Notes 1 and 2 to the financial statements in the Form 10-KSB). From time to time, the Company has and will continue to derive revenues from the provision of radiology and imaging services to affiliated and nonaffiliated companies. However, management expects that the Company will derive its revenues in the future primarily from sales of its software products. The Company obtained its first contract for the sale of its software product and related hardware and maintenance services in August 2002. Accordingly, the Company is no longer in the development stage.

F-6

Image Technology Laboratories, Inc.

Notes to Condensed Financial Statements  
(Unaudited)

### Note 1 - Basis of presentation (concluded):

Although the Company has incurred recurring losses and negative cash flows from operating activities since its inception, the Company had cash and cash equivalents of approximately \$144,000 and working capital of approximately \$99,000 as of June 30, 2003. Management expects a reduction in the level of such losses now that sales of the Company's software products have commenced. A substantial portion of the Company's losses, historically, have been attributable to noncash charges. As of June 30, 2003, a stockholder of the Company had agreed to defer approximately \$110,000 of compensation due him under his employment agreement as of that date until July 1, 2004 and to defer certain additional amounts that will accrue after June 30, 2003 which has and will continue to preserve the Company's liquidity. During September 2002, the Company obtained a \$75,000 working capital line of credit from a financial institution that it had not used as of June 30, 2003. Management believes that as a result of the additional cash flows from the software product sales and the Company's ability to draw on the working loan and defer payments to certain stockholders, the Company will be able to continue to meet its obligations as they become due through at least June 30, 2004. Management also believes, but cannot assure, that if needed, the Company will be able to obtain additional capital resources from financing through financial institutions and other unrelated sources and/or through additional related party loans.

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### 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") as explained in Note 1 to the financial statements in the Form 10-KSB.

The rights of the Company's preferred and common stockholders are substantially equivalent. The Company has included the 1,500,000 outstanding 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 six and three months ended June 30, 2003 and 2002, in accordance with the "two class" method of computing earnings (loss) per share set forth in SFAS 128.

Since the Company had net losses for the six and three months ended June 30, 2003 and 2002, the assumed effects of the exercise of options to purchase 2,000,000 and 3,000,000 common shares outstanding at June 30, 2003 and 2002, respectively, and warrants to purchase 2,868,512 and 3,492,512 common shares outstanding at June 30, 2003 and 2002, respectively, therefore, diluted per share amounts have not been presented in the accompanying condensed statements of operations for those periods as the results would be anti-dilutive.

F-7

Image Technology Laboratories, Inc.

Notes to Condensed Financial Statements  
(Unaudited)

### Note 3 - Warrants:

On February 11, 2003, the Company reduced the exercise price for its outstanding Class A and Class B warrants from \$.40 and \$.50 per share, respectively, to \$.20 per share during the period from February 18, 2003 through July 1, 2003. The original exercise prices will remain in effect for the period from July 2, 2003 until the Class A and Class B warrants expire on October 15, 2003.

During the six months ended June 30, 2003, the Company received \$174,346 upon the exercise of Class A and B warrants for the purchase of 871,730 shares of common stock at \$.20 per share, of which 455,000 shares were issued and outstanding as of June 30, 2003. The balance of the shares will be issued as soon as administratively feasible. As of June 30, 2003, Class A and Class B warrants for the purchase of a total of 2,868,512 remained outstanding (see Note 5 in the Form 10-KSB).

During July 2003, the Company received approximately \$49,000 upon the exercise of additional Class A and B warrants for the purchase of approximately 245,000 shares of common stock at \$.20 per share. In addition, the Company issued 83,333 shares of common stock as

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compensation to an investment banker, one of the original consultants, in accordance with the terms of the sale of units in the initial public offering.

### Note 4 - Stock options:

During the six months ended June 30, 2003, the Company cancelled options it had previously granted to one of its founders for the purchase of 1,000,000 shares of its common stock at \$.33 per share in connection with the termination of his employment contract.

In addition, the Company granted options to a newly-hired sales director for the purchase of 100,000 shares of its common stock at \$.18 per share (the fair value at the date of grant) that are exercisable through January 2004.

The Company continues to measure compensation cost related to stock options issued to employees using the intrinsic value method of accounting prescribed by Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting For Stock Issued To Employees". The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting For Stock-Based Compensation." Accordingly, no earned or unearned compensation cost was recognized in the accompanying condensed consolidated financial statements for the stock options granted by the Company to its employees since all of those options have been granted at exercise prices that equaled or exceeded the market value at the date of grant. The Company's historical net loss and loss per share and pro forma net loss and loss per share assuming compensation cost had been determined in 2003 and 2002 based on the fair value at the grant date for all awards by the Company consistent with the provisions of SFAS 123 are set forth below:

F-8

Image Technology Laboratories, Inc.

Notes to Condensed Financial Statements  
(Unaudited)

### Note 4 - Stock options (concluded):

	SIX MONTHS ENDED JUNE 30,		THREE MON JUNE
	2003	2002	2003
Net loss - as reported	\$ (84,910)	\$ (412,439)	\$ (48,164)
Deduct total stock-based employee compensation expense determined under a fair value based method for all awards	(2,000)	(80,000)	--



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Net loss - pro forma	\$ (86,910)	\$ (492,439)	\$ (48,164)
	=====	=====	=====
Net loss per share:			
Basic - as reported	\$ (.01)	\$ (.03)	\$ ( - )
	=====	=====	=====
Basic - pro forma	\$ (.01)	\$ (.04)	\$ ( - )
	=====	=====	=====

### Note 5 - Income taxes:

As the ultimate realization of the potential benefits of the Company's net operating loss carryforwards is considered unlikely by management, the Company has offset the deferred tax assets attributable to those potential benefits through valuation allowances and, accordingly, the Company did not recognize any credits for income taxes in the accompanying condensed statements of operations to offset its pre-tax losses.

### Note 6 - Accrued compensation payable to stockholders:

During the six months ended June 30, 2003, the Company's principal stockholder contributed \$426,004 of compensation owed to him to capital.

\* \* \*

F-9

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

### OVERVIEW

The following is a discussion of certain factors affecting our results of operations, liquidity, and capital resources. You should read the following discussion and analysis in conjunction with our unaudited condensed financial statements and related notes which are included elsewhere in this filing.

We have entered the medical image management segment of the healthcare information systems market. We were incorporated in Delaware on December 5, 1997. We have developed a fully integrated "radiology information system/picture archiving and communications", known as RIS/PACS for use in the management of medical diagnostic images and patient information by hospitals. The PACS portion of the system inputs and stores diagnostic images in digital format from original imaging sources such as: computerized tomography, or CT scans Magnetic resonance imaging, or MRIs, ultrasound, nuclear imaging and digital fluoroscopy. The RIS portion of the system inputs and stores patient demographics, along with the appropriate insurance, billing and scheduling information required to complete the patient visit. All of the data is retained in standard formats, including DICOM and HL-7 standards.

We were a development stage company for accounting purposes, and were required to make certain related disclosures from January 1, 1998 (date of inception) through April 2002, at which time our WarpSpeed PACS/RIS software product became available for sale. From time to time, we have and will continue to derive revenues from the provision of radiology and imaging services to affiliated and

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nonaffiliated companies. However, management expects that we will derive our revenues in the future primarily from sales of our software products. We obtained our first contract for the sale of our software product and related hardware and maintenance services in August 2002. Accordingly, we are no longer in the development stage.

Although we have incurred recurring losses and negative cash flows from our operating activities since inception, we have cash and cash equivalents of approximately \$144,000 and working capital of approximately \$99,000 as of June 30, 2003. We expect a reduction in the level of our operating losses now that sales of our software products have commenced. A substantial portion of our historic operating losses have been attributable to non-cash charges. As of June 30, 2003, one of our stockholders agreed to defer approximately \$110,000 of compensation due him under his employment agreement as of that date until June 30, 2004 and to defer certain additional amounts that will accrue after June 30, 2003, if necessary. During September 2002, we obtained a \$75,000 working capital line of credit from a financial institution that we had not drawn on as of June 30, 2003. Management believes that as a result of the additional cash flows from the software product sales and our ability to draw on the working capital loan and defer payments to certain stockholders, we will be able to continue to meet our obligations as they become due through at least June 30, 2004. We also believe, but cannot assure, that if needed, we will be able to obtain additional capital resources from financing through financial institutions and other unrelated sources and/or through additional related party loans.

RESULTS OF OPERATIONS FOR THE SIX MONTHS AND THREE MONTHS ENDED June 30, 2003  
COMPARED TO THE SIX MONTHS AND THREE MONTHS ENDED JUNE 30, 2002.

### Revenues:

We were a development stage company from January 1, 1998 (date of inception) through April 2002, at which time our software was available for sale. During the six and three months ended June 30, 2003, we derived service revenue of approximately \$295,000 and \$144,000 respectively as compared to approximately \$77,000 and \$69,000 for the comparable prior periods. In addition, during the six and three months ended June 30, 2003, we earned approximately \$70,000 and \$35,000 respectively, from the sale of our initial unit, as well as deferring approximately \$23,000 of revenue relating to the sale which will be recognized ratably over the period in which we are required to provide maintenance and other services.

### Research and Development Expenses:

During the six months and three months ended June 30, 2003, we incurred research and development expenses of approximately \$150,000 and \$75,000, respectively, as compared with approximately \$279,000 and \$100,000 in the comparable prior periods. These expenses consisted primarily of compensation to our founders under their employment contracts. In addition, \$75,000 of these expenses in the first quarter of 2002 was attributable to compensation associated with the issuance of the shares of preferred stock to the founders, a non-cash charge. During the first quarter of 2002, one of our founders was terminated for cause for breach of his employment agreement. As a result, our research and development expenses were reduced and should remain at this reduced level for the foreseeable future.

### General and Administrative Expenses:

During the six-month and three months ended June 30, 2003, we incurred general

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and administrative expenses of approximately \$175,000 and \$67,000, respectively, as compared to approximately \$197,000 and \$113,000 in the comparable prior periods. The decrease in these periods is primarily attributable to us initially building our infrastructure during 2002 and then identifying and eliminating certain non-critical positions or expenditures at our current stage. In the future, certain of these costs will be incurred or increased.

### Sales and Marketing Expenses:

During the six months and three months ended June 30, 2003, we began to incur marketing expenses as we introduced our product for sale. During this period, we incurred approximately \$125,000 and \$85,000, respectively, of such costs. For both the six and three months ended June 30, 2002, we only incurred approximately \$13,000 of such costs.

### Net Loss:

As a result of the aforementioned, we incurred a loss of approximately \$85,000 (\$.01 per share) and \$48,000 (or less than \$.01 per share) for the six and three months ended June 30, 2003, respectively, as compared to a loss of approximately \$412,000 (\$.03 per share) and \$157,000 (\$.01 per share) for the six and three months ended June 30, 2002.

### LIQUIDITY AND CAPITAL RESOURCES:

As of June 30, 2003, we had cash and cash equivalents of \$144,000 and working capital surplus of \$99,000. To date, the principal sources of our capital resources include proceeds from issuance of shares of common stock to our founders of \$21,250 and the net proceeds from the private placement of units of common stock and warrants during 2000 of approximately \$180,000. On October 15, 2000, we completed an initial public offering, whereby we sold units consisting of one share of common stock and one warrant to purchase one share of common stock and received aggregate proceeds of approximately \$840,000. In addition, in January 2002, we sold 100,000 shares of our common stock to a Company wholly owned by our principal stockholder at \$.25 per share (the approximate fair value of the shares at the time of sale) and received proceeds of \$100,000. Then, during September 2002, we sold an additional 75,000 shares of our common stock to the same Company for \$.28 per share (the approximate fair value of the shares at the time of sale) and received proceeds of \$21,000. In the first half of 2003, we raised approximately \$174,000 from the exercise of our warrants. The aforementioned proceeds have been used for working capital and general corporate purposes.

In addition to the aforementioned equity transactions, we have funded a part of our accumulated loss of approximately \$2,552,000 by having our founders defer approximately \$536,000 of compensation due them under their employment agreements. Of that amount, the principal shareholder has agreed to contribute approximately \$426,000 to our capital.

In September 2002, we applied for, and received, a line of credit from M & T Bank for one year in the amount of \$75,000. Management believes the terms of the agreement are favorable to the Company.

We have executed a five-year lease (at \$700 per month) for office space at "Tech City", formally the IBM facility in Kingston, NY. Tech City has become the home of many high technology firms in the Hudson Valley. The space is sufficient for both our growing research and development team and a sales/marketing force.

On February 11, 2003, we reduced the exercise price of our Class A \$.40 warrants

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and our Class B \$.50 warrants to \$.20 during the period commencing February 18, 2003 and ending July 1, 2003. Thereafter, the exercise price will revert back to \$.40 and \$.50, respectively, until October 15, 2003 when they expire. During the six months ended June 30, 2003, we received approximately \$174,000 upon the exercise of Class A and B warrants for the purchase of approximately 872,000 shares of common stock at \$.20 per share, of which 455,000 shares were issued and outstanding as of June 30, 2003. The balance of the shares will be issued as soon as administratively feasible. During July 2003, we received approximately \$49,000 upon the exercise of additional Class A and B warrants for the purchase of approximately 245,000 shares of common stock at \$.20 per share.

In May 2003, we signed a Five Year contract with Park Avenue Associates in Radiology, P.C. to install and maintain our WarpSpeed PACS/RIS System in one of their outpatient imaging centers. We should commence earning revenue under the aforementioned contract during the third quarter of 2003.

We have entered into Letter of Intent with St. Anthony's Hospital, Warwick, NY. Management expects the final contract to close by the end of September. We expect to commence earning revenues under this agreement during the fourth quarter of 2003.

### ITEM 3. CONTROLS AND PROCEDURES

- (a) DISCLOSURE CONTROLS AND PROCEDURES. Within 90 days before filing this report, the Company evaluated the effectiveness of the design and operation its disclosure controls and procedures. The Company's disclosure of controls and procedures are the controls and other procedures that it designed to ensure that it records, processes, summarizes and reports in a timely manner the information it must disclose in reports that it files with or submits to the Securities and Exchange Commission. David Ryon, the Company's President, CEO and Principal Financial and Accounting Officer supervised and participated in this evaluation. Based on this evaluation. Dr. Ryon concluded that, as of the date of his evaluation, the Company's disclosure controls and procedures were effective.
- (b) INTERNAL CONTROLS. Since the date of the evaluation described above, there have not been any significant changes in the Company's Internal Accounting Controls or in other factors that could significantly affect those controls.

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CAUTIONARY STATEMENT FOR THE PURPOSES OF THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES ACT OF 1935

The Statements contained in the section captioned Management's Discussion 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 retrain 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.

During the six months ended June 30, 2003, we received approximately \$174,000 upon the exercise of Class A and B warrants for the purchase of approximately 872,000 shares of common stock at \$.20 per share, of which 455,000 shares were issued and outstanding as of June 30, 2003 and the balance of the shares will be issued as soon as administratively feasible. During July 2003, we received approximately \$49,000 upon the exercise of additional Class A and B warrants for the purchase of approximately 245,000 shares of common stock at \$.20 per share.

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) 31.1 and 31.2. (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: August 13, 2003

/S/ DAVID RYON

-----  
David Ryon, CEO, President and  
Principal Financial and

Accounting Officer