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IMAGING TECHNOLOGIES CORP/CA

Form 8-K

March 04, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report
(Date of earliest event reported)
March 4, 2004

IMAGING TECHNOLOGIES CORPORATION
(Exact Name of Registrant as Specified in its Charter)

DELAWARE 0-12641 33-0021693
(State of Incorporation) (Commission File Number) (I.R.S. Employer Identification No.)

17075 Via Del Campo
San Diego, California 92127
(Address of Principal Executive Offices)

(858) 451-6120
(Registrant's telephone number, including area code):

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

ITEM 2. DISPOSITION OF ASSETS.

In January 2003, the Registrant ("ITEC" or the "Company") and Greenland Corporation ("GRLC") completed a stock purchase transaction whereby ITEC became the majority shareholder of GRLC. Since January 2003, GRLC has been a subsidiary of ITEC.

Pursuant to a letter agreement dated February 9, 2003 and approved by the Board of Directors of both ITEC and GRLC, the Registrant and GRLC have implemented the following:

1. GRLC has canceled a certain Convertible Promissory Note issued by ITEC to GRLC in the amount of \$2,225,000;
2. GRLC has canceled an existing inter-company transfer debt of ITEC to GRLC estimated at approximately \$1,200,000;
3. ITEC has returned all shares of GRLC common stock except for 19,183,390 shares;
4. 6,000,000 of the shares returned by ITEC to GRLC may, at the option of GRLC, be held in a separate escrow account under the name of ITEC, but ITEC will convey through proxy or other document, all of its rights to GRLC;

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5. ITEC has assigned and granted all right, title, and interest in its rights to acquire any and all interest in and to ePEO Link, Inc. assets and/or client base; and

6. Members of the GRLC Board of Directors who also serve on ITEC Board have resigned from the GRLC Board.

As a result of the above, the Registrant is now a minority shareholder of GRLC. GRLC will no longer be operated as a subsidiary of ITEC. The financial impact of this transaction is detailed in Item 7 of this report.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(b) Pro forma financial information

The accompanying pro forma consolidated balance sheet presents the accounts of Imaging Technologies Corporation and Subsidiaries ("ITEC") as if the disposition of Greenland Corporation ("Greenland") occurred on December 31, 2003. The accompanying pro forma consolidated statements of operations present the accounts of ITEC for the year ended June 30, 2003 and the six months ended December 31, 2003 as if the disposition of Greenland had occurred on July 1, 2002.

The following adjustments would be required if the disposition occurred as indicated in the presentation below: (a) to remove all of Greenland's balance sheet accounts from the consolidated financial statements and to record the gain on the disposition of Greenland; and (b) to remove all of Greenland's statement of operations activity from the consolidated financial statements.

IMAGING TECHNOLOGIES CORPORATION AND SUBSIDIARIES PRO FORMA BALANCE SHEET AS OF DECEMBER 31, 2003

| | AS FILED IN 10QSB | ADJUSTMENTS | PRO FOR |
|--|----------------------|-------------|---------|
| ASSETS | | | |
| Current assets | | | |
| Cash | \$ 68 | \$ (72) | |
| Accounts receivable, net | 750 | 406 | |
| Inventories, net | 15 | 15 | |
| Prepaid expenses and other current assets | 53 | 53 | |
| | ----- | ----- | |
| Total current assets | 886 | 334 | |
| | ----- | ----- | |
| Goodwill | 2,822 | 2,822 | |
| Patents, net | 1,498 | 1,498 | |
| PEO contracts, net | 1,007 | 1,007 | |
| Property and equipment, net | 259 | 77 | |
| Workers' compensation deposit and other current assets | 135 | 135 | |
| | ----- | ----- | |
| Total assets | \$ 6,607 | \$ 4,375 | \$ |
| | ===== | ===== | ===== |

LIABILITIES AND SHAREHOLDERS' DEFICIENCY

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| | | | |
|--|----|-----------|-------------|
| Current liabilities | | | |
| Borrowings under bank notes payable | \$ | 3,145 | \$ - \$ |
| Notes payable, current portion. | | 2,644 | 854 |
| Convertible debentures, net | | 952 | 952 |
| Accounts payable. | | 3,779 | 1,217 |
| Obligations under capital lease. | | 362 | 315 |
| PEO payroll taxes and other payroll deductions. | | 8,281 | 3,493 |
| Advances from related party | | 30 | 30 |
| Other accrued expenses. | | 12,337 | 1,214 |
| | | ----- | ----- |
| Total current liabilities | | 31,530 | 7,093 |
| | | ----- | ----- |
| Long-term liabilities | | | |
| Long-term capital lease | | 51 | 51 |
| Long-term convertible debentures, net | | 400 | 400 |
| Long-term notes payable | | 482 | 482 |
| | | ----- | ----- |
| Total Liabilities. | | 32,463 | 7,144 |
| | | ----- | ----- |
| Preferred stock - minority interest in subsidiary. | | 921 | 921 |
| | | ----- | ----- |
| Shareholders' deficiency | | | |
| Series A convertible preferred stock. | | 420 | 420 |
| Common stock. | | 1,588 | 1,588 |
| Common stock warrants and option. | | 475 | 475 |
| Paid-in capital | | 83,302 | 705 |
| Accumulated deficit | | (112,562) | (4,395) |
| | | ----- | ----- |
| Total shareholders' deficiency. | | (26,777) | (3,690) |
| | | ----- | ----- |
| Total liabilities and shareholders' deficiency. | \$ | 6,607 | \$ 4,375 \$ |
| | | ===== | ===== |

IMAGING TECHNOLOGIES CORPORATION AND SUBSIDIARIES
 PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
 FOR THE YEAR ENDED JUNE 30, 2003

| | AS FILED IN 10K | ADJUSTMENTS | PRO FORMA |
|---|--------------------|-------------|-----------|
| Revenue | | | |
| Sale of products. | \$ 924 | \$ 924 | |
| Software sales, licenses and royalties. | 367 | 367 | |
| PEO Services | 2,899 | 400 | (b) |
| | ----- | ----- | |
| Total revenue. | 4,190 | 400 | 3,790 |
| | ----- | ----- | ----- |
| Cost of revenue | | | |
| Sale of products. | 396 | 396 | |

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| | | | |
|--|------------|------------|---------|
| Software sales, licenses and royalties. | 90 | 90 | |
| PEO Services. | 1,813 | 174 | (b) |
| | ----- | ----- | |
| Total cost of revenue. | 2,299 | 174 | 2,125 |
| | ----- | ----- | |
| Gross profit | 1,891 | 226 | 1,665 |
| Selling, general and administrative expenses | 7,586 | 1,963 | (b) |
| | ----- | ----- | |
| Loss from operations | (5,695) | (1,737) | (3,958) |
| Other income (expense) | | | |
| Interest and financing costs, net | (3,530) | (135) | (b) |
| Gain on extinguishment of debt. | 2,370 | 3 | (b) |
| | ----- | ----- | |
| | (1,160) | (132) | (1,028) |
| | ----- | ----- | |
| Loss before provision for income taxes | (6,855) | (1,869) | (4,986) |
| Provision for income taxes | - | - | - |
| | ----- | ----- | |
| Net Loss | (6,855) | (1,869) | (4,986) |
| Preferred stock dividends. | (21) | (21) | |
| | ----- | ----- | |
| Net loss attributed to common shareholder. | \$ (6,876) | \$ (5,007) | |
| | ===== | ===== | |
| Loss per common shares - basic and diluted | \$ (0.07) | \$ (0.05) | |
| | ===== | ===== | |
| Weighted average common shares | 96,316 | 96,316 | |
| | ===== | ===== | |

IMAGING TECHNOLOGIES CORPORATION AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2003

| | AS FILED IN 10QSB | ADJUSTMENTS | PRO FORMA |
|---|----------------------|-------------|-----------|
| Revenue | | | |
| Sale of products. | \$ 455 | \$ 455 | |
| Software sales, licenses and royalties. | 36 | 36 | |
| Temporary staffing services | 3,436 | 3,436 | |
| PEO Services. | 6,549 | 4,479 | (b) 2, |
| | ----- | ----- | |
| Total revenue. | 10,476 | 4,479 | 5,997 |
| | ----- | ----- | |
| Cost of revenue | | | |
| Sale of products. | 128 | 128 | |
| Software sales, licenses and royalties. | 3 | 3 | |

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| | | | |
|--|------------|------------|---------|
| Temporary staffing services | 1,194 | 1,194 | |
| PEO Services. | 7,135 | 3,439 | (b) 3, |
| | ----- | ----- | ----- |
| Total cost of revenue. | 8,460 | 3,439 | 5,021 |
| | ----- | ----- | ----- |
| Gross profit | 2,016 | 1,040 | 976 |
| Selling, general and administrative expenses . . . | 6,413 | 2,336 | (b) 4, |
| | ----- | ----- | ----- |
| Loss from operations | (4,397) | (1,296) | (3,101) |
| Other income (expense) | | | |
| Interest and financing costs, net | (929) | - | (929) |
| Gain on extinguishment of debt. | 518 | (107) | (b) |
| Other | 25 | 44 | (b) |
| | ----- | ----- | ----- |
| | (386) | (63) | (235) |
| | ----- | ----- | ----- |
| Loss before provision for income taxes | (4,783) | (1,359) | (3,336) |
| Provision for income taxes | - | - | - |
| | ----- | ----- | ----- |
| Net Loss | (4,783) | (1,359) | (3,336) |
| Preferred stock dividends. | (10) | (10) | |
| | ----- | ----- | ----- |
| Net loss attributed to common shareholder. | \$ (4,793) | \$ (3,346) | |
| | ===== | ===== | |
| Loss per common shares - basic and diluted | \$ (0.02) | \$ (0.01) | |
| | ===== | ===== | |
| Weighted average common shares | 264,745 | 264,745 | |
| | ===== | ===== | |

(b) Exhibits

1. Letter Agreement between the Company and Greenland Corporation, dated February 9, 2004.
2. Press release of March 1, 2004

SIGNATURES

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

Date: March 4, 2004

IMAGING TECHNOLOGIES CORPORATION

By: /s/ Brian Bonar

Name: Brian Bonar

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Title: Chairman, President, and Chief Executive Officer