

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB/A
AMENDMENT No.1

**[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
AND EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

IMAGE TECHNOLOGY LABORATORIES, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

22-3531373

(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

(I.R.S. EMPLOYER
IDENTIFICATION NO.)

602 ENTERPRISE DRIVE, KINGSTON, NEW YORK

12401

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (845) 338-3366

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

COMMON STOCK

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No X.

The issuer's revenues for the most recent fiscal year were \$534,438.

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based on the \$.06 last sales price reported by OTC.BB on April 2, 2008 was \$389,592.

As of December 31, 2007, the Registrant had issued, and outstanding, 15,238,778 shares of common stock.

Transitional Small Business Disclosure Format (Check one): Yes ___ No X

FORWARD-LOOKING STATEMENTS

This report and the documents incorporated in it by reference contain forward-looking statements about our plans, objectives, expectations and intentions. You can identify these statements by words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," "may," "will" and "continue" or similar words. You should read statements that contain these words carefully. They discuss our future expectations, contain projections of our future results of operations or our financial condition or state other forward-looking information, and may involve known and unknown risks over which we have no control. You should not place undue reliance on forward-looking statements. We cannot guarantee any future results, levels of activity, performance or achievements. Moreover, we assume no obligation to update forward looking statements or update the reasons actual results could differ materially from those anticipated in forward-looking statements, except as required by law. Factors, that could cause actual results to differ materially from those expressed or implied by such forward looking statements include that discussed in the report in Part 1, Item 1, including the section captioned "Risk Factors that May Affect Future Results" and "Management's Discussion and Analysis of Financial Condition or Plan of Operation."

EXPLANATORY NOTE

Image Technology Laboratories, Inc. originally filed its Annual Report on Form 10-KSB for the year ended December 31, 2007 on April 18, 2008 (the "Original Filing"). This Form 10-KSB/A is being filed solely for the purpose of (i) revising Part I, Item 8A. Controls and Procedures, (ii) revising Exhibits 31.1 and 32.1, and (iii) filing Management's Report on Internal Control Over Financial Reporting, which was inadvertently omitted from the Original Filing. This Form 10-KSB/A does not otherwise amend the Original Filing.

1. PART I

Item 1. Description of Business

Image Technology Laboratories, Inc. ("ITL", "the Company", "Registrant" or "we") is a medical image and information management company in the healthcare IT market. The Company is a systems integrator that provides a total solution of hardware, software and service to the customer for their product.

The Company was founded and incorporated in the state of Delaware in 1997 by Dr. David Ryon, Chief Executive Officer and founder of The Kingston Diagnostic Center; Dr. Carlton Phelps, Chief Financial Officer and former Chief of Radiology at The Kingston Hospital; and Lewis M. Edwards, Chief Technical Officer and formerly Senior Technical Staff Member and lead engineer of the 3D Graphics Lab at IBM. In fiscal year 2000 ITL successfully completed a private placement (of approximately \$2 Million), followed by an SB2 registration and a self-underwritten public offering raising net proceeds of \$1.02 million to partially fund its development efforts.

The Company is headquartered in Kingston, New York – about 100 miles north of New York City. The Company's shares of common stock are publicly traded on the OTC Bulletin Board under the symbol "IMTL". Of the three original co-founders, only Mr. Edwards remains at the Company. In the first quarter of 2002, Dr. Phelps departed the Company and resigned from the Board of Directors. Dr. Ryon passed away suddenly in December of 2004. The Company has secured a roster of active customers, and is seeking to expand their sales and marketing initiatives by both organic and acquisitive growth strategies.

ITL's lead product is their "WarpSpeed" software system, which is built on a unique modular architecture, with high throughput capabilities by a staff of software engineers experienced in designing and writing enterprise level programs. The result is a highly reliable, scalable radiology business solution, which is easily upgraded to meet the demands of a growing customer environment. These qualities allow ITL to deliver a radiology product specifically tailored to a customer's requirements. Innovative development work will allow customers to stay at the forefront of technological advances by allowing easy extensions and upgrades to existing systems.

Products

WarpSpeed is a "Radiology Information System / Picture Archiving and Communications System", known as RIS/PACS, for use in the management of patient information and the processing/storage of medical images by hospitals and diagnostic imaging centers. The RIS portion of the system inputs and stores patient demographics, scheduling information, insurance data, and the billing records required to service patients visit. The RIS system also manages the analysis reports generated by the radiologist resulting from reviewing the patient's image data. The PACS portion of the system acquires and stores diagnostic images in standard DICOM (Digital Imaging and Communications in Medicine) digital format from imaging equipment (called "modality" in the health industry) such as Computerized Tomography (CAT scan), Magnetic Resonance Imaging (MRI), Ultrasound, Nuclear Imaging, Digital Fluoroscopy, Computed Radiography, Digital Mammography, Digital Radiography, Positron Emission Tomography (PET), etc, called a "study".

The uniqueness of WarpSpeed is in it being a *monolithic* RIS/PACS system made possible by the development of a single, central source of patient / study data called a database. Through the single database, the components of the RIS system and the components of the PACS system can easily share consistent data and provide a single source of information about a patient anywhere in the study process. This includes patient exam scheduling, patient demographics, insurance, imaging, statistics, mammography (BIRADS) reporting, diagnostic reports and billing records. Everything is available on a single application platform (WarpSpeed). The unified data also allows the efficient deployment of another key WarpSpeed component, the Workflow manager. The Workflow manager manages the process flow from the beginning to the end of a patient study. The Workflow manager eliminates multiple input of the same patient data into a non integrated RIS/PACS systems, eliminates the passing of folders between departments, reduces the number of confirming telephone calls, and removes the need to access multiple computer applications to access the patient's data and status.

Further, unified data allows for images to be inserted into the radiologist's report, a radiologist's dictation to be part of the workflow process (and stay totally within the RIS/PACS system), and intelligent, automatic routing of work and data to the next individual(s) in the process flow. The WarpSpeed system also allows the sending of data via integrated e-mail or fax or storing it on a patient CD without evoking assistance outside the WarpSpeed application. ITL StudyNotes may be attached to a patient's study by the radiologist, staff physician or department administrators via an ITL WebViewer, Administrative Workstation, Modality Workstation or Radiologist Display Workstation, and subsequently viewed by these system components.

The advantage of a monolithic database system is to improve the overall performance, reliability and efficiency of the radiology environment while reducing the operational cost to the hospital/radiology center. The design goal is also to enable more complex radiology studies and allow the hospital/radiology center to readily adjust to a fast changing technology world without the need to reconcile data from disjoint PACS and RIS systems.

The WarpSpeed application package is enterprise level software developed by knowledgeable and experienced enterprise level software/hardware engineers with the subject matter expertise of Board-certified radiologists. This should be a major factor in choosing a RIS/PACS system. The hospital/radiology application environment needs robust system performance, security, reliability and recovery capabilities. Engineers experienced in this enterprise environment can only develop such a system. The WarpSpeed development team has extensive enterprise level experience with graphics,

database systems, operating systems, networking and application software. They have years of experience in the radiology environment. They understand performance and the requirements of data protection, system reliability, and the need for multiple levels of recovery in the critical places of both the hardware and software. These features are built into WarpSpeed and it is these same engineers who continue to support, service and expand the functionality of the product.

Another design objective of WarpSpeed is scalability. The WarpSpeed system consists of ITL proprietary application software running on commercially available computer hardware, operating systems and database. The modular design of the software allows the customer to have a WarpSpeed solution consisting of almost any size: from a single computer to a large, fully distributed system with separate computers handling the database, distributed file system storage, server components such as the Workflow Manager, Report Distribution Manager, Schedule Server and Background Transfer Service, and the client components such as the Radiologist Display Workstation(s), the Modality Workstations(s), the Stenography Workstation(s) and the Administrative Workstation(s). The distributed system is tied together with local high speed networking to allow the timely delivery of imaging and patient information to the radiologist. Innovative intelligent algorithms have been developed to reduce the network bandwidth and database storage requirements, which are two of the most significant cost factors associated with building a PACS/RIS system. Secure, remote access is available to radiologists and physicians via the internet. The WarpSpeed system allows for flexibility in configuring a total system, building the system to meet the hospital/radiology centers current needs while preserving growth paths.

The ITL WarpSpeed system may be configured with a fully redundant hot-standby secondary-server, generally located off-site, to enhance reliability and availability of patient data and images particularly in response to physical disasters. DICOM files, reports, database and transaction log backups are replicated to the secondary-server in near-real time, and the database instance running on the backup-server is kept in synchronization with the primary server within 15 minute intervals. In the event of a disaster, the secondary-server will assume a fully functional primary-server role in 30-45 minutes. ITL is not aware of any other RIS/PACS vendor that provides this capability in our market space. The ITL WarpSpeed system may also be configured with the DVD-stack ITL FileArchiver, allowing local or remote multiple DVD archive copies of DICOM files, reports and databases.

At the heart of the system is a software module referred to as the ITL Workflow Manager. This software module is an IHE compliant workflow solution, which allows the entire process of patient scheduling, registration, image acquisition, image display, and radiographic report generation to be totally automated in WarpSpeed to a degree that is yet to be demonstrated in the industry. The software determines what resources are available on the enterprise and distributes the various pieces of work as applicable. For example, if multiple radiologists are logged on to the system, unread studies are distributed based upon their preference and sub-specialties. Once the study has been read and analyzed, the radiologist dictates the report, which, in turn, is distributed to an available stenographer. After transcription, the report returns to the reporting radiologist, wherever he/she is logged on, for proof reading and final signature. The workload manager makes sure that the data is available to the right person, at the appropriate time and at the desired location.

Following signoff, the ITL Report Distribution Manager prints, faxes and/or encrypts / e-mails the final report, maintaining substitutable versions of the diagnostic reports as .RTF files and generating archive versions as .PDF files for distribution and web access.

The ITL Schedule Server manages a centralized multi-site, multi-equipment time slot reservation system that includes a procedure-based scheduling methodology which allows an imaging facility to codify scheduling rules and hints across different types of imaging modalities, body parts and a virtually unlimited set of clinical study types.

The ITL Background Transfer Service (BTS) supports the transfer of DICOM image files from a remote location containing one or more imaging modalities connected to a main site via a WAN. The transfers take place in the background using algorithms that support recovery and restart in the event of network outages and errors while preserving bandwidth for interactive use at the remote site and freeing

the technologist from waiting for transfer confirmation. Typically, the DICOM image objects pushed to the Modality Workstation by the imaging modalities are compressed using JPEG Lossless, JPEG-2000 Lossless or JPEG-LS Lossless compression prior to transfer by the BTS to the ITL RIS/PACS server site(s) where they are decompressed for faster access by the Radiologist Display Workstation, described below. The BTS, upon successful transfer of all of the images constituting an imaging study, injects the study into the workflow for assignment by the Workflow Manager.

Another component of the system is the ITL Radiologist Display Workstation. The Radiologist Display Workstation permits the simultaneous viewing of multiple diagnostic images (usually on high resolution displays) together with relevant patient data displayed on a supporting touch-screen display. The imaging information can be displayed in either film mode or stacking mode depending on the imaging modality and radiologists' preferences. In film mode, the workstation emulates the current film based paradigm that uses traditional X-Ray view boxes to display multiple images. MRI and CT studies are typically viewed in stack mode with automatic cross-referencing across images intersecting in 3D space, as the radiologist scrolls up and down through the stacked series of images. The control of the Radiologist Display Workstation is via a surface acoustic wave (SAW) touch-screen workstation so as to not use valuable space on the high-resolution diagnostic monitors typically configured with the Workstation, improving the speed and accuracy of diagnostic interpretation.

The Radiologist Display Workstation consists of proprietary software developed by ITL and commercially available hardware. The unique feature of the display station is its ability to present a virtually unlimited number of diagnostic images on multiple display surfaces. The software can blend together a number of monitors, of arbitrary resolution, into one large virtual display, as required by the radiologist. A radiologist can read and interpret digital images from any imaging modality on a radiologist display workstation, which can be either local, or at a remote location when connected via encrypted tunnels (VPNs) over the Internet. This facilitates time-critical transfer of patient information between hospital departments, as well as rapid consultations by specialists at remote locations. The system also affords convenient home viewing by radiologists using lower-cost, reduced resolution monitor(s). The user-interface of the ITL Radiologist Display Workstation has been designed by radiologists for ease of use, offering an un-cluttered touch-panel control screen that does not intimidate new users while still making more sophisticated operations readily available.

The ITL Administrative Workstations are PC-based and are normally used for the RIS functions, such as patient demographic entry and maintenance, online report viewing, scheduling (both basic and procedure-based), schedule queries, workflow status monitoring and control, report log viewing, referring physician entry and maintenance, radiologist preferences management, schedule procedure creation and editing, study ICD-9 procedure code modifications, generalized RIS queries and "super-administrator" functions such as patient / study merges.

The ITL Stenography Workstation is also PC-based and provides for automation of much of the mundane and error-prone inclusion of patient, study and referring physician demographic information into the report. The Stenography Workstation application links to and controls Microsoft Word for the production of these reports, thus offering the stenographer a comfortable and familiar word-processing environment.

The ITL Modality Workstation is the WarpSpeed software component which is used to create, store, reproduce and transmit digitized images generated by DICOM-compatible diagnostic imaging equipment, including digital radiography, computed radiography, ultrasound, nuclear medicine, digital fluoroscopy, computed tomography, magnetic resonance imaging and digital mammography. The Modality Workstation is normally connected to the diagnostic imaging equipment via a high-speed local area connection. By acting as the DICOM gateway to the ITL WarpSpeed RIS/PACS system, the Modality Workstation enforces the requisite quality control to ensure that incoming studies are properly associated with the correct patient in the RIS, and that the incoming studies are ICD-9 coded by the individuals most closely associated with the actual performance of the study, namely the technologists operating the imaging modality. The Modality Workstation is capable of compressing / decompressing the DICOM images presented to it by the imaging modality using JPEG Lossless, JPEG-2000 Lossless or JPEG-LS Lossless compression.

ITL has leveraged the most recent advances in operating system design, software development, and networking tools in WarpSpeed to produce a product, which offers greater functional capability at lower costs through scalable system architecture. Microsoft Windows 2003 is employed on the WarpSpeed servers for its management, networking, distributed file system and message queuing, while Microsoft SQL Server provides the database infrastructure. Microsoft Windows XP is used for the Modality Workstation, Stenography Workstation and Administrative Workstation. It is the truly modular and scalable architecture, which permits function to be distributed incrementally across the hardware and give the customer tremendous freedom in designing their current and future system environment.

ITL has developed sophisticated software sub-systems to monitor and update the WarpSpeed system. These sub-systems allow the WarpSpeed system to be deployed in diagnostic imaging centers and small to mid-sized hospitals where typically local IT staff may not be available to monitor and administer the system, thus offering a potential savings personnel cost.

ITL has also developed an extensive set of internal data migration tools that enable us to quickly and efficiently import a customer's existing RIS data into the WarpSpeed system, such as patient demographics, study history, schedules and referring physician lists. Standard DICOM files can also be imported and correlated with imported RIS data.

ITL began shipment of its WarpSpeed Web Portal, comprised of the ITL WebServer and ITL WebViewer in the second quarter of 2006, allowing referring clinicians secure access to images and reports using standard PCs running Microsoft Windows 2000 and XP using Microsoft's .NET technology. The ITL WebViewer is fully integrated into the WarpSpeed workflow, allowing a radiologist to logon to one or more sites, view study images and reports, edit or sign reports and add or review ITL StudyNotes.

In summary, the WarpSpeed system provides a total, turn-key monolithic solution to the administrative (RIS) and imaging (PACS) aspects of radiology services that does not force local IT to manage the integration, support and data inconsistency issues of separate RIS and PACS products joined together by our competitors. WarpSpeed has the capability to automate a hospital's radiology department or be the primary patient and image management system for any radiology diagnostic imaging center. In a hospital environment, WarpSpeed has been designed to interface with hospital information systems so that a patient's clinical data can be integrated with diagnostics images for increased accuracy of image interpretation and diagnosis. ITL's WarpSpeed system offers performance, enterprise level robustness, reliability and recovery, workflow management, and scalability. Our value to our customers include consistent and organized radiology process flow control, a completely electronic (vs. paper) solution, supporting a more accurate and reliable diagnosis by the radiologists with less opportunity for error, lower operating costs, overall better patient care. The accuracy of information maintained within the ITL WarpSpeed monolithic RIS/PACS system, along with the organized workflow, allows for more accurate billing and the potential for an improvement in the reimbursement rate by the imaging facility.

Marketing

ITL is marketing its WarpSpeed system in hospitals with less than 400 beds and freestanding radiology imaging centers. According to the American Medical Information, Inc. there are 2,795 major diagnostic imaging centers and more than 5,000 smaller imaging centers in the U.S. According to the American Hospital Association, there are 5,800 hospitals in the U.S. Approximately one-half have less than 400 beds, the generally accepted metric defining a medium-sized hospital.

According to market research by Frost & Sullivan, a leading industry research firm, the worldwide market for PACS was \$1.8 billion in 2003 and will grow to \$4.5 billion by 2010. Millennium Research Group reports that the U.S. market for PACS grew by over 25% in 2004 and, by 2009, will generate nearly \$3.0 billion in revenue. Global Industry Analysts, another market research firm, is predicting that the global market for PACS and teleradiology systems will reach \$4.4 billion by 2010.

PACS technology, while widely appreciated, has yet to be widely adopted in the medium to smaller (community) hospitals and single / multi-site imaging centers, offering an excellent opportunity for ITL and WarpSpeed. We believe that the lack of penetration of RIS/PAC systems into this market segment is a reflection of the limitation of current solutions to deliver expected value; the high purchase cost of solutions by the major vendors and the required IT staff and expertise. According to Frost & Sullivan, approximately 17.7% of hospitals in North America had PACS in 2003.

ITL markets a fourth generation medical information and image management system that we believe is more flexible, usable and scalable than any currently available product. The Company markets ITL's WarpSpeed system through an in-house marketing presence and a contract sales force supported by product advertising and promotion at industry trade shows. ITL offers the product at a price point, which is well within the reach of even the smallest hospital or imaging facility. The Company believes that it offers systems with superior price/performance characteristics without requiring the overhead of local IT staff at the imaging facility.

ITL also expects a major sub-segment of the market over the next several years will be PACS upgrades and migrations as early adopters begin to recognize the deficiencies of the earlier generation of products. This emerging opportunity will allow ITL to leverage its investment in migration tools and technologies to capture these customers.

The penetration of Computed Radiography (CR) imaging equipment into specialized clinics, such as orthopedic practices, presents an excellent opportunity for ITL to take advantage of its modular software architecture and package the WarpSpeed system into a family of offerings to such practices. Such a family will allow a lower cost of entry yet provide a growth path in terms of capacity and reach that should prove quite attractive in this space.

ITL believes that 3D viewing capability is rapidly becoming an important factor in our diagnostic imaging market comprised of single / multi-site imaging centers and small (community) to medium hospitals, offering an improvement in certain diagnosis and a potentially higher reimbursement to the imaging facility. We expect that ITL's expertise in 3D imaging will allow us to vigorously pursue this emerging market segment.

With the aging baby boomers starting to place more of a burden on the health care system in the U.S. , ITL expects the diagnostic imaging market to grow to meet this demand. The increased awareness of the importance of Electronic Medical Records (EMR) as a means of controlling medical costs while improving patient care will, no doubt, impact the RIS/PACS market as the images and reports produced from RIS/PACS are an important component in EMR. ITL intends to pursue EMR within the RIS/PACS space and possibly beyond as other opportunities become evident to deploy our technology and expertise in medical information systems. In May 2007, ITL announced its participation in the Southern Tier Health Link Web Portal in association with Park Avenue Radiology. This Web Portal is part of the New York State Health Care Efficiency and Affordability Law for New Yorkers Capital Grant Program, often referred to as the HEAL NY Program. HEAL NY includes identification and support for development and investment in Health Information Technology initiatives at the regional level. <http://www.health.state.ny.us/technology>

ITL is selling WarpSpeed with two (2) pricing models: The first is an outright capital purchase and the second is a fee per-study-performed basis. The latter plan is an attractive approach for our clients, as there is no capital outlay, the cost is expensed, and the model does not penalize radiologists and clinical staff for multiple consultative reviews of the image data.

Competition and Competitive Advantage

ITL is unique among the 50+ companies in the U.S. that are marketing or developing RIS or PACS or RIS/PACS solutions for the radiology community. The Company believes that it is the only company that has implemented a single monolithic product that encompasses all aspects of the radiology business. To date no one company has captured a predominant market share. Some of the larger

RIS/PACS vendors are GE Medical Systems, Agfa, Siemens Medical Solutions, Philips Medical Systems and Kodak Health Imaging – all of which have expended effort to integrate RIS and PACS. There are a number of vendors which now offer ‘single vendor’ (disparate database) RIS/PACS, and many vendors which offer simply the RIS or PACS components separately.

The superiority of ITL's system has been demonstrated in many areas. Its user interfaces are intuitive thereby minimizing training time and operator error. The unique touch screen interface increases speed of operation and productivity of the radiologist. Radiology report turn around is typically less than two hours, which is far superior to any other system currently in production. The underlying architecture and design characteristics have been shown to be highly scalable and flexible. These features alone set ITL apart from all competition.

We believe that our ability to configure a cost-effective secondary-server as part of the ITL WarpSpeed system offers our customers a disaster resilient system that we believe is not currently offered by any of our competitors in our market space. The ITL WarpSpeed system may be configured with a fully redundant hot-standby secondary-server, generally located off-site, to enhance reliability and availability of patient data and images particularly in response to physical disasters. DICOM files, reports, database and transaction log backups are replicated to the secondary-server in near-real time, and the database instance running on the backup-server is kept in synchronization with the primary server within 15 minute intervals. In the event of a disaster, the secondary-server will assume a fully functional primary-server role in 30-45 minutes.

The Company believes that most available RIS/PACS systems have significant drawbacks such as:

- Poor user interfaces
- Inadequate workflow tools
- Lack of scalability
- Prohibitive entry point purchase prices.
- Significant management oversight to maintain disparate databases

ITL believes that such drawbacks account in part for the fact that none of its competitors have been able to capture more than 20% of the market in recent years. ITL intends to capitalize on these inherent weaknesses in the competition.

Product Approval Process

ITL is a registered medical device manufacturer by the Food and Drug Administration ("FDA"). The WarpSpeed solution is exempt from the pre-market authorization process by the FDA. Our products have been declared substantially equivalent to already approved products by the FDA.

Although ITL is aware that there is an international market for products such as WarpSpeed, we have no present plans to market our products in other countries, largely due to limited resources. However, should we decide to market WarpSpeed in other countries, we would have to comply with the laws of, and meet the applicable regulatory procedures and standards in each jurisdiction in which we sought to market our products. Approval in one jurisdiction does not assure approval in another as the various federal, state, and local regulatory authorities are independent of each other.

Insurance

ITL has obtained both corporate, product, and computer omissions and errors liability insurance. We are at risk to product liability claims if the use of our products is alleged to have caused harm to a patient. There is no direct contact between the ITL product and the patient.

Under the terms of our executive employment agreements we are obligated to maintain term life insurance for the benefit of Mr. Lewis M. Edwards, ITL's Chief Technical Officer, in the amount of \$300,000 if this can be obtained on commercially reasonable terms. The Company, at this time, has not purchased life insurance.

Material Contracts

In May 2003, ITL signed a multi-year contract with Park Avenue Associates in Radiology PC., Binghamton NY, for the installation of its solution in a multi-site environment. This installation required the deployment of hardware and software in four physically separate locations interconnected with microwave links, fiber-optic cable, and a traditional LAN. The interconnections also include the use of secure, encrypted tunnels via the internet (VPN's). Remote review stations have been deployed in private physician's offices.

In January 2004, ITL closed a five-year contract for the WarpSpeed system with St. Anthony Community Hospital, Warwick, NY. St. Anthony is a member of Bon Secours Charity Health System, which owns and operates 32 health care facilities. ITL expanded its installation to an off-campus Women's Center in May 2005, for digital mammography and ultrasound, and again in November 2005 at the hospital with the installation of Computed Radiography (CR) modalities as St. Anthony Community Hospital became essentially film-less. Our installation at St. Anthony Community Hospital also includes an ITL Backup Server, a fully-redundant hot-standby server.

In March 2005, the Company signed a contract for the sale of two of its WarpSpeed RIS/PACS systems to InMed Diagnostic Services of Massachusetts, LLC at multi-modality imaging centers specializing in women's health care spread across three sites, and one WarpSpeed system to InMed Diagnostics Services of South Carolina, LLC in Columbia. The Columbia, South Carolina site is the largest imaging center of the InMed affiliates.

In April 2007 ITL and Park Ave Radiology amended their contract for the purchase and installation of the ITL WebServer and WebViewer technologies.

In June 2007, ITL closed a contract with Bon Secours Community Hospital in Port Jervis, NY. Bon Secours Community Hospital is a member of Bon Secours Charity Health System, which owns and operates 32 health care facilities. Our installation at Bon Secours Community Hospital also includes an ITL Backup Server, a fully-redundant hot-standby server.

In September 2007 ITL and St. Anthony Community Hospital amended their contract for the installation of the ITL WebServer and WebViewer technologies.

In December 2007, Park Ave Radiology purchased an ITL Primary Server upgrade along with an ITL Backup Server.

In February 2004, the Company borrowed \$125,000 from Valley Commercial Capital, LLC ("Valley"). This loan was evidenced by a promissory note and provided for interest at 8% per annum. In March 2004, the Company borrowed an additional \$138,997 from Valley, also evidenced by a promissory note, which provided for interest at 8% per annum. The remaining balance of these loans was repaid in August 2006 as described below.

In December 2005, the Estate of Dr. Ryon loaned the Company an additional \$36,000 under an amendment to the December 2004 promissory note. Additional amounts were loaned to the Company in March 2006 for \$22,500, in August 2006 for \$57,672 and in September 2006 for \$153,375. These amounts, along with other previous loans to the Company by the largest stockholder totaling \$374,548 were converted into 1,000 shares of Cumulative Convertible Preferred Series B stock in late September 2006, and all accrued interest was forgiven. Cumulative Convertible Preferred Stock Series B can be converted to common stock of Image Technology Laboratories at a ratio of one share of Cumulative Convertible Preferred Stock Series B to 2,700 shares of common stock. Either the stockholder or the Company may elect to force conversion after two years in units of 100 shares of Cumulative Convertible Preferred Stock Series B. The Company may also elect to repurchase the Cumulative Convertible Preferred Stock Series B in units of 100 shares of Cumulative Convertible Preferred Stock Series B at any time for \$432 per share of Cumulative Convertible Preferred Stock Series B. Fixed

dividends on the stock accumulate as 12.5 additional shares of Cumulative Convertible Preferred Stock Series B per quarter. The underlying common stock, should the Company or shareholder elect to convert, is unregistered. The voting rights are set at one vote per share of Cumulative Convertible Preferred Stock Series B.

During November and December 2004, Dr. David Ryon, the Company's principal stockholder, President, and Chief Executive Officer, until his death in December 2004, loaned the Company an aggregate of \$105,000. In December 2004, to memorialize this loan, he executed, as President and Chief Executive Officer, on behalf of the Company, a demand promissory note payable to himself and bearing interest at 10% per annum. He also executed a security agreement, for himself on behalf of the Company, granting to himself a security interest in all of the Company's assets not previously encumbered as security for full payment under the note. Prior to April 12, 2005, the Company negotiated with the Estate of Dr. David Ryon a 24-month payment schedule, beginning in January 2006. The Company's Board of Directors approved the revised terms of the promissory note on April 12, 2005. In December 2005, the Estate of Dr. Ryon loaned the Company an additional \$36,000 under an amendment to the December 2004 promissory note and the payment schedule was renegotiated to begin in January 2007. Additional amounts were loaned to the Company in March 2006 for \$22,500, in August 2006 for \$57,672 and in September 2006 for \$153,375.26. These amounts, along with other previous loans to the Company by the largest stockholder totaling \$374,548 were converted to 1000 shares of Cumulative Convertible Preferred Series B stock in late September 2006, and all accrued interest was forgiven.

In September 2005, the Company borrowed \$50,000 from a member of the Company's Board of Directors as part of a Bridge Loan Agreement that included the issuance of warrants to purchase 50,000 shares of Common Stock of the Company. The five-year warrants have an exercise price of \$0.33 per share. The Bridge Loan had an annual interest rate of 14%. The principal of \$50,000 was repaid in July 2007; \$5,000 of the accrued interest was paid in September 2007 and a final accrued interest payment of \$5,000 was made in March 2008.

In March 2006, the Company executed an amendment to its contract with Park Avenue Associates in Radiology PC, Binghamton NY to extend the term of the original RIS/PACS contract through December 31, 2008.

Also in March 2006, largest stockholder loaned the Company an additional \$22,500 under an amendment to the December 2004 promissory note.

In late August 2006 our largest stockholder loaned the Company \$57,672, under an amendment to the December 2004 promissory note, to payoff the remaining balance of the Valley loans.

In September 2006, the Company entered into a settlement agreement with Dr. Carlton Phelps, our former vice president of finance and administration, chief financial officer, secretary and treasurer. Pursuant to the Settlement Agreement, the Company paid Dr. Phelps a total of \$153,375 consisting of attorneys' fees awarded by the arbitrator and confirmed by the court plus interest calculated at a rate of nine percent per annum from September 4, 2004 until September 1, 2006. The Company filed an 8-K detailing this event with the Securities and Exchange Commission on October 4, 2006.

In September 2006, the Company's largest stockholder loaned the Company \$153,375, the proceeds of which were used to satisfy the settlement with Dr. Phelps. This amount, along with other previous loans to the Company by the largest stockholder totaling \$374,548 was converted to 1,000 shares of Cumulative Convertible Preferred Series B stock in late September 2006, and all accrued interest was forgiven.

In May 2007, our largest shareholder provided \$3,684 to the Company as an interest-free loan in order to retain RIS/PACS market consultants. There are no repayment terms to this loan.

In June 2007, the Company entered into a five-year Accounts Receivable loan agreement with PowerLease Solutions, LLC and NetBank to borrow \$650,000 at a 9.5% annual interest rate. Monthly

payments are \$13,651 and the loan is co-signed by the Company's principal stockholder. As of December 31, 2007, there was \$597,947 outstanding under this agreement. Fixed fees paid to PowerLease were \$10,402.

Item 2. Description of Property

Image Technology's principal executive office currently occupies leased space at 602 Enterprise Drive, Kingston, NY. Image Technology's telephone number is (845) 338-3366.

In September 2002, we executed a five-year lease (at approximately \$900 per month) for office space at "TechCity", formerly the IBM facility in Kingston, NY. Tech City has become the home of many high technology firms in the Hudson Valley. In December 2007, we executed a five-year lease (at approximately \$3000 per month) for larger office space at TechCity. The Company believes that its current facilities will meet its needs for the foreseeable future, including any anticipated growth in marketing / sales, R&D and systems integration / test.

Item 3. Legal Proceedings

The Company was party to an arbitration proceeding commenced by Dr. Carlton Phelps before the American Arbitration Association in New York City. Dr. Phelps, a former officer and director of the Company claimed that he had been constructively discharged in violation of his employment agreement by virtue of a significant diminution of his duties and responsibilities at the Company. He also claimed that he had been defamed in the Company's public filings when it was asserted that he had been discharged for cause. The Company denied the allegations and affirmatively sought the return by Dr. Phelps of some or all of his stock on the basis of his breach of fiduciary responsibilities. By Opinion and Award dated February 25, 2004, the Arbitrator determined that Dr. Phelps had not been constructively discharged, but had voluntarily resigned. As a consequence, all of Dr. Phelps' claims for monetary awards were dismissed but, as to the defamation claim, the Company was directed to amend prior filings to reflect that he was not terminated for cause. The Company's claim for return of Dr. Phelps's stock was denied. On September 15th, 2004, the Arbitrator awarded attorneys' fees and arbitration expenses totaling \$120,810 and \$9,250, respectively to Dr. Phelps. A total of \$130,060 was added to the expenses in the Company's 2004 and 2005 Statement of Operations and the liabilities have been increased by the same amount in the Company's Balance Sheets of December 31, 2004 and December 31, 2005.

With respect to the Company's arbitration with Dr. Carlton Phelps (which was discussed in detail in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004), Dr. Phelps commenced a proceeding in New York State Supreme Court, Albany County, to confirm the arbitrator's award. The Company had opposed confirmation and, in the alternative, sought a modification of the award. By decision and judgment dated June 4, 2006, Justice Teresi of the Supreme Court, Albany County confirmed the award of the arbitrator issued on September 4, 2004, and denied the Company's motion to vacate or modify that award with respect to the award of attorneys' fees and expenses to Dr. Phelps. A detailed discussion of the arbitration award was included in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005.

In September 2006, the Company entered into a Settlement Agreement with Dr. Phelps whereby the Company paid Dr. Phelps a total of \$153,375, consisting of attorneys' fees awarded by the arbitrator and confirmed by the court plus interest calculated at a rate of nine percent per annum from September 4, 2004 until September 1, 2006. Additionally, as part of the Settlement Agreement, Dr. Phelps resold 2,309,583 shares of common stock of Image Technology Laboratories to the Company at \$0.10 per share. An 8-K was filed with the Securities and Exchange Commission on October 4, 2006 detailing this event.

On January 17, 2006, Barry C. Muradian informed the Company of his resignation as President, Chief Executive Officer and Principal Accounting Officer, effective January 20, 2006. An 8-K was filed with

the Securities and Exchange Commission on January 20, 2006. In May 2006, the Company and Mr. Muradian signed a "Confidential Separation Agreement, Waiver and General Release". As part of this agreement, Mr. Muradian was paid a total of approximately \$22,500, which represented all guaranteed payments due and owing to Mr. Muradian for salary and expenses.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 31, 2007.

PART II

Item 5. Market For Common Equity and Related Stockholder Matters

Image Technology's Common Stock currently trades on the Over-the-Counter Bulletin Board ("OTCBB") under the symbol "IMTL.OB". These securities commenced trading on December 15, 2000. The following table lists the closing high and low prices of the Company stock during 2006-2007:

	2006		2007	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
1st Qtr.	\$ 0.35	\$ 0.12	\$ 0.23	\$ 0.16
2nd Qtr	0.14	0.10	0.20	0.11
3rd Qtr.	0.13	0.08	0.18	0.11
4th Qtr.	0.45	0.10	0.12	0.06

As of April 4, 2007, the number of holders of record of Common Stock was 170.

Dividend Policy

The Company does not anticipate paying any cash dividends on its common stock in the foreseeable future because it intends to retain its earnings to finance the expansion of its business. Thereafter, the Board of Directors in light of conditions then existing, including, without limitation, the Company's financial condition, capital requirements and business condition will determine the declaration of dividends.

Issuance and Sales of Securities

During 2006, the Registrant issued and sold the securities listed below in transactions exempt from registration pursuant to Section 4 (2) of the Securities Act of 1933, as amended. No securities were sold in 2007.

In September of 2006, the Company sold 2,309,583 shares of common stock at a price of \$0.10 to a group of seven accredited investors in a private placement under Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D thereunder. These unregistered shares of common stock were issued with registration rights. The proceeds of this sale of common stock were used to repurchase 2,309,583 shares of common stock at a price of \$0.10 from Dr. Carlton Phelps, our former vice president of finance, chief financial officer, secretary and treasurer. The 2,309,583 shares of stock repurchased from Dr. Phelps by the Company were cancelled upon their tender. An 8-K was filed with the Securities and Exchange Commission on October 4, 2006. The net effect of the repurchase and

subsequent cancellation of 2,309,583 shares of common stock as described above in combination with the sale of 2,309,583 shares of common stock as described above resulted in no change to the number of shares of common stock outstanding due to this transaction.

The Company converted a total of \$374,548 of debt owed to our largest shareholder into 1,000 shares of Image Technology Laboratories Convertible Preferred Stock Series B issued to same shareholder in late September 2006. Convertible Preferred Stock Series B can be converted to common stock of Image Technology Laboratories at a ratio of one share of Convertible Preferred Stock Series B to 2,700 shares of common stock. Either the shareholder or the Company may elect to force conversion after two years in units of 100 shares of Convertible Preferred Stock Series B. The Company may also elect to repurchase the Convertible Preferred Stock Series B in units of 100 shares of Convertible Preferred Stock Series B at any time for \$432 per share of Convertible Preferred Stock Series B. Dividends accumulate as 12.5 additional shares of Convertible Preferred Stock Series B per quarter. The underlying common stock, should the Company or shareholder elect to convert, is unregistered. The voting rights are set at one vote per share of Convertible Preferred Stock Series B.

The issuances described above were made in reliance upon the exemptions from registration set forth in Section 4(2) of the Securities Act relating to sales by an issuer not involving any public offering. None of the foregoing transactions involved a distribution or public offering. No underwriters were engaged in connection with the foregoing issuances of securities, and no underwriting commissions or discounts were paid.

At December 31, 2007, 1,050 shares of Preferred Stock Series B are outstanding. Such shares may be converted at the option of the holder or the Company to 2,835,000 shares of Common stock. Prior to conversion, such shares may be redeemed by the Company at \$432 per share or \$453,600 at any time until forced conversion by either party into Common stock.

Item 6. Management's Discussion and Analysis or Plan of Operations

Overview

The following is a discussion of certain factors affecting the results of operations, liquidity and capital resources of Image Technology Laboratories, Inc. ("ITL"). You should read the following discussion and analysis in conjunction with ITL's audited financial statements and related notes, which are included elsewhere in this Annual Report on Form 10-KSB.

Business and Summary of Critical Accounting Policies:

ITL is a medical image management company in the healthcare information systems market. We were incorporated in Delaware on December 5, 1997. ITL has developed a single database "Radiology Information System and Picture Archiving and Communications System" known as RIS/PACS for use in the secure management of patient information and diagnostic images.

We expect that we will derive our future revenues primarily from sales of our WarpSpeed system and associated maintenance charges along with Application Service Provider (ASP) usage fees. We obtained our first contract for the sale of WarpSpeed and related hardware and maintenance services in August 2002. We continue to refine and enhance the capabilities of our WarpSpeed system.

For the twelve months ending December 31, 2007, we had a net loss \$272,164, and have had recurring losses and negative cash flows from our operating activities since inception. On December 31 2007, we had a cash position of \$295,495 and \$45,833 in working capital.

As a result of our limited capital resources our independent registered public accounting firm has indicated in their report on our financial statements for the year ended December 31, 2007 that there is a substantial doubt about our ability to continue as a going concern. We believe, however, that as a result

of the proceeds from our financing activities, as well as anticipated cash flow to be generated by fees from, and sales of our RIS/PACS solution, we will be able to continue to meet our obligations as they become due through at least December 31, 2008. 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 or equity transactions.

Our cost and expense structures are related, in large part, to our anticipated future growth. We believe, however, that we have the ability to control the pace of our expenditures relative to our available resources as we have done in 2007. Included in such resources are the expectation of additional short-term loans and/or purchases of additional common stock by the members of our Board of Directors, as well as additional private placements of securities to unrelated third parties. There are no commitments of financing nor is there any assurance, that, if needed, such loans or security purchases will be available. If necessary, we also have the ability to reduce or curtail our planned level of activity. As a result of the aforementioned, our financial statements have been prepared assuming the Company will continue as a going concern and they do not include any adjustments from the outcome of this uncertainty.

Critical Accounting Policies

The Securities and Exchange Commission issued disclosure guidance for "critical accounting policies." The Securities and Exchange Commission defines "critical accounting policies" as those that require the application of management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

Our significant accounting policies are described in Note 2 to our audited financial statements, contained elsewhere in this report. We believe that the following accounting policies or estimates require the application of management's most difficult, subjective or complex judgments.

Going Concern:

The accompanying audited financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should we be unable to continue as a going concern and, therefore, be required to realize our assets and retire our liabilities in other than the normal course of business and at amounts different from those in the accompanying audited financial statements. Our ability to continue as a going concern is dependent upon achieving profitable operations and/or obtaining additional financing. While our management believes that both criteria will be achieved, there can be no assurance as to either outcome.

Revenue Recognition:

Revenues from the provision of radiology and imaging services are recognized over the estimated period during which the applicable services are performed provided that the fees are fixed and determinable and collection is reasonably assured.

Contracts for the sale of our imaging systems involve multiple elements including the delivery and installation of software and hardware products, training and system maintenance. However, we cannot allocate the revenues from such contracts to each element based on the relative fair value of each element. Accordingly, we will recognize the revenues from a system contract ratably over the period during which we are required to provide maintenance or any other service provided that the fees are fixed and determinable and collection is reasonably assured.

Valuation of Deferred Tax Assets:

We regularly evaluate our ability to recover the reported amount of our deferred tax assets considering several factors, including our estimate of the likelihood that we will generate sufficient taxable income in future years in which temporary differences reverse. Presently we believe that it is more likely than

not that we will not realize a substantial portion of the benefit of our deferred tax assets based primarily on our projected operating results and, accordingly, have recorded a valuation allowance of \$1,120,000. In the event that actual results differ from our estimates or we adjust these estimates in future periods, we may need to adjust this valuation allowance, which could materially impact our financial position and results of operations.

Valuation of Long-Lived Assets:

We assess the recoverability of long-lived assets, such as equipment and improvements, whenever we determine that events or changes in circumstances indicate that their carrying amount may not be recoverable. Our assessment is primarily based upon our estimate of future cash flows associated with these assets. We have determined that there has not been an impairment of any of our long-lived assets at December 31, 2007. However, should our operating results deteriorate; we may determine that some portion of our long-lived assets is impaired. Such determination could result in non-cash charges to income that could materially affect our financial position and results of operations for that period.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2007 COMPARED TO THE YEAR ENDED DECEMBER 31, 2006

Revenue:

During the year ended December 31, 2007, our total revenues decreased \$138,168, or 20.5% to \$534,438 from \$672,606 in the prior year. This is largely attributable to a reduction in WarpSpeed system purchase revenue in 2007, and not offset by the revenue stream from an additional ASP usage-fee WarpSpeed system placed into service in December 2007. We also deferred \$25,000 in revenue associated with the sale of a system upgrade in late December 2007 which was installed in January 2008.

Revenue Discussion:

ITL is reporting fiscal year revenues, ending December 31, 2007, of \$534,438. These revenues include sales of equipment upgrades at two of our customers and the purchase of an ITL Backup. They do not include a significant contribution from the ASP usage fees at a new installation which became fully operational in early December 2007. Our revenues were derived solely from the Companies normal line-of-work: developing, selling and servicing medical image and information management systems. During the fiscal year ended December 31, 2006, ITL reported total revenue of \$672,606.

The Company expects that WarpSpeed system installations will take place in 2008 as a result of our continued investments in research and development, and additional focus on marketing. We expect that we will derive our revenues in the future primarily from sales of our WarpSpeed system and associated maintenance charges along with ASP usage fees.

Cost of revenue:

The cost of revenue in 2007 of \$19,323 represents equipment costs of upgrades sold in 2007 along with depreciated costs of goods sold associated with our ASP installations. The cost of revenue in 2006 was \$3,105.

Research and Development Expenses:

During the year ended December 31, 2007, we incurred research and development expenses of \$373,670 as compared with \$381,314 in the preceding year. These expenses are consistent with ITL's efforts to enhance the WarpSpeed system while controlling costs and are primarily compensation to our Chief Technology Officer and engineering personnel.

Sales and Marketing Expenses:

During the years ended December 31, 2007 and 2006, we incurred sales and marketing expenses of \$15,149 and \$17,485, respectively; a decrease of \$2,338. The reduction in this category of expenses was largely associated with the departure of Mr. Muradian in January 2006. The Company has focused its efforts on continuing to control costs while identifying appropriate sales personnel and resources. These expenses are expected to increase in 2008 consistent with achieving our revenue goals.

General and Administrative Expenses:

During the year ended December 31, 2007, we incurred general and administrative expenses of \$300,530 as compared to \$316,479 in the prior year, a decrease of \$15,949. General and Administrative Expenses are attributable to compensation, travel, customer support and infrastructure-related costs. The Company is continuing to work diligently to control costs while focusing on revenue generating activities.

Net Loss:

During fiscal year ended December 31, 2007, we incurred a loss of \$272,164 (\$.02 per share), as compared to a loss of \$143,707 (\$.01 per share) for the year ended December 31, 2006. The Company is aggressively managing costs while focusing on increasing revenues from sales of our systems and software and ASP fees.

LIQUIDITY AND CAPITAL RESOURCES:

As of December 31, 2007, we had cash and cash equivalents of \$295,495 and \$45,833 in working capital as compared with a cash position of \$3,264 and a working capital deficiency of \$247,315 in 2006. In comparing FY 2007 with 2006, cash and cash equivalents increased by \$292,232 to \$295,495; accounts receivable decreased by \$23,347 to \$171,492 and total current assets increased by \$266,918 to \$475,623.

During 2007, our operating activities utilized \$186,269 of cash. This arose primarily from our net loss of \$272,164 as adjusted for a non-cash depreciation addition of \$79,702, a non-cash addition of SFAS 123(R) stock based compensation of \$97,930, an decrease in accounts receivables of \$23,347 (taking away from cash), a decrease in accounts payable and accrued expenses of \$45,469 (taking away from cash) and an increase in deferred revenue of \$25,000 associated with the sale of a system upgrade in late December 2007 which was installed in January 2008. In comparison, during 2006, our operating activities utilized \$156,688 of cash. This arose primarily from our net loss of \$143,707 as adjusted for a non-cash depreciation addition of \$56,816, a non-cash addition of SFAS 123(R) stock based compensation of \$97,930, an increase in accounts receivables of \$82,638 (taking away from cash), and a decrease in accounts payable and accrued expenses of \$81,947 (taking away from cash)

During 2007 our investing activities used \$79,702 of cash, primarily to purchase equipment placed in service to generate revenue. During 2006, \$3,826 was used for the same purpose.

The above net uses of cash in 2007 were partially offset by our financing activities which totaled \$558,203. This cash was generated by the proceeds from loans from stockholders and Net Bank which netted \$601,631 along with \$6,572 from our bank line of credit, and reduced by the repayment of notes and long term debt of \$50,000. In 2006, the net uses of cash were partially offset by our financing activities which totaled \$123,080. This cash was generated by the proceeds from loans from stockholders which netted \$230,148 along with \$7,545 from our bank line of credit, and reduced by the repayment of notes and long term debt of \$114,613.

In September 2002, we applied for, and received, a line of credit from M & T Bank, renewable annually, in the amount of \$75,000. On December 31, 2007, the outstanding balance was \$73,467.

In February and March 2004, we borrowed an aggregate of \$264,000 from Valley Commercial Capital, LLC ("Valley"). These loans required aggregate monthly payments of principal and interest of \$8,273 through February 2007 and \$4,682 in March 2007. In late August 2006, the remaining balance of these loans, \$57,672, was paid. This payoff was funded by a loan from our largest stockholder and was converted to Cumulative Convertible Preferred Series B stock issued to our largest stockholder in late September 2006.

In December 2004, we borrowed \$105,000 from our former Chief Executive Officer, which was to be repaid over 24 months, beginning in January 2007. This amount was converted to Cumulative Convertible Preferred Series B stock issued to our largest stockholder in late September 2006.

In September 2005, the Company borrowed \$50,000 from a member of the Company's Board of Directors as part of a Bridge Loan Agreement that included the issuance of warrants to purchase 50,000 shares of Common Stock of the Company. The five-year warrants have an exercise price of \$0.33 per share. The Bridge Loan had an annual interest rate of 14%. The principal of \$50,000 was repaid in July 2007; \$5,000 of the accrued interest was paid in September 2007 and a final accrued interest payment of \$5,000 was made in March 2008.

In December 2005, our largest stockholder loaned the Company an additional \$36,000 under an amendment to the December 2004 promissory note. An additional \$22,500 was borrowed from our largest stockholder in March 2006. These amounts were converted to Cumulative Convertible Preferred Series B stock issued to our largest stockholder in late September 2006.

In September 2006, the Company entered into a settlement agreement with Dr. Carlton Phelps, our former vice president of finance and administration, chief financial officer, secretary and treasurer. Pursuant to the Settlement Agreement, the Company paid Dr. Phelps a total of \$153,375.26 consisting of attorneys' fees awarded by the arbitrator and confirmed by the court plus interest calculated at a rate of nine percent per annum from September 4, 2004 until September 1, 2006. The Company filed an 8-K detailing this event with the Securities and Exchange Commission on October 4, 2006. In September 2006, the Company's largest stockholder loaned the Company \$153,375.26, the proceeds of which were used to satisfy the \$153,375.26 settlement with Dr. Phelps. This amount was converted to Cumulative Convertible Preferred Series B stock issued to our largest stockholder in late September 2006.

In May 2007, our largest shareholder provided \$3,684 to the Company as an interest-free loan in order to retain RIS/PACS market consultants. There are no repayment terms to this loan.

In June 2007, the Company entered into a five-year Accounts Receivable loan agreement with PowerLease Solutions, LLC and NetBank to borrow \$650,000 at a 9.5% annual interest rate. Monthly payments are \$13,651 and the loan is co-signed by the Company's principal stockholder. As of December 31, 2007, there was \$597,947 outstanding under this agreement. Fixed fees paid to PowerLease were \$10,402.

We require cash to fund our working capital needs and capital expenditures, as well as to meet existing commitments. Such commitments include payments of existing loans including our line of credit, and \$3,000 per month pursuant to a five-year lease commitment ending in December 2012 for our operations center in Kingston, New York. At times, in order to help in maximizing our working capital, our directors, officers and employees have contributed to capital or deferred compensation due under their agreements. It is anticipated, but not assured, that, should the need arise; such contributions or deferrals might be available to us in the future. Additionally, we are considering outside sources of equity funds and other types of financing in order to help support our anticipated growth. There can be no assurance that such efforts will be successful.

Management believes that as a result of the proceeds from financing activities, as well as anticipated cash flow generated by sales of its RIS/PACS solution (in addition to the current cash flow resulting from our installed ASP base), the Company will be able to continue to meet its obligations as they become due through at least December 31, 2008. Management also believes, 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 and private placements. However, there can be no assurance that the Company will become profitable or that financing will be available. Accordingly, the accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amount and classification of liabilities that may result from the outcome of this uncertainty.

Item 7. Financial Statements

Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Image Technology Laboratories, Inc.

We have audited the accompanying balance sheet of Image Technology Laboratories, Inc. (the "Company") as of December 31, 2007, and the related statements of operations, stockholders' deficiency, and cash flows for the year then ended. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company as of December 31, 2006, were audited by other auditors whose report dated April 13, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2007 financial statements referred to above present fairly, in all material respects, the financial position of Image Technology Laboratories, Inc. as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Notes 1 and 2 to the financial statements, the Company's significant operating losses and stockholders' deficiency raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ UHY LLP

April 15, 2008
Albany, NY

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders Image Technology Laboratories, Inc.

We have audited the accompanying statements of operations, changes in stockholders' deficiency and cash flows for the year ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations and cash flows for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

The financial statements referred to above have been prepared assuming that the Company will continue as a going concern. As further discussed in Notes 1 and 2 to the financial statements, among other things, the Company's operations have generated recurring losses and negative cash flows from operating activities, and it had working capital and stockholders' deficiencies at December 31, 2006. Such matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are described in Note 1. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Berenson LLP

*New York, New York
April 13, 2007*

Image Technology Laboratories, Inc.

**Balance Sheet
December 31, 2007**

ASSETS

Current assets:

Cash and cash equivalents	\$ 295,495
Accounts receivable	171,492
Prepaid expenses and other current assets	<u>8,637</u>

Total current assets 475,624

Equipment and improvements, net	136,217
Rent – Deposit	<u>6,000</u>

Total Assets \$ 617,841

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

Current liabilities:

Loan, Bank line of credit	\$ 73,467
Current portion of long-term debt	111,794
Accounts payable and accrued expenses	171,933
Deferred revenue	25,000
Accrued compensation payable to stockholders	<u>47,596</u>

Total current liabilities 429,790

Long-Term Liabilities

Long-term debt, less current portion	486,153
Notes payable to stockholders	<u>3,684</u>

Total liabilities 919,627

Commitments and Contingencies

Stockholders' deficiency

Preferred stock, par value \$.01 per share; 5,000,000 shares authorized; 1,500,000 shares issued and outstanding, Series A	15,000
1,050 shares issued and outstanding, Cumulative Convertible Series B	10
Common stock, par value \$.01 per share; 50,000,000 shares authorized; 15,238,778 shares issued and outstanding	152,388
Additional paid-in capital	3,727,945
Accumulated deficit	<u>(4,197,129)</u>

Total stockholders' deficiency (301,786)

Total liabilities and stockholders' deficiency \$ 617,841

The accompanying notes are an integral part of the financial statements.

Image Technology Laboratories, Inc.

Statements of Operations
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenue:		
Systems/ software: license and sales	\$ 524,950	\$ 655,106
Service and other income	9,488	17,500
	<hr/>	<hr/>
Total Revenue	534,438	672,606
 Cost of Revenue	 19,323	 3,105
	<hr/>	<hr/>
Gross Profit	515,115	669,501
	<hr/>	<hr/>
Expenses:		
Research and development	373,670	381,314
Sales and marketing	15,149	17,485
General and administrative (includes interest expense of \$36,345 for 2007 and \$29,640 for 2006)	300,530	316,479
Stock Option Compensation	97,930	97,930
	<hr/>	<hr/>
Total cost and expenses	787,279	813,208
	<hr/>	<hr/>
Net Loss	<u><u>\$ (272,164)</u></u>	<u><u>\$ (143,707)</u></u>
 Net loss per common share:		
Basic and diluted	<u><u>\$ (0.02)</u></u>	<u><u>\$ (0.01)</u></u>
 Weighted average number of shares used in computation:		
Basic and diluted	<u><u>16,738,778</u></u>	<u><u>16,739,030</u></u>

The accompanying notes are an integral part of the financial statements.

Image Technology Laboratories, Inc.

**Statements of Changes in Stockholders' Deficiency
Years Ended December 31, 2007 and 2006**

	Preferred Stock Series A & B		Common Stock		Addi- tional Paid-in Capital	Accumu- lated Deficit	Total Stock- holders' Deficiency
	Number of <u>Shares</u>	<u>Amount</u>	Number of <u>Shares</u>	<u>Amount</u>			
Balance January 1, 2006	1,500,000	\$15,000	15,238,778	\$152,388	\$3,157,547	\$(3,781,258)	\$(456,323)
Amortization of stock option compensation					97,930		97,930
Issuance of common stock in private placement			2,309,583	23,095	207,863		230,958
Redemption & Cancellation of Common Stock			(2,309,583)	(23,095)	(207,863)		(230,958)
Preferred Stock Series B	1,000	10			374,538		374,548
Net loss						(143,707)	(143,707)
Balance, December 31, 2006	<u>1,501,000</u>	<u>\$15,010</u>	<u>15,238,778</u>	<u>\$152,388</u>	<u>\$3,630,015</u>	<u>\$(3,924,965)</u>	<u>\$(127,552)</u>
Balance January 1, 2007	1,501,000	\$15,010	15,238,778	\$152,388	\$3,630,015	\$(3,924,965)	\$(127,552)
Amortization of stock option compensation					97,930		97,930
Dividends on Preferred Series B	50	0				0	0
Net loss						(272,164)	(272,164)
Balance, December 31, 2007	<u>1,501,050</u>	<u>\$15,010</u>	<u>15,238,778</u>	<u>\$152,388</u>	<u>\$3,727,944</u>	<u>\$(4,197,129)</u>	<u>\$(301,786)</u>

The accompanying notes are an integral part of the financial statements.

Image Technology Laboratories, Inc.

Statements of Cash Flows
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating activities:		
Net loss	\$ (272,164)	\$ (143,707)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of equipment and improvements	61,751	56,816
Stock Based Compensation	97,930	97,930,
Changes in operating assets and liabilities:		
Accounts receivable	23,347	(82,638)
Prepaid expenses and other assets	(2,537)	(3,142)
Accounts payable and accrued expenses	(45,469)	(123,187)
Deferred revenue	25,000	
Accrued compensation payable to stockholders	(74,127)	41,240
Net cash used in operating activities	<u>(186,269)</u>	<u>(156,688)</u>
Investing activities - purchase of equipment and improvements	<u>(79,702)</u>	<u>(3,826)</u>
Financing activities:		
Proceeds from bank line of credit	6,571	7,545
Proceeds from Bank Loan	597,947	
Proceeds from private placement of common stock	0	230,958
Redemption of common stock	0	(230,958)
Proceeds from loans from stockholders	3,684	230,148
Repayments of loans from stockholders	(50,000)	
Repayments of notes payable and long term debt	0	(114,613)
Net cash provided by financing activities	<u>558,202</u>	<u>123,080</u>
Net increase (decrease) in cash and cash equivalents	292,231	(37,434)
Cash and cash equivalents, beginning of year	<u>3,264</u>	<u>40,698</u>
Cash, end of year	<u>\$ 295,495</u>	<u>\$ 3,264</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 36,345</u>	<u>\$ 33,877</u>
Supplemental disclosure of noncash investing and financing activities:		
Conversion of notes payable to Cumulative Convertible Preferred Series B stock	<u>\$ 0</u>	<u>\$ 374,548</u>

The accompanying notes are an integral part of the financial statements.

Image Technology Laboratories, Inc.
Notes to Financial Statements for the years ended
December 31, 2007 and 2006

Note 1 - Business:

Image Technology Laboratories, Inc. (the "Company") was incorporated on December 5, 1997 and commenced operations on January 1, 1998. The Company develops software for a single database "Radiology Information System/Picture Archiving and Communication System", known as RIS/PACS for use in the management of patient information and medical images by hospitals and diagnostic imaging centers. The "PACS" portion of the system inputs and stores diagnostic images in digital format from original imaging sources such as: Computerized Tomography (CT), Magnetic Resonance Imaging (MRI), Ultrasound, Nuclear Imaging, Digital Mammography, Digital Fluoroscopy and Radiography.

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's visit. All of the data is retained in standard formats, including the DICOM and HL-7 standards.

The Company obtained its first contract for the sale of its WarpSpeed system and maintenance services in August 2002. The Company is no longer in the development stage, but continues to refine and enhance the capabilities of its WarpSpeed system.

The Company has incurred recurring losses and negative cash flows from operating activities since its inception. The Company had cash of \$295,495, \$45,833 in working capital and a stockholders' deficiency of \$301,786 as of December 31, 2007. Management expects a reduction in the level of such losses as we increase the sales of our products. At times, in order to help in maximizing our working capital, our directors, officers and employees have contributed to capital or deferred compensation due under their agreements. It is anticipated, but not assured, that should the need arise, such contributions or deferrals might be available to us in the future.

Management believes that as a result of the proceeds from its recent financing activities, as well as anticipated cash flow generated by sales of or fees from its RIS/PACS solution, the Company should be able to continue to meet its obligations as they become due through at least December 31, 2008. Management also believes that if needed, the Company should be able to obtain additional capital resources from financing through financial institutions and other unrelated sources and/or through additional related party loans and private placements. However, there can be no assurance that the Company's operations will become profitable or that financing will be available. Accordingly, the accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amount and classification of liabilities that may result from the outcome of this uncertainty.

Note 2 - Summary of significant accounting policies:

Going concern uncertainty:

As discussed in Note 1, the Company has had continuing losses and negative cash flow from operating activities since inception. The accompanying financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and retire its liabilities in other than the normal course of business and at amounts different from those in the accompanying financial statements. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and/or obtaining additional financing. While management of the Company believes that both criteria will be achieved, there can be no assurance as to either outcome. Management's plans as to these matters are discussed further in Note 1.

Image Technology Laboratories, Inc.
Notes to Financial Statements for the years ended
December 31, 2007 and 2006

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash equivalents:

Cash equivalents include all highly liquid investments with an original maturity of three months or less when acquired. At December 31, 2007, the Company has no cash equivalents.

Revenue recognition:

Revenue from the sale of radiology and imaging services are recognized over the estimated period during which the applicable services are performed provided that the fees are fixed and determinable and collection is reasonably assured.

Contracts for the sale of the Company's imaging systems involve multiple elements including the delivery and installation of software and hardware products, training and system maintenance. However, the Company cannot allocate the revenue from such contracts to each element based on the relative fair value of each element. Accordingly, it recognizes the revenue from a systems contract ratably over the period during which it is required to provide maintenance or any other services provided that the fees are fixed and determinable and collection is reasonably assured.

Any unearned revenue is included in deferred revenue in the balance sheet.

Concentrations of credit risk:

The Company derived substantially all of its revenues in both 2007 and 2006 from a limited number of customers, and all of its accounts receivable are also from these same few customers. The Company closely monitors the extension of credit to its customers while maintaining allowances, if necessary, for potential credit losses. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs, and collections and current credit conditions. Management does not believe that significant credit risk exists with respect to accounts receivable at December 31, 2007.

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with high-quality financial institutions. At times, the Company's cash and cash equivalent balances exceed the insured amount under the Federal Deposit Insurance Corporation of \$100,000.

Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from the outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based upon its assessment of the current collection status of individual accounts. Delinquent amounts that are outstanding after management has conducted reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Based on management's review, there is no need for an allowance for doubtful accounts at either December 31, 2007 or 2006.

Image Technology Laboratories, Inc.
Notes to Financial Statements for the years ended
December 31, 2007 and 2006

Research and development costs:

Research and development costs are charged to expense as incurred.

Equipment and leasehold improvements:

Equipment and leasehold improvements are stated at cost. Depreciation of equipment is provided using accelerated methods over the estimated useful lives of the assets, which range from five to seven years. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the term of the lease.

Impairment of long-lived assets:

Impairment losses on long-lived assets, such as equipment and improvements, are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be recoverable. Impairment losses are then measured by comparing the fair value of assets to their carrying amounts. No impairments were recognized in 2007 or 2006.

Income taxes:

The Company accounts for income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed for temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The income tax provision or credit is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Net earnings (loss) per common share:

The Company presents "basic" earnings (loss) per common share and, if applicable, "diluted" earnings per common share pursuant to the provisions of Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"). Basic earnings (loss) per common share is calculated by dividing net income or loss applicable to common stock by the weighted average number of common shares outstanding during each period. The calculation of diluted earnings per common share is similar to that of basic earnings per common share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if all potentially dilutive common shares, such as those issuable upon the exercise of stock options and warrants, were issued during the period. The rights of the Company's preferred Series A and common stockholders are substantially equivalent. The Company has included the 1,500,000 preferred shares Series A outstanding in the weighted average number of common shares outstanding in the computation of basic loss per share for the years ended December 31, 2007 and 2006 in accordance with the "two class" method of computing earnings (loss) per share set forth in SFAS 128.

Since the Company had net losses in 2007 and 2006, the assumed effects of the exercise of outstanding options, warrants or the conversion of preferred stock into common shares at December 31, 2007 and 2006, respectively, were not considered in the computation of loss per share as they would have been anti-dilutive. However, these common stock equivalents could have potentially dilutive effects in the future.

Image Technology Laboratories, Inc.
Notes to Financial Statements for the years ended
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Accounting for share-based payment

In 2006, the Company adopted SFAS 123 (R) "Share-Based Payment" under the "modified prospective application". No stock-based compensation awards were granted in either 2007 or 2006. Stock-based compensation expense recognized in each of the years ended December 31, 2007 and 2006 was \$97,930. For 2007, such compensation is allocated \$88,137 to research and development, \$3,722 to sales and marketing, and \$6,071 to general and administrative expenses.

Image Technology Laboratories, Inc.
Notes to Financial Statements for the years ended
December 31, 2007 and 2006

Note 2 - Summary of significant accounting policies (continued):

Recent accounting pronouncements:

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154") which replaces APB Opinion No. 20 Accounting Changes and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements – An Amendment of APB Opinion No. 28". SFAS 154 requires retrospective application to prior period's financial statement of a voluntary change in accounting principal unless it is not practical. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005, and was adopted by the Company in the first quarter of fiscal 2006. The adoption of SFAS 154 by the Company did not have a material impact on the Company's results of operations, cash flows or financial position.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards Number 157 – Fair Value Measurements ("SFAS157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements.

Prior to SFAS 157, there were different definitions of fair value and limited guidance for applying those definitions in GAAP. Moreover, that guidance was dispersed among the many accounting pronouncements that require fair value measurements. SFAS 157 clarifies that the exchange price is the price in an orderly transaction between market participants to sell the asset or transfer the liability in the market in which the reporting entity would transact for the asset or liability, that is, the principal or most advantageous market for the asset or liability.

SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact, if any, that SFAS 157 will have on its financial position, results of operations and cash flows.

In June 2006, the Financial Accounting Standards Board ("FASB") issued Financial Accounting Standards Board Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109." FIN No. 48 provides a comprehensive model for the recognition, measurement and disclosure in the financial statements of uncertain tax positions taken or expected to be taken on a tax return. The Company adopted FIN No. 48 on January 1, 2007. Adoption of FIN No. 48 did not have a material impact on the Company's financial position, results of operations or cash flows.

In September 2006, the Securities and Exchange Commission issued SAB No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB No. 108 was issued to address diversity in practice in quantifying financial statement misstatements. Current practice allows for the evaluation of materiality on the basis of either (1) the error quantified as the amount by which the current year income statement was misstated ("rollover method") or (2) the cumulative error quantified as the cumulative amount by which the current year balance sheet was misstated ("iron curtain method"). The guidance provided in SAB 108 requires both methods to be used in evaluating materiality ("dual approach"). SAB No. 108 permits companies to initially apply its provisions either by (1) restating prior financial statements as if the dual approach had always been used or (2) recording the cumulative effect of initially applying the "dual approach" as adjustments to the carrying

Image Technology Laboratories, Inc.
Notes to Financial Statements for the years ended
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values of assets and liabilities as of January 1, 2006 with an offsetting adjustment recorded to the opening balance of retained earnings. There were no matters warranting the Company's consideration under the provisions of SAB No. 108 and, therefore, it did not have an impact on the Company's financial position, results of operations, earnings per share or cash flows.

Note 3 - Equipment and improvements:

Equipment and improvements consist of the following at December 31, 2007:

Equipment	\$ 384,376
Furniture	9,140
Leasehold improvements	<u>3,505</u>
Total	397,021
Less accumulated depreciation and amortization	<u>260,804</u>
Total	<u>\$ 136,217</u>

Depreciation and amortization expense amounted to \$61,751 and \$56,816 in 2007 and 2006, respectively.

Note 4 - Notes payable to stockholders:

During November and December 2004, Dr. David Ryon, the Company's principal stockholder, President, and Chief Executive Officer, until his death in December 2004, loaned the Company an aggregate of \$105,000. In December 2004, to memorialize this loan, he executed, as President and Chief Executive Officer, on behalf of the Company, a demand promissory note payable to himself and bearing interest at 10% per annum. He also executed a security agreement, for himself on behalf of the Company, granting to himself a security interest in all of the Company's assets not previously encumbered as security for full payment under the note. Prior to April 12, 2005, the Company negotiated with the Estate of Dr. David Ryon a 24-month payment schedule, beginning in January 2006. The Company's Board of Directors approved the revised terms of the promissory note on April 12, 2005. In December 2005, the Estate of Dr. Ryon loaned the Company an additional \$36,000 under an amendment to the December 2004 promissory note and the payment schedule was renegotiated to begin in January 2007. Additional amounts were loaned to the Company in March 2006 for \$22,500, in August 2006 for \$57,672 and in September 2006 for \$153,375.26. These amounts, along with other previous loans to the Company by the largest stockholder totaling \$374,548 were converted to 1000 shares of Cumulative Convertible Preferred Series B stock in late September 2006, and all accrued interest was forgiven.

In September 2005, the Company borrowed \$50,000 from a member of the Company's Board of Directors as part of a Bridge Loan Agreement that included the issuance of warrants to purchase 50,000 shares of Common Stock of the Company. The five-year warrants have an exercise price of \$0.33 per share. The Bridge Loan had an annual interest rate of 14%. The principal of \$50,000 was repaid in July 2007; \$5,000 of the accrued interest was paid in September 2007 and a final accrued interest payment of \$5,000 was made in March 2008.

In May 2007, our largest shareholder provided \$3,684 to the Company as an interest-free loan in order to retain RIS/PACS market consultants. There are no repayment terms to this loan and the Company has classified the obligation as long-term.

Image Technology Laboratories, Inc.
Notes to Financial Statements for the years ended
December 31, 2007 and 2006

Note 5 – Long-term debt:

In February 2004, the Company borrowed \$125,000 from Valley Commercial Capital, LLC ("Valley"). This loan was evidenced by a promissory note, which provided for interest at 8% per annum and called for monthly payments of principal and interest of \$3,917 through February 2, 2007. In March 2004, the Company borrowed an additional \$138,997 from Valley, also evidenced by a promissory note, which provided for interest at 8% per annum and called for monthly payments of principal and interest of \$4,356 through March 29, 2007. The remaining balance of these loans, \$57,672, was paid in August 2006 as described in Note 4.

In June 2007, the Company entered into a five-year Accounts Receivable loan agreement with PowerLease Solutions, LLC and NetBank to borrow \$650,000 at a 9.5% annual interest rate. Monthly payments are \$13,651 and the loan is co-signed by the Company's principal stockholder. As of December 31, 2007, there was \$597,947 outstanding under this agreement. Fixed fees paid to PowerLease were \$10,402.

Note 6 - Accrued compensation payable to stockholders:

As of December 31, 2007, accrued compensation payable to stockholders was \$47,596, all of which is reflected as a current liability.

Note 7 - Stockholders' deficiency:

Preferred stock:

As of December 31, 2007, the Company was authorized to issue up to 5,000,000 shares of preferred stock with a par value of \$.01 per share. Under the Company's Articles of Incorporation, the Board of Directors, within certain limitations and restrictions, can fix or alter preferred stock dividend rights, dividend rates, conversion rights, voting rights and terms of redemption including price and liquidation preferences.

The Company converted a total of \$374,548 of debt owed to our largest shareholder to 1,000 shares of Image Technology Laboratories Convertible Preferred Stock Series B issued to same shareholder in late September 2006. Convertible Preferred Stock Series B can be converted to common stock of Image Technology Laboratories at a ratio of one share of Convertible Preferred Stock Series B to 2,700 shares of common stock. Either the shareholder or the Company may elect to force conversion after two years in units of 100 shares of Convertible Preferred Stock Series B. The Company may also elect to repurchase the Convertible Preferred Stock Series B in units of 100 shares of Convertible Preferred Stock Series B at any time for \$432 per share of Convertible Preferred Stock Series B. Dividends accumulate at 12.5 additional shares of Convertible Preferred Stock Series B per quarter. The underlying common stock, should the Company or shareholder elect to convert, is unregistered. The voting rights are set at one vote per share of Convertible Preferred Stock Series B.

The issuance described above was made in reliance upon the exemptions from registration set forth in Section 4(2) of the Securities Act relating to sales by an issuer not involving any public offering. None of the foregoing transactions involved a distribution or public offering. No underwriters were engaged in connection with the foregoing issuances of securities, and no underwriting commissions or discounts were paid.

At December 31, 2007, 1,050 shares of Preferred Stock Series B are outstanding. Such shares may be converted at the option of the holder or the Company to 2,835,000 shares of Common stock. Prior to conversion, such shares may be redeemed by the Company at \$432 per share or

Image Technology Laboratories, Inc.
Notes to Financial Statements for the years ended
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\$453,600 at any time until forced conversion by either party into Common stock.

Note 8 – Income taxes:

As of December 31, 2007, the Company had net operating loss carryforward of approximately \$2,800,000 available to reduce future Federal and state taxable income that will expire at various dates through 2024. The Company's only other material temporary difference as of that date was approximately \$48,000 attributable to accrued compensation payable to shareholders. Due to the uncertainties related to, among other things, the possible future changes in the ownership of the Company, which could subject those loss carryforwards to substantial annual limitations, and the extent and timing of its future taxable income, the Company offset the potential benefits of its deferred tax assets of approximately \$1,120,000 (of which \$1,071,000 was attributable to the net operating loss carryforwards and \$49,000 was attributable to the future deductibility of the accrued compensation) by an equivalent valuation allowance as of December 31, 2007.

Note 9 - Fair value of financial instruments:

The Company's financial instruments at December 31, 2007 for which disclosure of estimated fair value is required by certain accounting standards consisted of cash, accounts receivable, accounts payable and accrued expenses, notes payable, notes payable to stockholders and accrued compensation payable to stockholders. In the opinion of management, cash, accounts receivable, accounts payable and accrued expenses, and notes payable were carried at fair value because of their liquidity and short-term maturities. Because of the relationship of the Company and its stockholders, there is no practical method that can be used to determine the fair value of the notes payable to stockholders and accrued compensation payable to stockholders.

Note 10 - Stock option plan:

In January 1998, the Company's stockholders ratified Image Technology Laboratories' Stock Option Plan (the "Plan") whereby options for the purchase of up to 5,000,000 shares of Image Technology Laboratories' common stock may be granted to key personnel in the form of incentive stock options and non-statutory stock options, as defined under the Internal Revenue Code. Key personnel eligible for these awards include our employees, consultants and non-employee directors. Under the Plan, the exercise price of all options must be at least 100% of the fair market value of our common shares on the date of grant. The exercise price of an incentive stock option granted to an optionee who holds more than ten percent of the combined voting power of all classes of stock of Image Technology Laboratories must be at least 110% of the fair market value on the date of grant. The maximum term of any stock option granted may not exceed ten years from the date of grant and generally vest over three years.

On January 24, 2005, the Company granted options under the plan to several key employees, for the purchase of 550,000 shares of its common stock at \$.20 per share, its fair market value on the date of grant, which are exercisable through January 24, 2015.

On April 1, 2005, the Company granted options under the plan to Mr. Muradian, its Chief Executive Officer, for the purchase of 700,000 shares of its common stock at \$.20 per share, its fair market value on the date of grant, which are exercisable through April 1, 2015. Mr. Muradian resigned from the Company on January 20, 2006. Mr. Muradian's options were cancelled on April 20, 2006.

On April 14, 2005, the Company granted options under the plan to Mr. Edwards, its Chairman and Chief Technology Officer, for the purchase of 800,000 shares of its common stock at \$.22 per

Image Technology Laboratories, Inc.
Notes to Financial Statements for the years ended
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share, 110% of its the fair market value on the date of grant, which are exercisable through April 14, 2015.

On May 18, 2005, the Company granted options under the plan to several key employees, for the purchase of 750,000 shares of its common stock at \$0.26 per share, its fair market value on the date of grant, which are exercisable through May 18, 2015.

AGGREGATED OPTION EXERCISES AND FISCAL YEAR-END OPTION VALUES

The Estate of Dr. Ryon exercised 600,000 options in June 2005 and his remaining 400,000 options were cancelled at that time. No other options were exercised by any of the Executive Officers during the fiscal year ended December 31, 2007 or December 31, 2006. Mr. Muradian resigned from the Company on January 20, 2006 and his 800,000 options were cancelled on April 20, 2006. The value of unexercised options held by any such persons as of December 31, 2007 was as follows:

Total number of shares underlying unexercised options	3,100,000
Exercisable options	2,450,000
Un-exercisable Options	650,000
Value of in-the-money options	\$ -

Image Technology Laboratories, Inc.
Notes to Financial Statements for the years ended
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The following table summarizes information about stock options outstanding at December 31, 2007

Exercise Price Range	Options Outstanding			Options Exercisable	
	Number Outstanding at Dec 31, 2007	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Outstanding at Dec 31, 2007	Weighted Average Exercise Price
\$ 0.33	1,000,000	2.0	\$ 0.33	1,000,000	\$ 0.33
\$ 0.20	550,000	7.1	\$ 0.20	550,000	\$ 0.20
\$ 0.22	800,000	7.3	\$ 0.22	400,000	\$ 0.22
\$ 0.26	750,000	7.4	\$ 0.26	500,000	\$ 0.26
	<u>3,100,000</u>	<u>5.6</u>	<u>\$ 0.26</u>	<u>2,450,000</u>	<u>\$ 0.27</u>

A summary of stock option activity under the plan as of December 31, 2007 and 2006, and changes during the year then ended is as follows:

2007	Shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate Intrinsic Value
Options outstanding at December 31, 2006	3,100,000	\$ 0.26		
Options granted	0	\$ 0		
Options exercised	0	\$ 0		
Options forfeited or expired	0	\$ 0		
Outstanding at December 31, 2007	<u>3,100,000</u>	<u>\$ 0.26</u>	<u>5.6</u>	<u>\$ 0</u>
Exercisable at December 31, 2007	<u>2,450,000</u>	<u>\$ 0.27</u>	<u>5.1</u>	<u>\$ 0</u>

2006	Shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate Intrinsic Value
Options outstanding at December 31, 2005	3,900,000	\$ 0.26		
Options granted	0	\$ 0		
Options exercised	0	\$ 0		
Options forfeited or expired	800,000	\$ 0.27		
Outstanding at December 31, 2006	<u>3,100,000</u>	<u>\$ 0.26</u>	<u>6.6</u>	<u>\$ 0</u>
Exercisable at December 31, 2006	<u>2,000,000</u>	<u>\$ 0.27</u>	<u>5.6</u>	<u>\$ 0</u>

Image Technology Laboratories, Inc.
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As of December 31, 2007, there was \$70,053 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the stock option plan.

Note 11 – Warrants

As of December 31, 2007, the Company had 230,000 warrants outstanding at an exercise price of \$0.33 per share. The warrants expire in 2010.

Note 12 - Working capital loan agreement:

During September 2002, the Company entered into a one-year working capital loan agreement with a financial institution for borrowings of up to \$75,000. The agreement automatically renews annually unless one of the parties gives appropriate notice for cancellation. Outstanding borrowings bear interest payable monthly at 1% above the prime rate, and are guaranteed by the Estate of the Company's former principal stockholder. At December 31, 2007, there was \$73,467 outstanding under this agreement.

Note 13 - Legal Proceedings

The Company was party to an arbitration proceeding commenced by Dr. Carlton Phelps before the American Arbitration Association in New York City. Dr. Phelps, a former officer and director of the Company claimed that he had been constructively discharged in violation of his employment agreement by virtue of a significant diminution of his duties and responsibilities at the Company. He also claimed that he had been defamed in the Company's public filings when it was asserted that he had been discharged for cause. The Company denied the allegations and affirmatively sought the return by Dr. Phelps of some or all of his stock on the basis of his breach of fiduciary responsibilities. By Opinion and Award dated February 25, 2004, the Arbitrator determined that Dr. Phelps had not been constructively discharged, but had voluntarily resigned. As a consequence, all of Dr. Phelps' claims for monetary awards were dismissed but, as to the defamation claim, the Company was directed to amend prior filings to reflect that he was not terminated for cause. The Company's claim for return of Dr. Phelps's stock was denied. On September 15th, 2004, the Arbitrator awarded attorneys' fees and arbitration expenses totaling \$120,810 and \$9,250, respectively to Dr. Phelps. A total of \$130,060 was added to the expenses in the Company's 2004 and 2005 Statement of Operations and the liabilities have been increased by the same amount in the Company's Balance Sheets of December 31, 2004 and December 31, 2005.

With respect to the Company's arbitration with Dr. Carlton Phelps (which was discussed in detail in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004), Dr. Phelps commenced a proceeding in New York State Supreme Court, Albany County, to confirm the arbitrator's award. The Company had opposed confirmation and, in the alternative, sought a modification of the award. By decision and judgment dated June 4, 2006, Justice Teresi of the Supreme Court, Albany County confirmed the award of the arbitrator issued on September 4, 2004, and denied the Company's motion to vacate or modify that award with respect to the award of attorneys' fees and expenses to Dr. Phelps. A detailed discussion of the arbitration award was included in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005.

In September 2006, the Company entered into a Settlement Agreement with Dr. Phelps whereby the Company paid Dr. Phelps a total of \$153,375.26, consisting of attorneys' fees awarded by the

Image Technology Laboratories, Inc.
Notes to Financial Statements for the years ended
December 31, 2007 and 2006

arbitrator and confirmed by the court plus interest calculated at a rate of nine percent per annum from September 4, 2004 until September 1, 2006. Additionally, as part of the Settlement Agreement, Dr. Phelps resold 2,309,583 shares of common stock of Image Technology Laboratories to the Company at \$0.10 per share. An 8-K was filed with the Securities and Exchange Commission on October 4, 2006 detailing this event.

On January 17, 2006, Barry C. Muradian informed the Company of his resignation as President, Chief Executive Officer and Principal Accounting Officer, effective January 20 2006. An 8-K was filed with the Securities and Exchange Commission on January 20 2006. In May 2006, the Company and Mr. Muradian signed a "Confidential Separation Agreement, Waiver and General Release". As part of this agreement, Mr. Muradian was paid a total of approximately \$22,500, which represents all guaranteed payments due and owing to Mr. Muradian for salary and expenses.

Note 14 – Commitments

The Company is obligated for office space under an operating lease agreement expiring in September 2012. Future minimum annual lease payments will approximate \$36,000 per year through December 2012.

Annual rent expense for the years ended December 31, 2007 and 2006 was approximately \$15,460 and \$10,700, respectively.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

On March 3, 2006, the Company's Board of Directors elected to engage Berenson LLP to act as the Company's new independent registered accounting firm and auditors.

On May 15, 2007, the Company's independent registered accounting firm, Berenson, LLP, terminated their services to the Company as a result of a combination with the Company's prior independent registered accounting firm, J.H. Cohn, LLP, whose engagement was discontinued by an election of the Company's Board of Directors in 2005.

On February 1, 2008, the Company's Board of Directors elected to engage UHY LLP to act as the Company's new independent registered accounting firm and auditors.

Item 8a. Controls and Procedures.

A) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer who also serves as our Principal Accounting Officer, of the design and effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report.

On April 18, 2008, we filed our Annual Report on Form 10-KSB for the year ended December 31, 2007 (the "Original Filing"). However, our Management's Report on Internal Control Over Financial Reporting, which we were required to provide pursuant to Item 308T(a) of Regulation S-B, was inadvertently omitted from the Original Filing even though our management had completed the required assessment of internal control over financial reporting.

As a result, we conducted a reevaluation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon this reevaluation, we have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were not effective to ensure that the information required to be disclosed by the Company in reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and also designed to ensure that information required to be disclosed in the reports filed or submitted by the Company under the Exchange Act is accumulated and communicated to management, as appropriate to allow timely decisions regarding required disclosure.

The conclusion that our disclosure controls and procedures were not effective as of the end of the period covered by this report is based solely upon Management's Report on Internal Control Over Financial Reporting having been having inadvertently omitted from the Original Filing.

Management's Report on Internal Control Over Financial Reporting is set forth below as paragraph C to Item 8A of this amended Form 10-KSB filing.

We will continue to monitor and evaluate our disclosure controls and procedures on an ongoing basis to ensure that the reports we file under the Exchange Act include all of the information required to be disclosed. We are committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and can therefore only provide reasonable, not

absolute, assurance that the design will succeed in achieving its stated goals.

B) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no significant changes in our internal control over financial reporting during the fourth quarter of the year ended December 31, 2007 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

C) MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f).

Our management, including our Chief Executive Officer who also serves as our Principal Accounting Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2007 based on the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the criteria set forth in Internal Control - Integrated Framework, management believes that, as of December 31, 2007, our internal control over financial reporting was effective.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles.

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Item 8B, Other Information

None.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons, Compliance with Section 16(a) of the Exchange Act

Section 16(a) Reporting

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's Common Stock, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of the Common Stock of the Company. Officers, directors and greater-than-ten-percent stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. To the Company's knowledge, based solely on review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended December 31, 2007, all Section 16(a) filing requirements applicable to its officers and directors have been complied with.

Code of Ethics

We have adopted a code of ethics that applies to our executive officers, a copy of which has been filed with this report on Form 10-KSB as Exhibit 14. Persons who would like a copy of such code of ethics may receive one without charge upon request made to Investor Relations, Image Technology Laboratories, Inc., 602 Enterprise Drive, Kingston, New York 12401.

Image Technology Laboratories has not paid any compensation to its directors or executive officers from its inception through December 31, 1999. Upon their appointment to the Board in April 2002, the Company agreed to issue 10,000 shares of the Company's common stock to each of Messrs. Norell, Carpenter and Naccarato in consideration for their serving as directors.

All directors of Image Technology Laboratories hold office until the next annual meeting of shareholders or until their successors are elected and qualified. At present, Image Technology Laboratories' Bylaws provide for not less than one director nor more than fifteen. Currently, there are six directors of Image Technology Laboratories. The Bylaws permit the Board of Directors to fill any vacancy and such director may serve until the next annual meeting of shareholders or until his successor is elected and qualified. Officers serve at the discretion of the Board of Directors. There are no family relationships among any officers or directors of Image Technology Laboratories, Inc.

LEWIS M. EDWARDS, 53, is a founder and principal stockholder of Image Technology Laboratories, Inc. and a co-developer of WarpSpeed. He was appointed to the Board of Directors and elected by the Board to serve as the Company's Vice President of Research and Development and Chief Technology Officer in December 1997. Mr. Edwards was promoted to Executive Vice-President of Research and Development and Chairman of the Board of Directors in December 2004. Mr. Edwards has served as a Senior Technical Staff Member at IBM since 1993, having joined IBM as a junior engineer in 1976. He was an architect and lead software designer for IBM's RS/6000 SP, a massive parallel processor. From 1982 to 1993 he served as the head of engineering for Graphic Systems Labs, a CAD/CAM Independent Business Unit start-up company within IBM. He is a member of the IEEE and ACM professional societies. He has provided computer and network consulting services to Boeing, General Motors, Chrysler, Ford and the Federal government's FAA and ATC teams. He holds a Bachelor of Science in Electrical Engineering magna cum laude from Princeton University and an Master of Science in Computer Engineering from Syracuse University.

RICHARD V. NORELL, 62, was appointed to our Board of Directors in April 2002. Since 1995 he has served as a consultant in securities law compliance matters, after being employed 26 years with the U.S. Securities and Exchange Commission, Washington, D.C. in the Division of Enforcement, from 1972 to 1995. Mr. Norell acted as the Division's Chief of Market Surveillance overseeing the Division's investigators and financial analysts. In addition to implementing programs for detecting securities fraud and improper conduct, Mr. Norell advised the Director of the Division concerning policy issues and emerging problems in the securities industry. Mr. Norell graduated American University, Washington, D.C. with an MBA in Investment Analysis, University of Rochester, Rochester, N.Y. Bachelor of Arts, in Economics. Mr. Norell currently resides in Great Falls, VA.

ROBERT G. CARPENTER, 70, was appointed to our Board of Directors in April 2002. Mr. Carpenter brings extensive business experience from a career spanning over 30 years in a succession of executive management positions overseeing technology, engineering, marketing and business development at Bell Research Labs in NJ, IBM Yorktown Heights Research Center, and IBM Development Labs in Kingston and Poughkeepsie, NY. Retired from IBM in 1991, Mr. Carpenter currently serves as Chief Engineering Liaison on a \$6.7 million water facilities project in the County of Ulster, NY. Mr. Carpenter resides in Saugerties, NY.

JOHN J. NACCARATO, 75, was appointed to our Board of Directors in April 2002. He served for 26 years as District Representative to the late United States Congressman Hamilton Fish, Jr., with oversight responsibility for three District offices, under the direct supervision of Congressman Fish. From 1988 to the present, Mr. Naccarato has held the office of Ulster County Legislator, serving on Mental Health and Ways and Means committees, and chairing the Criminal Justice / Public Safety Committee. A former President of the Central Businessmen's Association, Mr. Naccarato serves on the Ulster County Community Action Board, United Way Board, City of Kingston Board of Assessment, and the board of the Catskill Regional OTB Corporation. Mr. Naccarato currently resides in Kingston, NY.

VALERIE E. MCDOWELL, 62, was appointed to the Board of Directors on October 2007 and is a principal stockholder of Image Technology Laboratories, Inc. (ITL). Most recently Valerie has advised and assisted ITL with additional financing along with providing guidance in the area of financial matters. Ms. McDowell brings over 33 years of experience in all facets of the financial markets to ITL. McDowell was instrumental in structuring the Initial Public Offering for ITL through her expertise and extensive financial contacts. Valerie has been a head/senior trader on several trading desks, and was a Managing Director and partner with the Broker/Dealer, William Allen & Co. Ms. McDowell is an expert witness for Technical Advisory Service for Attorneys (TASA) in the area of short selling on Wall Street. Currently, Valerie resides in Mantoloking, NJ.

RICHARD A. GOLDMAN, 63, was appointed to the Board of Directors in October of 2007. Mr. Goldman had a long and successful career in financial services. His last assignment was a Chief Operating Officer of ProFund Advisors LLC, a mid-sized mutual fund company. Prior to that Goldman had been President of Home Life Insurance Company up to its merger with Phoenix Mutual, Managing Director at Deutsche Asset Management running the Financial Institutions Group as well as heading Relationship Management for the US, and a senior consultant at Towers-Perrin's Tillinghast Division. Goldman started at Northwestern Mutual where he served as the General Agent for the Delaware Valley area headquartered in Philadelphia and as a company officer in Milwaukee working on key projects for the CEO and President. Mr. Goldman is a member of the National Association of Corporate Directors through which he completed the Director Professionalism Course, receiving the Certificate of Director Education.

Currently, Dick is retired in Mantoloking, NJ where he is owner and operates a boat dealership. Mr. Goldman graduated from The American College in Bryn Mawr, PA. with a Masters of Science in Financial Services, University of North Carolina, Chapel Hill, NC with a Bachelor of Art in History.

NON-DIRECTOR EXECUTIVE OFFICERS

BARRY MURADIAN, 51, was President, Chief Executive Officer and Principal Accounting Officer of Image Technology Laboratories, Inc. since December 2004 until his resignation in January 2006. Mr. Muradian was formerly Vice President and Chief Operating Officer of Image Technology Laboratories since May 2004.

Item 10. Executive Compensation

The following table sets forth information for each of the Company's fiscal years ended December 31, 2007 and 2006 concerning compensation of (i) all individuals serving as the Company's Chief Executive Officer during the fiscal year ended December 31, 2007 and (ii) each other executive officer of the Company whose total annual salary and bonus equaled or exceeded \$100,000 in the fiscal year ended December 31, 2007:

Annual Compensation

NAME AND PRINCIPAL POSITION	YEAR	OTHER SALARY (\$)	BONUS (\$)	(\$ ANNUAL	ALL OTHER COMPENSATION (\$)
Lewis M. Edwards	2007	\$150,000	\$ 0		(1)
Chairman, Executive Vice- President, Chief Technical Officer	2006	\$150,000	\$ 0		
Barry C. Muradian (2)	2007	0	\$ 0		(1)
President and Chief Executive Officer	2006	\$150,000	\$ 0		

- (1) See "Option Grants in Last Fiscal Year" below
- (2) Mr. Muradian joined the Company in May 2004 as Chief Operating Officer and was appointed President and Chief Executive Officer in December 2004 and Principal Accounting Officer in January 2005. Mr. Muradian resigned from the Company in January 2006. In May 2006, the Company and Mr. Muradian signed a "Confidential Separation Agreement, Waiver and General Release". As part of this agreement, Mr. Muradian was paid a total of approximately \$22,500, which represents all guaranteed payments due and owing to Mr. Muradian for salary and expenses.

Employment Agreements

Barry C. Muradian, pursuant to an employment agreement dated May 5, 2004, was engaged as President, Chief Executive Officer and Principal Accounting Officer of Image Technology Laboratories through December 31, 2005. Mr Muradian resigned from the Company in January 2006.

Lewis M. Edwards is engaged as Executive Vice President, Chief Technical Officer, Principal Accounting Officer and Chairman. Mr. Edwards did not renew his prior employment agreement in 2007 and to date, has not renewed his employment agreement for 2008. He has been provided with the following:

-a minimum annual base salary of \$150,000 payable in regular equal installments in accordance with our general payroll practices.

-an annual performance bonus at the end of each calendar year as determined in good faith by the Board based upon its annually established goals. Since the beginning of his employment by the Company, Mr. Edwards has not received any annual performance bonus.

- participation in all retirement plans, health and other group insurance programs, stock option plans and other fringe benefit plans which we may now or hereafter in the Board of Directors' discretion make available generally to its executives or employees. Since the beginning of his employment by the Company, Mr. Edwards has not participated in any retirement plan, health or other group insurance program.

- term life insurance in the amount of \$300,000, short-term and long-term disability insurance in the amount of not less than 60% of base salary, unless such insurance is not available at commercially reasonable rates. Since the beginning of his employment by the Company, Mr. Edwards has not been provided with term life or disability insurance.

Option Grants in Last Fiscal Year

There were no options granted to any Executive Officers during 2007.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of April 2, 2008, the number of shares of the Company's common stock (the "Common Stock") beneficially owned by all persons known to be holders of more than five percent (5%) of the Common Stock and by all executive officers and directors of the Company individually and as a group.

NAME AND ADDRESS OF BENEFICIAL OWNER	TITLE OF CLASS	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP AS OF APRIL 2, 2008 ⁽¹⁾	PERCENT OF OUTSTANDING SHARES IN CLASS ⁽²⁾
EXECUTIVE OFFICERS AND DIRECTORS			
Lewis M. Edwards 602 Enterprise Drive, TechCity Kingston, New York 12401	Common Stock	4,379,583	28.74%
	Preferred Stock A	500,000	33.33%
Richard V. Norell 602 Enterprise Drive, TechCity Kingston, New York 12401	Common Stock	340,500	2.23%
Robert G. Carpenter 602 Enterprise Drive, TechCity Kingston, New York 12401	Common Stock	395,000	2.59%
John J. Naccarato 602 Enterprise Drive, TechCity Kingston, New York 12401	Common Stock	70,000	*
Valerie McDowell 602 Enterprise Drive, TechCity Kingston, New York 12401	Common Stock	4,136,667	27.15%
	Preferred Stock A	500,000	33.33%
	Preferred Stock B	1,050	100.00%
Richard Goldman 602 Enterprise Drive, TechCity Kingston, New York 12401	Common Stock	25,000	*
ALL OFFICERS AND DIRECTORS AS A GROUP			
	Common Stock	9,321,750	61.17%
	Preferred Stock A	1,000,000	66.66%
	Preferred Stock B	1,050	100.00%
GREATER THAN 5% SHAREHOLDERS			
Allen M. McDowell 7 Tall Timber Drive Morristown, NJ 07960	Common Stock	1,133,833	7.44%

(1) Includes for Mr. Edwards, options to purchase 1,600,000 shares of common stock exercisable within 60 days, and warrants for Mr. Carpenter to purchase 135,000 shares of common stock.

- (2) Based upon 15,238,778 shares of common stock, 1,500,000 shares of preferred stock Series A and 1,050 shares of preferred stock Series B outstanding.

The Company is not aware of any arrangements, including any pledge by any person of securities of the Company, the operation of which may, at a subsequent date, result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

On January 17 2006, Barry C. Muradian informed the Company of his resignation as President, Chief Executive Officer and Principal Accounting Officer, effective January 20 2006. An 8-K was filed with the Securities and Exchange Commission on January 20 2006. In May 2006, the Company and Mr. Muradian signed a “Confidential Separation Agreement, Waiver and General Release”. As part of this agreement, Mr. Muradian was paid a total of approximately \$22,500, which represents all guaranteed payments due and owing to Mr. Muradian for salary and expenses.

In September 2006, the Company entered into a settlement agreement with Dr. Carlton Phelps, our former vice president of finance and administration, chief financial officer, secretary and treasurer. Pursuant to the Settlement Agreement, the Company paid Dr. Phelps a total of \$153,375.26 consisting of attorneys’ fees awarded by the arbitrator and confirmed by the court plus interest calculated at a rate of nine percent per annum from September 4, 2004 until September 1, 2006. The Company filed an 8-K detailing this event with the Securities and Exchange Commission on October 4, 2006.

In September of 2006, the Company sold 2,309,583 shares of common stock at a price of \$0.10 to a group of seven accredited investors in a private placement under Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D thereunder. These unregistered shares of common stock were issued with registration rights. The proceeds of this sale of common stock were used to repurchase 2,309,583 shares of common stock at a price of \$0.10 from Dr. Carlton Phelps, our former vice president of finance, chief financial officer, secretary and treasurer. The 2,309,583 shares of stock repurchased from Dr. Phelps by the Company were cancelled upon their tender. An 8-K was filed with the Securities and Exchange Commission on October 4, 2006. The net effect of the repurchase and subsequent cancellation of 2,309,583 shares of common stock as described above in combination with the sale of 2,309,583 shares of common stock as described above resulted in no change to the number of shares of common stock outstanding due to this transaction.

In May 2007, our largest shareholder provided \$3,684 to the Company as an interest-free loan in order to retain RIS/PACS market consultants. There are no repayment terms to this loan.

Item 13. Exhibits

Refer to the list of Exhibits, which are being filed as a part of this report.

a. Exhibits

EXHIBIT NO.	DESCRIPTION
3.1*	Certificate of Incorporation of Image Technology Laboratories, Inc.
3.2*	Certificate of Amendment to Certificate of Incorporation of Image Technology Laboratories, Inc. dated December 23, 1999
3.3*	By-Laws of Image Technology Laboratories, Inc.
4.1*	Specimen certificate for common stock of Image Technology Laboratories, Inc.
4.2*	Specimen certificate for preferred stock of Image Technology Laboratories, Inc.
4.3*	Form of Private Placement Warrant
4.4*	Form of Investor Warrant
4.5*	Form of Oakes Warrant
4.6*	Form of Subscription Agreement
10.1*	Image Technology Laboratories, Inc. 1998 Stock Option Plan
10.2*	Stockholders Agreement dated January 16, 1998 among certain investors and Image Technology Laboratories, Inc.
10.3*	Form of Registration Rights Agreement dated February 2000 among certain stockholders of Image Technology Laboratories, Inc. and Image Technology Laboratories, Inc.
10.4*	Assignment of Intellectual Property Agreement dated as of December 18, 1997 between Image Technology Laboratories, Inc. and David Ryon, M. D., Carlton T. Phelps, M. D. and Lewis M. Edwards.
10.5*	Form of Facility Usage and Equipment Lease Agreement by and between Mid Rockland Imaging and Image Technology Laboratories, Inc. dated January 12, 1998
10.6*	Form of Employment Agreement dated December 21, 1999 between Image Technology Laboratories, Inc. and David Ryon, M. D.
10.7*	Form of Employment Agreement dated December 21, 1999 between Image Technology Laboratories, Inc. and Carlton T. Phelps, M. D.
10.8*	Form of Employment Agreement dated December 21, 1999 between Image Technology Laboratories, Inc. and Lewis M. Edwards
10.9	Form of Employment Agreement dated May 5, 2004 between Image Technology Laboratories, Inc. and Barry C. Muradian
14	Code of Ethics
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002

* Filed with amendment no. 1 to registration statement (No.333-336787) on June 6, 2000.

** Filed with amendment no. 2 to registration statement (No. 333-336787) on July 27, 2000.

Item 14. Principal accountants' fees and services

Audit Fees

For the fiscal year ended 2007, our Independent Registered Public Accounting Firm, UHY LLP, charged aggregate fees of \$40,000 for the audit of our annual financial statements and 10-KSB.

For the fiscal year ended 2006, our former Independent Registered Public Accounting Firm, Berenson LLP, charged aggregate fees of \$46,525 for the audit of our annual financial statements and 10-KSB.

Audit Related Fees

For the fiscal year ended 2007, our Independent Registered Public Accounting Firm, UHY LLP charged aggregate fees of \$0 for work related to the audit of our annual financial.

For the fiscal year ended 2006, our former Independent Registered Public Accounting Firm, Berenson LLP, charged aggregate fees of \$0 for work related to the audit of our annual financial.

Tax Fees:

For the fiscal year ended 2005, our Independent Registered Public Accounting Firm, UHY LLP, charged aggregate fees of \$0 for tax services.

For the fiscal year ended 2006, our former Independent Registered Public Accounting Firm, Berenson LLP, charged aggregate fees of \$0 for tax services.

All Other Fees:

For the fiscal year ended 2005, our Independent Registered Public Accounting Firm, UHY LLP, charged \$0 for other fees.

For the fiscal year ended 2006, our former Independent Registered Public Accounting Firm, Berenson LLP, charged \$0 for other fees.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Image Technology Laboratories, Inc.

By: /s/ Lewis M. Edwards
Lewis M. Edwards,
Chief Technology Officer and
Principal Accounting Officer

Date: April 15, 2008

Pursuant to the requirements of the securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Lewis M. Edwards</u> <i>Lewis M. Edwards</i>	<i>Chairman, Board of Directors</i>	<i>April 15, 2008</i>
<u>/s/ Robert Carpenter</u> <i>Robert Carpenter</i>	<i>Director</i>	<i>April 15, 2008</i>
<u>/s/ John Naccarato</u> <i>John Naccarato</i>	<i>Director</i>	<i>April 15, 2008</i>
<u>/s/ Richard Norrell</u> <i>Richard Norrell</i>	<i>Director</i>	<i>April 15, 2008</i>
<u>/s/ Valerie McDowell</u> <i>Valerie McDowell</i>	<i>Director</i>	<i>April 15, 2008</i>
<u>/s/ Richard Goldman</u> <i>Richard Goldman</i>	<i>Director</i>	<i>April 15, 2008</i>

EXHIBIT 14

IMAGE TECHNOLOGY LABORATORIES, INC. CODE OF ETHICAL CONDUCT

2 PREFACE

The honest, integrity, and sound judgment of principal executive and financial officers is fundamental to the reputation and success of Image Technology Laboratories, Inc. (the "Company"). While All Employees, officers, and directors are required to adhere to the highest level of personal and business ethics, the professional and ethical conduct of principal executive and financial officers is essential to the proper function and success of the Company as a leading financial services provider.

Principal executive and financial officers hold an important and elevated role in corporate governance. These individuals are key members of our management team, who are uniquely capable and empowered to ensure that the interests of our stakeholders (including shareholders, customers, employees, suppliers, and residents of the communities in which the Company operates) are appropriately balanced, protected, and preserved. Principal executive and financial officers fulfill this responsibility by prescribing and enforcing the policies and procedures employed in the Company's financial operations.

3 PRINCIPAL EXECUTIVE AND FINANCIAL OFFICERS CODE OF ETHICAL CONDUCT

Principal executive and financial officers of the Company must:

- Act with honesty and integrity, avoiding actual or apparent conflicts of interest in personal and professional relationships;
- Disclose any material transaction or relationship that could reasonably give rise to a conflict;
- Perform responsibilities with a view to causing periodic reports filed with the Securities and Exchange Commission, and other public communications, to contain information which is accurate, full, fair, relevant, timely and understandable;
- Provide colleagues with information that is accurate, complete, objective, relevant, timely and understandable;
- Comply with applicable laws, rules, and regulations of federal, state, and local governments and other appropriate private and public regulatory agencies;
- Act in good faith, with due care, competence, and diligence, without misrepresenting material facts or allowing independent judgment to be subordinated;
- Respect the confidentiality of information acquired in the course of employment;
- Share knowledge and maintain skills necessary and relevant to the Company's needs;
- Proactively promote ethical and honest behavior within the workplace;

- Assure responsible use of and control of all assets, resources, and information in possession of the Company; and
- Promptly report violations of this code.

All principal executive and financial officers are expected to adhere to the highest level of personal and business ethics at all times. The Audit Committee of the Board of Directors shall have full authority to discipline any principal executive or financial officer as deemed appropriate. Any action of the Audit Committee in this regard shall be reviewable by the full Board at the subject principal executive or financial officer's request. Appropriate disciplinary actions include:

- Termination;
- Required attendance at a ethics program;
- Disclosure/notation in employment record; and or Rescission of subject transaction.

Violations shall be reported to the Audit Committee of the Board of Directors. The Audit Committee of the Board of Directors shall have the sole and absolute discretionary authority to approve any deviation or waiver from the Code of Ethical Conduct. Any waiver, and the grounds for such waiver, for a senior financial officer shall be promptly disclosed through a filing with the Securities and Exchange Commission on Form 8-K. Additionally, any change of this Code of Ethical Conduct shall be promptly disclosed to stockholders.

EXHIBIT 31.1

CERTIFICATION OF THE CHIEF TECHNOLOGY OFFICER AND PRINCIPAL ACCOUNTING OFFICER OF IMAGE TECHNOLOGY LABORATORIES, INC.

I, Lewis M. Edwards, certify that:

- 1) I have reviewed this annual report on Form 10-KSB of Image Technology Laboratories, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
- 4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
 - d) Disclosed in this annual report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
- 5) I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operations of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

/s/ Lewis M. Edwards

*Lewis M. Edwards,
Chief Technology Officer
And Principal Accounting Officer
September 19, 2008*

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Image Technology Laboratories, Inc. (the "Company") on Form 10-KSB for the year ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lewis M. Edwards, Principal Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Lewis M. Edwards

*Lewis M. Edwards,
Chief Technology
Officer and Principal
Accounting Officer
September 19, 2008*