

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

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FILER

INFORMATION MANAGEMENT TECHNOLOGIES CORP

CIK: **824578** | IRS No.: **581722085** | State of Incorporation: **DE** | Fiscal Year End: **0331**
Type: **10QSB** | Act: **34** | File No.: **000-16753** | Film No.: **96665774**
SIC: **8744** Facilities support management services

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

Quarterly report under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarter Ended: September 30, 1996

Commission File No. 0-16753

INFORMATION MANAGEMENT TECHNOLOGIES CORPORATION
(Exact name of Registrant as specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

58-1722085
(I.R.S. Employer Identification No.)

130 Cedar Street, Fourth Floor, New York, New York
(Address of principal executive offices)

10006
(Zip Code)

(212) 306-6100
(Registrant's telephone number, including area code)

Indicate by checkmark 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

As of November 5, 1996, registrant had outstanding 5,538,833
shares of Class A Common Stock.

Traditional Small Business Disclosure Format (check one)
Yes X No

Information Management Technologies Corporation

FORM 10-QSB FOR QUARTER ENDED SEPTEMBER 30, 1996

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- (b) Statements of Operations (Unaudited) for the three months and six months ended September 30, 1996 and 1995.
- (c) Statements of Cash Flows (Unaudited) for the six months ended September 30, 1996 and 1995.
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- (a) Exhibits - None filed with this report.
- (b) Reports on Form 8-K
 - (1) Report on Form 8-K filed on September 16, 1996.
 - (2) Report on Form 8-K filed on October 8, 1996.

Information Management Technologies Corporation

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BALANCE SHEETS

<TABLE>

<CAPTION>

	September 30, 1996	March 31, 1996
	-----	-----
<S>	<C>	<C>
ASSETS	(unaudited)	
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,665,413	\$ 2,011,560
Accounts receivable, less allowance for doubtful accounts of \$112,104 and \$104,500 at September 30, 1996 and March 31, 1996, respectively	1,426,107	1,406,731
Inventory	380,499	303,133
Prepaid expenses and other	960,142	972,214

Total current assets	4,432,161	4,693,638
PROPERTY AND EQUIPMENT - AT COST		
Production equipment	5,544,625	5,102,268
Software	298,153	295,128
Furniture and fixtures	399,899	399,899
Leasehold improvements	493,466	461,089
Computer equipment	1,119,769	1,101,323
	7,855,912	7,359,707
Less accumulated depreciation and amortization	5,215,626	5,013,249
Property and equipment, net	2,640,286	2,346,458
OTHER ASSETS		
Deposits and other assets	458,653	347,636
Investment in INSCI Corp.	2,899,050	379,057
Total other assets	3,357,703	726,693
	\$10,430,150	7,766,789

</TABLE>

The accompanying notes are an integral part of these statements.

Information Management Technologies Corporation

BALANCE SHEETS (continued)

	September 30, 1996	March 31, 1996
	(unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Bank credit facility	\$ --	\$ 640,056
Current debt	188,367	431,975
Current maturities of long-term debt	155,000	497,328
Current maturities of long-term capital lease obligations	205,536	333,728
Accounts payable	1,075,682	1,455,015
Accrued salaries	156,227	156,007
Deferred revenue	56,089	129,090
Other accrued liabilities	989,252	1,457,798
Total current liabilities	2,826,153	5,100,997
LONG-TERM DEBT, less current maturities	659,229	2,793,329

ACCRUED RENT	368,494	368,494
CAPITAL LEASE OBLIGATIONS, less current maturities	590,507	362,279
	-----	-----
Total long-term liabilities	1,618,230	3,524,102
	-----	-----

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY (DEFICIT)

12% Preferred Stock - authorized 3,000,000 shares at \$1.00 par value; 2,295,330 and 2,026,580 shares issued and outstanding at September 30, 1996 and March 31, 1996, respectively	2,295,330	2,026,580
Class A common stock authorized 100,000,000 shares of \$.04 par value; 5,628,350 and 3,535,078 shares issued and outstanding at September 30, 1996 and March 31, 1996 respectively	225,135	141,403
Additional paid-in capital	30,937,350	28,658,530
Unrealized gain on investment in securities available for sale	2,889,050	--
Accumulated deficit	(30,361,098)	(31,684,823)
Total stockholders' equity (deficit)	5,985,767	(858,310)
	-----	-----
	\$ 10,430,150	\$ 7,766,789
	=====	=====

The accompanying notes are an integral part of these statements.

Information Management Technologies Corporation

STATEMENTS OF OPERATIONS
(Unaudited)

<TABLE>

<CAPTION>

	Three Months Ended September, 30		Six Months Ended September, 30	
	1996	1995	1996	1995
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Sales	\$ 2,816,925	\$ 2,769,964	\$ 5,423,043	\$ 6,209,723
Cost of sales	2,485,810	2,171,678	4,240,873	4,594,438
	-----	-----	-----	-----
Gross profit	331,115	598,286	1,182,170	1,615,285
Selling, general and administrative expenses	900,313	769,206	1,578,513	1,807,948

Operating /loss/	(569,198)	(170,920)	(396,343)	(192,663)
Interest expense, net	103,042	158,034	200,563	303,067
(Gain) Loss on sale of stock in INSCI Corp.	(2,078,661)	73,500	(2,078,661)	73,500
Income (loss) from continuing operations before equity in net income (loss) of INSCI Corp	1,406,421	(402,454)	1,481,755	(569,230)
Equity in net income (loss) of INSCI Corp.	(183,110)	258,713	(158,030)	(1,395,549)
Income (loss) from continuing operation	1,223,311	(143,741)	1,323,725	(1,964,779)
Loss from discontinued operation	--	(918)	0	(19,956)
Net income (loss)	\$ 1,223,311	\$ (144,659)	\$ 1,323,725	\$ (1,984,735)
Income (loss) per share continuing operations	.24	(.05)	.28	(.71)
Loss per share discontinued operations	\$ --	--	\$ --	\$ (.01)
Weighted average number of shares outstanding for each period	5,047,837	2,762,072	4,710,822	2,762,072

</TABLE>

The accompanying notes are an integral part of these statements.

Information Management Technologies Corporation

STATEMENTS OF CASH FLOWS
(Unaudited)

<TABLE>
<CAPTION>

Six Months Ended
September 30,

	1996	1995
	-----	-----
<S>	<C>	<C>
Cash flows from operating activities		
Net income (loss)	\$ 1,323,725	\$(1,984,735)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	202,377	231,618
Equity in net income of INSCI Corp.	158,030	1,395,553
Amortization of loan fees	--	32,963
Accretion interest on debt	--	38,750
Gain on sale of stock, INSCI Corp.	(2,078,661)	73,500
Provision for doubtful accounts	7,604	--
Changes in operating assets and liabilities:		
Accounts receivable	(26,980)	98,003
Inventory	(77,366)	22,678
Prepaid expenses, deposits and other assets	(98,944)	(361,099)
Accounts payable and accrued liabilities	(824,679)	74,563
	-----	-----
Net cash (used in) provided by operating activities	(1,414,894)	(378,206)
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(267,977)	(91,894)
Repayment by INSCI Corp.	--	1,000,000
Proceeds from sale of stock in INSCI Corp.	2,536,947	--
	-----	-----
Net cash (used in) provided by investing activities	2,268,970	908,106
	-----	-----
Cash flows from financing activities:		
Repayment of revolving credit facility, net	\$ (640,056)	\$ (236,235)
Financings from overdrafts	--	(119,246)
Payments of other debt	(431,975)	--
Payments of long-term debt	--	(126,040)
Payments on capital lease obligations	(128,192)	(287,898)
Proceeds from sale of stock in INSCI Corp.	--	262,500
Payment of stock issuance costs	--	(22,981)
	-----	-----
Net cash used in financing activities	(1,200,223)	(529,900)
	-----	-----
Net increase (decrease) in cash	(346,147)	0
Cash at beginning of year	2,011,560	0
	-----	-----
Cash at end of period	\$ 1,665,413	\$ 0
	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

Information Management Technologies Corporation

NOTES TO FINANCIAL STATEMENTS
September 30, 1996

ORGANIZATION

Information Management Technologies Corporation (the "Company"), a Delaware corporation, was incorporated in 1986. The Company provides information facilities management services primarily to financial and other service industries which are characterized by substantial information processing, communications and document administration requirements. The Company's customer base consists primarily of major financial, manufacturing, legal, accounting and other medium to large service organizations which are principally located in New York City and the surrounding metropolitan area (New Jersey, Southeast Connecticut and Westchester County, New York). The Company, through a strategic alliance with a New York City based technology provider has begun to service clients in Pennsylvania, the midwest and Europe. As of September 30, 1996, the Company maintains a 18% ownership interest in INSCI Corp., a Massachusetts based developer of computer software.

BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six month period ended September 30, 1996 are not necessarily indicative of the results that may be expected for the year ended March 31, 1997. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended March 31, 1996.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Revenue Recognition

Revenues from the Company's services are recognized as the services are performed or upon shipment.

2. Income (Loss) Per Share

Income (loss) per share has been calculated on the basis of weighted average number of shares outstanding during the period after giving retroactive effect to the reverse stock split. The effect on income (loss) per share of stock options and warrants outstanding is antidilutive and has not been included in the calculation of weighted average number of shares outstanding.

Information Management Technologies Corporation

3. Investment in INSCI Corp.

The carrying value and estimated market value of the Company's investment in INSCI Corp. as of September 30, 1996 is as follows:

	Cost Basis -----	Market Value -----	Unrealized Gain -----
Investment in INSCI Corp. (753,000 shares)	\$ 0	\$2,889,050	\$2,889,050

As of September 30, 1996, the Company maintains an 18% ownership interest in INSCI Corp. The investment is accounted for under the "Securities Available For Sale" method as promulgated by SFAS 115. During the second quarter of fiscal year 1997, the Company sold 713,000 shares of INSCI Corp. Class A Common Stock. The sales were transacted pursuant to the Company's divestiture plan which was adopted during the second fiscal quarter.

Prior to September 30, 1996, the Company held a 38% ownership interest in INSCI Corp., whose results were accounted for under the "Equity" method of accounting.

CONTINGENCIES

SEC Investigation

On September 30, 1992, the Company and INSCI the Company's former majority owned subsidiary, reached an agreement with the SEC to conclude and settle the SEC's informal investigation of the Company and INSCI. The Company and INSCI, without admitting or denying any of the allegations made by the SEC in its complaint, and without a trial or final adjudication of the allegations made in the SEC's complaint, consented to the entry of an order enjoining the Company and INSCI from future violations of certain provisions of the Federal securities laws and the rules and regulations thereunder. The settlement may adversely affect the Company and INSCI and restrict the Company's and INSCI's ability to raise funds from persons located in certain significant states. The impact of these restrictions may be to prevent the Company and INSCI from conducting future public offerings or private placements.

The Securities and Exchange Commission (the "Commission") issued an order, dated April 13, 1995, authorizing a private investigation of Imtech and INSCI, and its officers and directors during the period from March 1993 and continuing until April 13, 1995. The order of investigation inquiring into whether the Company and its then officers and directors engaged in violations of Rule 10b-5 of the Securities Exchange Act of 1934 (the "Exchange Act"); failed to file annual reports and other information as required by the rules and regulations of the Commission in violation of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-11 and 13a-13; and failed to maintain proper books and records in violation of Section 13(b)3 of the Exchange Act or falsified or caused to be falsified books and records of the Companies in violation of Sections

On September 10, 1996, the Company was informed by the Commission that the staff inquiry relating to these matters had been terminated and that no enforcement action had been recommended at this time.

Information Management Technologies Corporation

Employee Benefit Plans

From time to time, the Company had not made employee contribution payments to the trustee of its employee benefit plans at the time such contributions were due. Also, in the past the Company has not always made employee contributions to the plans concurrent with the deduction of these contributions from payroll. However, beginning in the fiscal year ended March 31, 1992, management believes that the Company has made employee contributions on a current basis.

The Company was notified by regulatory authorities on January 7, 1994, that certain required regulatory filings made in connection with the employee benefit plans lacked requisite financial information. The Company received correspondence from the U.S. Department of Labor stating the Department's intent to assess a penalty against the Company in the amount of \$50,000 for one of the years in question.

The issues regarding contributions to its employee benefit plans and regulatory filings for the plans may subject the Company to certain tax, penalty and/or interest payments.

In January 1996, the Company implemented a 401(k) plan covering all eligible employees. Contributions to the plan are based on a discretionary matching contribution of the employee's deferred compensation. Employee contributions are limited to 15% of salary. There were no employer contributions to the plan for the year ended March 31, 1996.

Registration Rights

The Company has granted to the holders of certain warrants and shares of the Company's securities without cost demand and "piggyback" registration rights with respect to the underlying stock of the securities issued, or issuable. Compliance with these registration rights may involve substantial expense to the Company.

Employment Agreements

The Company has amended its employment agreements with its Chief Executive Officer and Chief Operating Officer, Christopher D. Holbrook, and its President and Chief Financial Officer Joseph A. Gitto Jr. The agreements provide for a base salary of \$180,000 and \$140,000 respectively, stock options grants of 600,000 each, with 2/3 vested and an additional vesting of 1/3 on the anniversary date of the agreement at prices ranging from \$1.25 to \$1.88.

Other

In November 1995 the Company entered into an agreement with Corporate Relations Group ("CRG") to provide promotional, shareholder and brokerage communications services. The agreement was for a period of 3 years, and the Company agreed to pay CRG the sum of \$300,000 or 171,000 shares of free trading Class A Common Stock, in addition to 500,000 options to purchase 500,000 shares of Class A Common Stock for \$1.75 per share to \$3.06 per share for a period of 5 years. The Company elected to pay CRG by issuing 171,000 shares of Class A Common Stock. Subsequent to the agreement, the Company borrowed 92,250 shares of Class A freely traded Common Stock from a number of shareholders in the Company. The Company's agreement for the repayment of the borrowed shares involved the Company making payment of interest at 10% per annum in addition to the return of the borrowed shares and an additional (1) one share of Class A Common Stock for each (10) ten shares borrowed by the Company (an aggregate of 9,250 shares). The Company further agreed to grant cost free registration rights to each lender for the additional shares and interest as a result of the loan transaction.

The Company will use its best efforts to file a registration statement for all of the borrowed shares plus interest and the additional 9,250 shares on or before December 31, 1996.

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Information Management Technologies Corporation

Other (cont...)

CRG has asserted a claim for the balance of 78,750 shares of Class A Common Stock, and the Company has disputed the claim based upon the Company's position that CRG has not performed under its agreement with the Company. On November 1, 1996, the Company commenced a lawsuit against CRG to recover damages.

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Information Management Technologies Corporation

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

Comparison of Results of Operations

The following table sets forth, for the periods indicated, the percentage relationship that certain items in the Company's results of operations bear to sales:

Three Months Ended		Six Months Ended	
September 30		September 30	
-----		-----	
1996	1995	1996	1995

Sales	100%	100%	100%	100%
Cost of sales	88	78	76	74
Gross profit	12	22	24	26
Selling, general and administrative expenses	32	28	29	29
Operating income (loss)	(20)	(6)	(5)	(3)
Interest expense, net	3	6	4	5
(Gain) loss on sale of stock in INSCI Corp.	(74)	2	(38)	1
Income (loss) from continuing operations before equity in net income (loss) of INSCI	51	(14)	29	(9)
Equity in net income (loss) of INSCI Corp.	--	9	--	(22)
Income (loss) from continuing operation	51	(5)	29	(31)
Income (loss) from discontinued operation	--	--	--	--
Net income (loss)	51%	(5%)	29%	(31%)

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Information Management Technologies Corporation

Three Months Ended September 30, 1996 as compared to the Three Months Ended September 30, 1995:

For the three months ended September 30, 1996, the Company reported sales of \$2,817,000, an increase of \$47,000 from sales of \$2,770,000 for the three months ended September 30, 1995.

Sales in the Company's Regional Service Center ("RSC") division were \$ 2,438,000 or 87% of sales as of September 30, 1996, an increase of \$696,000 or 40% from sales of \$1,742,000 or 63% for the period ended September 30, 1995. The increase in sales offset a decrease in sales in the Company's facility management division of \$542,000 or 74% from sales of \$734,000 for the three months ended September 30, 1995 to sales of \$192,000 or 7% for the three months ended September 30, 1996. The decrease is primarily attributable to the Company's decision not to renew certain facility management agreements as they became due because competitive pricing has reduced operating margins below the Company's

required minimum operating margins. Sales in the Company's litigation duplication division were \$187,000 or 7% for the three months ended September 30, 1996, a decrease of \$107,000 or 37% from sales of \$294,000 or 11% for the three months ended September 30, 1995.

Cost of sales for the three months ended September 30, 1996 were \$2,486,000 or 88% from \$2,172,000 or 78% for the three months ended September 30, 1995, an increase of \$314,000 or 15%. The increase is attributable to a shift in the Company's product mix as it continues to refocus its business towards the global research report services market which is material intensive compared to the facility management agreements which the Company continues to de-emphasize.

In addition, due to several large one time projects which the Company was unable to produce in house, the Company experienced a decrease in its operating margin from quarter to quarter, however, the Company does not consider these types of projects and their adverse impact on its operating margin to be a continuing part of the Company's product mix or a trend of the Company's operating margin.

Selling, general, and administrative expenses for the three months ended September 30, 1996 were \$900,000 or 32%, an increase of \$131,000 or 17% from selling, general, and administrative expenses of \$769,000 or 28% for the three months ended September 30, 1995. The increase is attributable to an increase in consultants related to the Company's implementation of technology as it continues to expand its sales market beyond the tri-state region.

Interest expense for the three months ended September 30, 1996 was \$103,000 or 3%, a decrease of \$55,000 or 35% from interest expense of \$158,000 or 6% for the three months ended September 30, 1995. The decrease is attributable to the savings realized from the early termination of its revolving credit facility during the first quarter of fiscal year 1997.

The Company realized a one time gain on the sale of shares of stock in its former majority owned subsidiary INSCI of approximately \$2,000,000. The Company maintains an 18% interest in INSCI Corp.

Six Months Ended September 30, 1996 as compared to Six Months Ended September 30, 1995:

For the six months ended September 30, 1996, the Company reported sales of \$5,423,000, a decrease of \$787,000 or 12% from sales of \$6,210,000 for the six months ended September 30, 1995.

The decrease in sales is primarily attributable to the company's decision not to renew certain facility management agreements as they became due because competitive pricing has reduced operating margins below the Company's required minimum operating margins. As of September 30, 1996, there were 5 (five) facility management agreements in effect compared to (8) eight facility management agreements for the period ended September 30, 1995. Sales from facility management agreements were \$495,000 or 9% for the six months ended September 30, 1996, a decrease of \$1,181,000 or 70% from sales of \$1,676,000 or 27% for the six months ended September 30, 1995.

Six Months Ended September 30, 1996 as compared to Six Months Ended September 30, 1995 (cont...):

Sales in the Company's Regional Service Center ("RSC") division were \$4,446,000 or 82% of sales for the six months ended September 30, 1996, an increase of \$595,000 or 15% from sales of \$3,851,000 for the six months ended September 30, 1995. Sales in the Company's litigation duplication division were \$482,000 or 9% for the six months ended September 30, 1996, a decrease of \$201,000 or 29% from sales of \$683,000 or 11% for the six months ended September 30, 1995.

Cost of sales for the six months ended September 30, 1996 were \$4,142,000 or 76%, a decrease of \$452,000 or 10% from cost of sales of \$4,594,000 or 74% for the six months ended September 30, 1995.

Selling, general, and administrative expensed for the six months ended September 30, 1996 were \$1,579,000 or 29%, a decrease of \$229,000 or 13% from selling, general, and administrative expenses of \$1,808,000 or 29% for the six months ended September 30, 1995.

Interest expense for the six months ended September 30, 1996 was \$203,000 or 4%, a decrease of \$100,000 or 33% from interest expense of \$303,000 or 5% for the six months ended September 30, 1995.

The Company realized a gain of approximately \$2,000,000 from the sale of shares of stock in its former majority owned subsidiary INSCI Corp., the Company maintains an 18% ownership interest in INSCI Corp.

Liquidity and Capital Resources

The Company's cash flows are summarized below for the periods indicated:

	Six Months ----- Ended September 30, -----	
	1996	1995
	-----	-----
Operating Activities	\$(1,415,000)	\$ (378,000)
Investing Activities	\$ 2,269,000	\$ 908,000
Financing Activities	\$(1,200,000)	\$ (530,000)
	-----	-----
Increase (decrease) in Cash	\$ (346,000)	\$ 0
	=====	=====

During the six months ended September 30, 1996 cash used in operating activities amounted to \$1,415,000 and is attributable to:

A decrease in accounts payable and other accrued liabilities of \$949,000 and a net increase in accounts receivable of \$27,000 and inventory supplies of \$77,000 partially offset by a decrease in cost of sales and selling, general and administrative expenses.

Cash used in financing activities amounted to \$1,200,000 and is

principally attributable to the Company's repayment of the outstanding balances of its revolving credit facility and term loans with BNY Financial Corp., as well as other long term obligations.

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Information Management Technologies Corporation

Liquidity and Capital Resources (cont...)

Cash from investing activities amounted to \$2,269,000.

During the six months ended September 30, 1996, the Company sold 713,000 shares of Class A Common Stock which reduced the Company's ownership in INSCI to approximately 18%. Resultantly, the Company has accounted for its remaining investment in INSCI as "Securities Available for Sale" as promulgated by SFAS 115.

In accordance with the change in accounting method, the Company, marked up its investment in INSCI to its approximate fair market value of \$2,899,050, and recorded an unrealized gain of \$2,899,050 on its September 30, 1996 balance sheet.

As of September 30, 1996 the Company had a working capital of \$1,606,000 compared to a working capital deficiency of \$217,000 at September 30, 1995.

During the quarter ended September 30, 1996, the Company's Board of Directors approved the repricing of the stock price of the Class A Shares underlying the Company's Class A Warrants from \$6.86 to \$4.25 and extended the expiration date to April 1998.

Inflation

The Company has not experienced significant increases due to inflation in either the cost of merchandise or the operating expenses. Although inflation has not been a significant factor to date, there can be no assurance that it will not be in the future.

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Information Management Technologies Corporation

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On September 30, 1992, the Company and INSCI, the Company's then majority owned subsidiary, reached an agreement with the Securities and Exchange Commission ("SEC") to conclude and settle the SEC's informal investigation of the Company and INSCI. The Company and INSCI, without admitting or denying any of the allegations made by the SEC in its complaint, and without a trial or final adjudication of the allegations made in the SEC's complaint, consented to

the entry of an order enjoining the Company and INSCI from future violations of certain provisions of the Federal securities laws and the rules and regulations thereunder. The settlement may adversely affect the Company and INSCI and restrict the Company's and INSCI's ability to raise funds from persons located in certain significant states. The impact of these restrictions may be to prevent the Company and INSCI from conducting future public offerings or private placements. The Company and INSCI may be subject to contempt of court or other sanctions if the Company or INSCI, at any time in the future, engages in actions that are deemed to violate the consent judgment and the injunctions.

The Company was notified by regulatory authorities on January 7, 1994, that certain required regulatory filings made in connection with the employee benefit plans lacked requisite financial information. The Company received correspondence from the U.S. Department of Labor stating the Department's intent to assess a penalty against the Company in the amount of \$50,000 for one of the years in question.

The Securities and Exchange Commission (the "Commission") issued an order, dated April 13, 1995, authorizing a private investigation of Imtech and INSCI, and its officers and directors during the period from March 1994 and continuing until April 13, 1995. The order of investigation inquiring into whether the Company and its then officers and directors engaged in violations of Rule 10b-5 of the Securities Exchange Act of 1934 (the "Exchange Act"); failed to file annual reports and other information as required by the rules and regulations of the Commission in violation of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-11 and 13a-13; and failed to maintain proper books and records in violation of Section 13(b)3 of the Exchange Act or falsified or caused to be falsified books and records of the Companies in violation of Sections 13(b)(2)(a), Rule 13b2-1 and Rule 13b2-2 of the Exchange Act.

On September 10, 1996, the Company was informed by the Commission that the staff inquiry relating to these matters had been terminated and that no enforcement action had been recommended at this time.

In November 1995, the Company entered into an agreement with Corporate Relation Group ("CRG") for it to provide promotional, shareholder and brokerage communications services. The agreement is for a period of 3 years, and the Company agreed to pay CRG the sum of \$300,000 or 171,000 shares of free trading Class A Common Stock, in addition to 500,000 options to purchase 500,000 shares of Class A Common Stock for prices ranging from \$1.75 per share to \$3.06 per share for a period of 5 years. Subsequent to the agreement, the Company borrowed 92,250 shares of Class A freely traded Common Stock from a number of shareholders in the Company. The Company's agreement for the repayment of the borrowed shares involved the Company making payment of interest at 10% per annum in addition to the return of the borrowed shares and an additional (1) one share of Class A Common Stock for each (10) shares borrowed by the Company (an aggregate of 9,250 shares). The Company further agreed to grant cost free registration rights to each lender for the additional shares and interest as a result of the loan transaction. CRG has asserted a claim for the balance of 78,750 shares of Class A Common Stock, and the Company has disputed the claim based upon the Company's contention the CRG has not performed under its agreement with the Company.

On November 1, 1996, the Company commenced litigation in New York State to recover the shares transferred to CRG as well as to terminate the remainder of its agreement with CRG.

Information Management Technologies Corporation

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits. No exhibits are being filed with this report.
- (b) Reports on Form 8-K.
 - (1) A report on Form 8-K dated September 16, 1996 reporting the sale of 600,000 shares of stock in INSCI Company.
 - (2) A report on Form 8-K dated October 8, 1996 reporting the extension and repricing of the Company's Class A Warrants.

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Information Management Technologies Corporation

SIGNATURES

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

INFORMATION MANAGEMENT
TECHNOLOGIES CORPORATION

By: /s/ Joseph A. Gitto

Joseph A. Gitto
President and Chief Financial Officer

Dated November 14, 1996

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