COLOR IMAGING INC
Form 10-Q
April 30, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2004

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

For the transition period from to

Commission File Number: 0-18450

COLOR IMAGING, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	13-3453420
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4350 PEACHTREE INDUSTRIAL BOULEVARD, SUITE 100 NORCROSS, GEORGIA 30071	30071
(Address of principal executive offices)	(Zip code)

(770) 840-1090 FAX (770) 242-3494

(Registrant's telephone number, including area code)

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 whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No X

As of April 21, 2004, there were 12,713,005 shares of Common Stock outstanding.

COLOR IMAGING, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2004

INDEX

PART I: FINANCIAL INFORMATION

ITEM 1 -FINANCIAL STATEMENTS

COLOR IMAGING, INC.
CONDENSED BALANCE SHEETS

ASSETS	31-Mar-04 (Unaudited)
CURRENT ASSETS:	
Cash	$ 1,570,656
Accounts receivable - net of allowance for doubtful accounts of $69,250 and $67,839 for 2004 and 2003, respectively	2,411,021
Inventories	5,656,671

Related party portion of IDR bond - current	87,912
Other current assets	61,533
TOTAL CURRENT ASSETS	9,787,793
PROPERTY, PLANT AND EQUIPMENT - NET	6,950,768
OTHER ASSETS:	
Related party portion of IDR bond	647,428
Other assets	39,846
	687,274
	$ 17,425,835

- LIABILITIES & STOCKHOLDERS' EQUITY -

CURRENT LIABILITIES:	
Revolving credit lines	$ --
Accounts payable	2,078,403
Current portion of notes payable	5,723
Current portion of notes payable - related parties	340,042
Current portion of bonds payable	370,000
Other current liabilities	201,572
TOTAL CURRENT LIABILITIES	2,995,740
LONG TERM LIABILITIES:	
Notes payable	10,037
Notes payable - related parties	26,481
Bonds payable	2,725,000
Deferred tax liability	359,650
LONG TERM LIABILITIES	3,121,168
TOTAL LIABILITIES	6,116,908
COMMITMENTS & CONTINGENCIES	
STOCKHOLDERS' EQUITY:	
Common stock, $.01 par value, authorized 20,000,000 shares; 12,730,505 shares issued and outstanding on March 31, 2004 and December 31, 2003, respectively.	127,305
Additional paid-in capital	12,708,368
Treasury stock at cost	(13,105)
Accumulated deficit	(1,513,641)
	11,308,927
	$ 17,425,835

See accompanying notes.

COLOR IMAGING, INC.

CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 2004	2003
SALES	$ 5,601,217	$ 5,629,405
COST OF SALES	4,195,184	4,310,155
GROSS PROFIT	1,406,033	1,319,250
OPERATING EXPENSES		
Administrative	396,668	466,647
Research & development	310,176	271,967
Sales & marketing	598,084	367,274
	1,304,928	1,105,888
INCOME FROM OPERATIONS	101,105	213,362
OTHER INCOME (EXPENSE)		
Other income	93,580	48,146
Financing expenses	(23,955)	(75,966)
	69,625	(27,820)
INCOME BEFORE TAXES	170,730	185,542
PROVISION FOR INCOME TAXES	68,200	74,000
NET INCOME	$ 102,530	$ 111,542
INCOME (LOSS) PER COMMON SHARE		
Basic	$ .01	$ .01
Diluted	$ .01	$ .01
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	12,730,505	9,332,780
Assumed conversion	17,857	--
Diluted	12,748,362	9,332,780

See accompanying notes

4

COLOR IMAGING, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 2004	2003
Cash flows from operating activities:		
Net income from continuing operations	$ 102,530	$ 111,542
Adjustments to reconcile net income to net cash (used in) operating activities:		
Depreciation and amortization	148,404	146,726
Deferred income taxes	66,950	72,000
Decrease (increase) in:		
Accounts receivable and other receivables	(469,617)	115,455
Inventories	(32,343)	163,228
Prepaid expenses and other assets	305,320	147,891
Increase (decrease) in:		
Accounts payable and accrued liabilities	(527,299)	(869,387)
Net cash (used in) operations	(406,055)	(112,545)
Cash flows (used in) investing activities:		
Capital expenditures	(125,338)	(57,824)
Net cash (used in) investing activities	(125,338)	(57,824)
Cash flows from financing activities:		
Net (payments) under line of credit	--	(1,022,470)
Net proceeds from sale of common stock	--	5,917,086
Repurchase of common shares and warrants	(13,105)	(59,223)
Net (payments) under related party borrowings	(97,315)	(250,947)
Principal payments of long-term debt	(1,362)	(1,332,407)
Net cash (used in) provided by financing activities	(111,781)	3,252,039
Net (decrease) increase in cash	(643,174)	3,081,670
Cash at beginning of year	2,213,830	128,501
Cash at end of period	$ 1,570,656	$ 3,210,171
Supplemental disclosure of cash flow Information:		
Cash paid during the period for:		
Interest and financing expense	$ 20,411	$ 80,545
Income taxes	$ 0	$ 0

See accompanying notes

COLOR IMAGING, INC.
NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
March 31, 2004
(Unaudited)

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited interim condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and adjustments) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2004 are not necessarily indicative of the results that may be expected for the year ended December 31, 2004

NOTE 2. COMMON STOCK AND EQUIVALENTS

During the first quarter ended March 31, 2004, the Company repurchased in the open market 17,500 shares of the Company's common stock at an average price of $0.75 per share. On April 1, 2004, the shares were cancelled and retired by the Company's transfer agent.

During the three months ended March 31, 2004 the Company did not grant any options to employees. In computing the number of options exercisable, shares of common stock subject to options or warrants that are currently exercisable or will become exercisable within 60 days of the date of this report are deemed outstanding. The following is a summary of total outstanding and exercisable options and stock warrants at March 31, 2004:

	Options and Warrants Outstanding			Options an
Range of Exercise Prices	Number	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Number
Options $0.45-$2.75	970,000	$2.08	3.41 years	790,000
Warrants $2.00	100,000	$2.00	1.28 years	100,000
Options and warrants	1,070,000	$2.07	3.20 years	890,000

On April 1, 2004 the Company granted options to an officer to purchase 100,000 shares of the Company's common stock at an exercise price of $.73 per share. Options to purchase 20,000 shares of the Company's common stock vested immediately and the remainder vest at the rate of 20,000 per year beginning on the first anniversary date of the grant and continuing annually thereafter and expire five years from their respective date of vesting.

NOTE 3. INVENTORIES

Inventories consisted of the following components as of March 31, 2004 and

December 31, 2003:

	March 31, 2004	December 31, 2003
Raw materials	$ 1,271,928	$ 631,960
Work-in-process	1,930,297	1,715,684
Finished goods	2,550,841	3,374,773
Obsolescence allowance	(96,395)	(98,089)
Total	$ 5,656,671	$ 5,624,328

NOTE 4. CHANGES TO BORROWING ARRANGEMENTS

The Company has a $1.5 million revolving line of credit, as amended, with an outstanding balance as of March 31, 2004 of $0, bearing interest at the one-month Libor interest rate in effect two business days before the first day of the month plus 2.50%. As of March 31, 2004, the interest rate was the one-month Libor rate of 1.04% plus 2.50% (3.59%). This revolving line of credit has a June 30, 2004 expiration date.

Under the line of credit, the Company is permitted to borrow up to 75% of eligible accounts receivable and 50% of eligible inventories (up to a maximum of $750,000 and not to exceed 50% of the total outstanding). On February 6, 2004, the Bank issued an irrevocable standby letter of credit in the amount of $1.5 million for the benefit of a non-affiliated foreign supplier. The letter of credit has an expiration date of June 30, 2005. The Company has granted the Bank a security interest in all of the Company's assets as security for the repayment of the line of credit and the obligations under the letter of credit. The Bank agreement also contains various covenants that the Company is required to maintain, and as of March 31, 2004, the Company was in compliance with these covenants.

NOTE 5. SIGNIFICANT CUSTOMERS

In the three month period ended March 31, 2004, one customer accounted for 30% of net sales. The Company does not have a written or oral contract with this customer. All sales are made through purchase orders. Accounts receivable from this customer at March 31, 2004, was $619,860.

NOTE 6. SIGNIFICANT SUPPLIERS

In the three months ended March 31, 2004, the Company purchased 33% and 21% of its raw materials, components and supplies from two foreign suppliers with the latter being an affiliate. On February 6, 2004, the Company's Bank issued on behalf of the Company an irrevocable standby letter of credit in the amount of $1.5 million for the benefit of its largest non-affiliated foreign supplier. At March 31, 2004, the account payable to these suppliers was $608,897 and $255,476, respectively (see also Note 8).

NOTE 7. FINANCIAL REPORTING FOR BUSINESS SEGMENTS:

The Company believes that its operations are in a single industry segment involving the development and manufacture of products used in electronic printing. All of the Company's assets are domestic. The sales to unaffiliated customers by geographic region from continuing operations for the three-month periods ended March 31 are as follows:

	2004	2003
Sales to Unaffiliated Customers:		
United States	$ 3,182,361	$ 3,314,623
Europe	1,222,352	1,142,286
Mexico	808,546	670,635
Asia	260,518	236,943
All Others	127,440	264,918
Total	$ 5,601,217	$ 5,629,405

7

NOTE 8. RELATED PARTY TRANSACTIONS:

(A) LEASE:

Directors, Jui-Hung Wang, Jui-Kung Wang, Sueling Wang and Jui-Chi Wang, own Kings Brothers, LLC, the landlord from which the Company leases its Norcross, Georgia, plant. The real property lease agreement between the Company and Kings Brothers, LLC, was entered into on April 1, 1999, and was amended on February 5, 2003, extending the expiration date from March 31, 2009 to March 31, 2013. The rental payments for quarter ended March 31, 2004, were $136,182.

(B) INDUSTRIAL DEVELOPMENT REVENUE BOND

On June 1, 1999, the Development Authority of Gwinnett County (the Authority), issued $4,100,000 of industrial development revenue bonds on behalf of the Company and Kings Brothers, LLC. The 1.03% revenue bonds, 2.03% inclusive of the 1% letter of credit fee, as of March 31, 2004, are payable in varying annual principal and monthly interest payments through July 2019. The bond is secured, as amended on April 7, 2003, by specific equipment assets of the Company and by real property owned by Kings Brothers, LLC. The bonds along with the line of credit and term loan are held by two related financial institutions.

A loan agreement between the Authority and the Company and Kings Brothers, LLC allows funds to effectively pass through the Authority to the Company. The majority of the proceeds, $3,125,872, were used by the Company to purchase and install certain manufacturing equipment, while $974,128 was used by Kings Brothers, LLC to pay down the mortgage on the real property leased to the Company. The Company and the Related Party are jointly obligated to repay any outstanding debt. Under the Joint Debtor Agreement of June 28, 2000, between the Company and the Kings Brothers, LLC, each has agreed to be responsible to the other for their share of the bond obligations and that any party causing an act of default shall be responsible for 100% of the bond obligations. The amount for which Kings Brothers, LLC is responsible to the Company is reflected in current and other assets of the Company. Kings Brothers, LLC amounts owed to the Authority are secured by a lien on the real property leased by the Company and by a personal guarantee, as amended, executed by Director and President of the Company, Sueling Wang. At this time, the Company believes that the Kings Brothers, LLC portion of the bond is fully collectible. As of March 31, 2004, the bond principal outstanding was $3,095,000 and the portion due from Kings Brothers, LLC was $735,340.

(C) PURCHASES:

The Company purchased from an affiliate for the three months ended March 31, 2004, $730,065 of injection molded cartridges and accessories for copiers and laser printers. Accounts payable to the affiliate at March 31, 2004, was $255,476. See also Note 6.

(D) MARKETING AND LICENSE AGREEMENT:

On June 1, 2003, the Company entered into a Marketing and Licensing Agreement with its foreign affiliate. Per the Marketing and Licensing Agreement the affiliate agrees to indemnify and hold harmless the Company for any costs and expense arising from any defective licensed product, and/or any recalled licensed product including litigation arising therefrom. Further the affiliate agrees to credit the Company for product cost, shipping and related expenses arising from any defective licensed product, and/or any recalled licensed product.

(E) NOTES PAYABLE:

On March 14, 2002, the Company borrowed $500,000 from director, Sueling Wang, on an unsecured basis. The interest rate on the loan was 12% per annum, matured on March 14, 2003 and is evidenced in writing. On September 2, 2002, the note was modified to extend the term to March 1, 2005, provide for a $100,000 principal payment, decreased the interest rate to 6% per annum, provided for interest only payments through February 28, 2003, and 24 monthly payments of principal with interest extra beginning on April 1, 2003, in the amount of $7,500. The Company borrowed the $500,000 to meet a supplier commitment for product. Principal and interest paid Sueling Wang on the note for the quarter ended March 31, 2004 was $22,500 and $1,086, respectively. As of March 31, 2004 the principal outstanding was $82,500.

On August 21, 2002, the Company borrowed $100,000 from director, Jui-Chi Wang, on an unsecured basis. The loan bears interest at the rate of 6% per annum, matures on March 1, 2005 and is evidenced in writing. The Company borrowed this amount in order to repay $100,000 borrowed from director Sueling Wang on March 14, 2002. The note is interest only through February 28, 2003, and then is fully amortizing over 24 months with principal and interest payments payable monthly beginning April 1, 2003 in the amount of $4,434. Principal and interest paid Jui-Chi Wang on the note for the quarter ended March 31, 2004 was $12,469 and $833, respectively. As of March 31, 2004 the principal outstanding was $47,337.

NOTE 8. RELATED PARTY TRANSACTIONS (C0NTINUED):

(E) NOTES PAYABLE (CONTINUED):

On August 21 and September 2, 2002, the Company borrowed $200,000 and $300,000, respectively, from director, Jui-Hung Wang, on an unsecured basis. The loan bears interest at the rate of 6% per annum, matures on March 1, 2005 and is evidenced in writing. The Company borrowed this amount in order to make a principal payment due on its industrial development bond in the approximate amount of $255,000, for the acquisition of capital equipment in the approximate amount of $125,000 and for general corporate purposes. The note is interest only through February 28, 2003, and then is fully amortizing over 24 months with principal and interest payments payable monthly beginning April 1, 2003 in the amount of $22,170. Principal and interest paid Jui-Hung Wang on the note for the quarter ended March 31, 2004 was $62,345 and $4,163, respectively. As of March 31, 2004 the principal outstanding was $236,686.

(F) COMMON STOCK

On March 6, 2003, the Company received from Chi Fu Investment Co Ltd $6,075,000 of subscription proceeds for the public sale of 4,500,000 of its common shares at a price of $1.35 per share in its offering on Form SB-2 filed with the Securities and Exchange Commission. Chi Fu Investment Co Ltd is a wholly owned subsidiary of the Company's affiliate, General Plastic Industrial Co., Ltd, and as of March 31, 2004, Company directors Jui-Hung Wang, Jui-Chi Wang, Jui-Kung Wang and Sueling Wang each owned 9.69%, 10.17% and 1.77%, respectively, of General Plastic Industrial Co., Ltd.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussions should be read in conjunction with our condensed financial statements and the related notes thereto.

BACKGROUND

On June 28, 2000, Color Imaging, formerly known as Advatex Associates, Inc. merged with Logical Imaging Solutions, Inc. and Color Image, Inc. and Logical Imaging Solutions and Color Image became wholly-owned subsidiaries of Advatex. On December 31, 2000, Color Image was merged with and into Color Imaging. On September 30, 2002, we divested Logical Imaging Solutions in exchange for 1.7 million shares of our common stock and warrants to purchase up to 15% of the common stock of Digital Color Print or Logical Imaging Solutions. As the result of our disposing of Logical Imaging Solutions, Inc. we no longer offer printing systems to commercial printers nor the support services and consumables related thereto. As a further result of Color Imaging's divestiture of Logical Imaging Solutions, our investments in the furthering of Logical Imaging Solutions' technologies and carrying its operations have ceased. Significantly, since the merger on June 28, 2000, Color Imaging had invested approximately $2.35 million in the operations of Logical Imaging Solutions and the development of its technologies.

COLOR IMAGING, INC.

Since 1989, Color Imaging has developed, manufactured and marketed products used in electronic printing. Color Imaging formulates and manufactures black text and specialty toners, including color and magnetic character recognition toners for numerous laser printers, facsimile machines and analog and digital photocopiers. Color Imaging's toners permit the printing of a wide range of user-selected colors and also the full process color printing of cyan, yellow, magenta and black. Magnetic character recognition toners enable the printing of magnetic characters that are required for the high-speed processing of checks and other financial documents. Color Imaging also supplies other consumable products used in electronic printing and photocopying, including toner cartridges, cartridge components, photoreceptors and imaging drums.

Color Imaging has continually expanded its product line and manufacturing capabilities. This expansion, including expansion through sourcing from strategic partners, has led to the creation over the years of hundreds of different black text, color, magnetic character recognition and specialty toner formulations, including aftermarket toners and imaging products for printers and facsimile machines manufactured by Brother(TM), Canon(TM), Delphax(TM), Hewlett Packard(TM), IBM(TM), Lexmark(TM), Sharp(TM), Xerox(TM), Minolta(TM), Mita(TM), Panafax(TM), Pentax(TM), Pitney Bowes(TM), Epson(TM), Fuji-Xerox(TM), Toshiba(TM), Kyocera(TM), Okidata(TM), and Panasonic(TM). Color Imaging also manufactures and/or markets toners for use in Ricoh(TM), Lanier(TM), Gestetner(TM), Savin(TM), Sharp(TM), Xerox(TM), Canon(TM), Minolta(TM), Konica(TM), and Toshiba(TM) copiers. Color Imaging markets branded products directly to OEMs and its aftermarket products worldwide to distributors and re-manufacturers of laser printer toner cartridges and to OEM, distributors and dealers of copier products.

Our strategy for growing revenue and operating profit is to expand, including through strategic acquisition(s), our printer and copier products business. The key elements of our strategy are (1) increasing vertical integration by supplying complete toner and cartridge devices, (2) capitalizing on our research and development expertise of producing specialty, color and digital copier and or multifunctional device toners, (3) exploiting the efficiencies associated with the investment made in manufacturing facilities, (4) expanding our sources for products from strategic suppliers that we can add value to or resell and that complement our product lines, (5) expanding into new geographic markets, and (6) broadening our sales channels.

RECENT DEVELOPMENTS

On April 1, 2004, Patrick J. Wilson joined Color Imaging, Inc. as Senior Vice President of Marketing and Sales. With over thirty years in the copier and toner industry in executive, general management, marketing, manufacturing and sourcing positions, Mr. Wilson brings significant expertise in management, product development and marketing to Color Imaging. Prior to his appointment, he consulted with Color Imaging for three years; and was instrumental in significantly expanding our copier product line and distribution channels. Mr. Wilson began his career with 3M Copier Division which became Harris/3M and eventually Lanier Worldwide, a $1.2 billion company. He has a BS degree in Chemical Engineering from Michigan Tech and an MBA from Xavier University.

OVERVIEW

The following discussion and analysis should be read in conjunction with our financial data and our Financial Statements and notes appearing elsewhere in this report.

Net sales for the three months ended March 31, 2004 declined by approximately $28,000, or less than 1%, to $5.6 million, compared to 2003. Net sales in 2004 decreased primarily due to reduced sales to our largest customers for the first quarter 2004 compared to the same period of 2003. In the three months ended March 31, 2004 and 2003, our net sales were primarily generated from the sale of finished consumable products for electronic printers and photocopying machines and comprised approximately 76% and 71% of net sales, respectively. For the three months ended March 31, 2004 and 2003, our two largest imaging products customers accounted for 30% and 5% and 33% and 19% of net sales, respectively. Sales to these customers consist primarily of analog copier products, and as a result are expected to decline over time.

Net sales made outside of the United States increased to approximately $2.4 million, or 43% of total sales for the three months ended March 31, 2004, compared to $2.3 million, or 41% for the three months ended March 31, 2003. This increase in international sales resulted primarily from the increase in sales to customers other than our two largest customers.

The following table reflects the consolidated new orders, net of cancellations, revenues and backlog as of the beginning and end of the three months ended March 31, 2004, as well as for Color Imaging's two general product lines.

	Backlog at start of Year	New Orders	Net Revenue	Backlog at end of Quarter
		(IN THOUSANDS OF DOLLARS)		
2004:				
Copier Products	$ 1,896	$ 4,110	$ 3,927	$ 2,079
Printer Products	575	1,783	1,674	684
Total	2,471	5,893	5,601	2,763

CRITICAL ACCOUNTING ESTIMATES

"Management's Discussion and Analysis of Financial Condition and Results of Operations" discusses our financial statements that have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition, valuation allowances for inventory and accounts receivable, warranty and impairment of long-lived assets. We base our estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances. The result of these estimates and judgments form the basis for making conclusions about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Our significant estimates and assumptions are reviewed and any required adjustments are recorded on a quarterly basis.

A critical accounting policy is one that is both important to the portrayal of Color Imaging's financial condition and results and requires 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. Management believes the following critical accounting policies affect its more significant judgments and estimates in the preparation of its financial statements.

VALUATION ALLOWANCE FOR ACCOUNTS RECEIVABLE. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. These allowances are based on historical experience, credit evaluations and specific customer collection issues we have identified. Since our accounts receivable are often concentrated in a relatively few number of customers, a significant change in the liquidity or financial position of any one of these customers could have a material adverse impact on the collectibility of our accounts receivable and our future operating results.

INVENTORY VALUATION. Our inventories are recorded at the lower of standard cost or the current estimated market value. As with any manufacturer or wholesaler, economic conditions, cyclical customer demand, product introductions or pricing changes of our competitors and changes in purchasing or distribution can affect the carrying value of inventory. Demand for our products has fluctuated significantly and may do so in the future, which could result in an increase in the cost of inventory or an increase in excess inventory quantities on hand. As circumstances warrant, we record lower of cost or market inventory adjustments. In some instances these adjustments can have a material effect on the financial results of an annual or interim period. In order to determine such adjustments, we evaluate the age, inventory turns, estimated fair value and, in the case of toner products, whether or not they can be reformulated and manufactured into other products, and record any adjustment if estimated fair value is below cost. Through periodic review of each of our inventory categories and by offering markdown or closeout pricing, we regularly take steps to sell off slower moving inventory to eliminate or lessen the effect of any lower of cost or market adjustment. If assumptions about future demand or actual market conditions are less favorable than those projected by management, write-downs of inventory could be required, and there can be no assurance that future developments will not necessitate further write-downs.

VALUATION OF LONG-LIVED ASSETS. We periodically evaluate whether events and circumstances have occurred which may affect the estimated useful life or the recoverability of the remaining balance of our long-lived assets, such as our investment in our toner manufacturing equipment. We have approximately $8.1 million invested in such equipment and plant improvements, with a carrying value of $6.5 million, that have estimated lives of up to twenty years. Should competing technologies or offshore competitors cause our manufacturing technology to be non-competitive, or should other events or circumstances indicate that the carrying amount of these assets would not be recoverable, the estimated life of these assets may need to be shortened and their carrying value could be materially affected. If the sum of the undiscounted expected cash flows from an asset to be held and used in operations is less than the carrying value of the asset, an impairment loss is recognized.

WARRANTY. We provide a limited warranty, generally ninety (90) days, to all purchasers of our products. Accordingly, we do not make a provision for the estimated cost of providing warranty coverage, and instead we expense these costs as they are incurred. On occasion, we have been required and may be required in the future to provide additional warranty coverage to ensure that our products are ultimately accepted or to maintain customer goodwill. While our warranty costs have historically not been significant, we cannot guarantee that we will continue to experience a similar level of predictability with regard to warranty costs as we have in the past. In addition, the introduction of more expensive finished products, technological changes or previously unknown defects in raw materials or components may result in more extensive and frequent warranty claims than anticipated, which could have a material adverse impact on our operating results for the periods in which such additional costs materialize.

RESULTS OF OPERATIONS

Color Imaging's net sales were $5.6 million for the three months ended March 31, 2004, a decrease of approximately 0.5% from March 31, 2003. The net sales by product category were as follows:

(Dollars in thousands)	2004	%	% Increase (Decrease)	2003	%
Product Category:					
Cartridges and bottles					
Copier finished products	$ 3,600	64%	18%	$ 3,051	54%
Printer finished products	660	12%	(32%)	966	17%
	4,260	76%	6%	4,017	71%
Bulk toner and parts	1,341	24%	(17%)	1,612	29%
Total net revenue	$ 5,601	100%	(1%)	$ 5,629	100%

The following table sets forth certain information derived from the Company's unaudited interim statements of operations:

	THREE MONTHS ENDED MARCH 31, 2004	2003
	(PERCENTAGE OF NET SALES)	
Net sales	100	100
Cost of sales	75	77
Gross profit	25	23
Administrative expenses	7	8
Research and development	5	5
Sales and marketing	11	6
Operating income	2	4
Interest expense	1	1
Depreciation and amortization	2	3
Income before taxes	3	3
Provision for income taxes	1	1
Net income	2	2

THREE MONTHS ENDED MARCH 31, 2004 COMPARED TO THREE MONTHS ENDED MARCH 31, 2003

NET SALES. Our net sales decreased by $28,000, or 0.5%, to $5.6 million for the three months ended March 31, 2004, from $5,629 million for the three months ended March 31, 2003. Net sales made in the United States were $3.2 million, a decrease of $0.1 million, or 4%, from $3.3 million made in the comparable period in 2003. Net sales made outside of the United States increased by approximately $0.1 million, or 4%, for the current quarter compared to the same quarter of 2003. The decrease in net sales for the current quarter compared to that of a year ago from our two largest customers was offset by the increase in our sales to other customers. Of the $5.6 million in net sales, $3.6 million, or 64%, were attributable to our copier finished products, while net sales of these same products were $3.1 million, or 54%, for the comparable period in 2003. The revenue increase from copier finished products from 2003 to 2004 was 18%, reflecting primarily increased sales of our color toner products to customers other than our two largest customers. Sales of our laser finished products for the three months ended March 31, 2004 were $.66 million compared to $.97 million for the same period of 2003. We believe that sales of our copier products will continue to increase while sales of our laser printing products will be level or decrease during 2004, as the result of the sales of new copier color products recently introduced and increased competition for laser printer products.

COST OF GOODS SOLD. Cost of goods sold decreased by approximately $115,000, or 3%, to $4.2 million from $4.3 million for the three months ended March 31, 2004 and for the comparable period in 2003, primarily as the result of the decrease in lower margin net sales to our two largest customers. Cost of goods sold as a percentage of net sales decreased by 2 percentage points from 77% for the three months ended March 31, 2003 to 75% for the three months ended March 31, 2004, primarily as the result of reduced sales derived from certain very low margin products previously sold to our largest customer and a larger percentage of sales being derived from sales of products with higher gross margins. With the expected increase in sales derived from our copier color toner products, we expect our cost of goods sold to further decrease as a percentage of net sales even with increased sales derived from very low margin all in one imaging products.

GROSS PROFIT. As a result of the above factors, gross profit increased to $1.4 million in the three months ended March 31, 2004 from $1.3 million in the three months ended March 31, 2004, or approximately $89,000, while net sales for the same period decreased by $28,000. Gross profit as a percentage of net sales increased by 2 percentage points from 23% to 25% for the three months ended March 31, 2004, as compared to the corresponding period of the prior year.

OPERATING EXPENSES. Operating expenses increased $.2 million, or 18%, to $1.3 million in the three months ended March 31, 2004 from $1.1 million in the three months ended March 31, 2003. General and administrative, selling and R&D expenses increased, as a percentage of net sales, to 23% in the three months ended March 31, 2004 from 20% in the three months ended March 31, 2003. General and administrative expenses decreased approximately 15%, or $70,000 to $397,000 for the three months ended March 31, 2004 from the comparable period in 2003, largely resulting from decreased legal and professional fees in connection with our offering on Form SB-2 and our stock repurchase negotiations from an investor in our private placement closed in 2001 and no provision having been made for the bonus plan for 2004. Selling expenses increased by $231,000, or 63%, in the three months ended March 31, 2004 compared to the three months ended March 31, 2003. Selling expenses increased primarily as a result of increased commission and expense reimbursements of our manufacturer's representatives, advertising and promotional expenses and expenses in connection with our recently opened West Coast sales office. Research and development expenses increased by $38,000, or 14%, to $310,000 in the three months ended March 31, 2004, primarily as the result of increased payroll expenses and expenditures for product testing.

OPERATING INCOME. As a result of the above factors, operating income decreased by $112,000, or 53%, to a profit of $101,000 in the three months ended March 31, 2004 from $213,000 in the three months ended March 31, 2003.

INTEREST AND FINANCE EXPENSE. Interest expense decreased by $52,000, or 68%, in the three months ended March 31, 2004 from the three months ended March 31, 2003. The decrease was primarily the result of reduced borrowings, having used proceeds from our public offering on Form SB-2 to retire debt.

OTHER INCOME. Other income increased by $46,000, or 94%, from income of $48,000 to income of $94,000 in the three months ended March 31, 2004 from the three months ended March 31, 2003, primarily as the result of income derived from the exchange of Euros.

INCOME TAXES. As the result of our profit in the three months ended March 31, 2004, we recorded an income tax provision of $68,200 for the period, while the income tax provisions were $74,000 for the three months ended March 31, 2003.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2004, and December 31, 2003, our working capital and current ratio was approximately $6.8 million and $6.5 million and 3.27 to 1 and 2.83 to 1, respectively. Our working capital and current ratio have benefited primarily from the net proceeds we received from the public sale of our common stock during March 2003.

Cash flows used by operating activities were $406,000 in the three months ended March 31, 2004 compared to $112,000 in the three months ended March 31, 2003. The cash flows used by continuing operating activities in the three months ended March 31, 2004 increased primarily due to the increase in accounts receivable and a decrease in accounts payable and other liabilities.

Cash flows used in investing activities were $125,000 in the three months ended March 31, 2004, compared to $58,000 in the three months ended March 31, 2003. The increase in cash used in investing activities in the three months ended March 31, 2004, was entirely attributable to increased capital expenditures in connection with improvements being made to our factory.

The Company has a $1.5 million revolving line of credit, as amended, with an outstanding balance as of March 31, 2004 of $0, bearing interest at the one-month Libor interest rate in effect two business days before the first day of the month plus 2.50%. As of March 31, 2004, the interest rate was the one-month Libor rate of 1.04% plus 2.50% (3.59%). This revolving line of credit has a June 30, 2004 expiration date, and we plan to renew it for up to one year to expire June 30, 2005. Under the line of credit, the Company is permitted to borrow up to 75% of eligible accounts receivable and 50% of eligible inventories (up to a maximum of $750,000 and not to exceed 50% of the total outstanding). On February 6, 2004, the Bank issued an irrevocable standby letter of credit in the amount of $1.5 million for the benefit of a non-affiliated foreign supplier. The letter of credit has an expiration date of June 30, 2005, and guarantees the payment of moneys owed the supplier for materials purchased from them by the Company. At March 31, 2004, the Company's accounts payable to this supplier were approximately $609,000. The Company has granted the Bank a security interest in all of the Company's assets as security for the repayment of the line of credit and the obligations under the letter of credit.

The Bank agreement also contains various covenants that the Company is required to maintain, and as of March 31, 2004, the Company was in compliance with these covenants.

Cash flows used by financing activities were $112,000, primarily for the repayment of affiliate debt, for the three months ended March 31, 2004 compared to cash flows provided by financing activities of $3,252,000 for the same period in 2003, resulting largely from the $5,917,000 in net proceeds received for the public sale of our common stock to an affiliate.

On April 18, 2003, Color Imaging established a stock repurchase program under which Color Imaging's common stock, with an aggregate market value up to the lesser of $1 million or 1 million shares, may be acquired in the open market or through private or other transactions. Through April 21, 2004, Color Imaging has repurchased 62,000 shares of our common stock for approximately $42,000, or for an average price of $0.678 per share.

We believe that existing cash balances, cash expected to be generated by operating activities, and funds available under our credit facility will be, in aggregate, sufficient to finance our operating and investing activities for at least the next 12 months, which will include expenditures not to exceed approximately $450,000 for manufacturing, $150,000 for research and development equipment, $175,000 potentially for computer software upgrades to accommodate electronic data interchange, the repurchase of our stock under the stock repurchase program of up to the lesser of $1,000,000 or 1,000,000 shares of our common stock and any advances made by our bank on our behalf under our off-balance sheet arrangement of $1.5 million for a standby letter of credit issued to a non-affiliated foreign supplier.

FACTORS THAT MAY AFFECT FUTURE RESULTS AND INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

RISK FACTORS

RISKS RELATED TO OUR BUSINESS:

OUR BUSINESS DEPENDS ON A LIMITED NUMBER OF CUSTOMERS.

For the quarter ended March 31, 2004, two customers accounted for approximately 35% of our net sales. We do not have contracts with these customers and all of the sales to them are made through purchase orders. While our products typically go through the customer's required qualification process, which we believe gives us an advantage over other suppliers, this does not guarantee that the customer will continue to purchase from us. The loss of either of these customers, including through an acquisition, other business combination or the loss by them of business from their customers could have a substantial and adverse effect on our business. We have in the past, and may in the future, lose one or more major customers or substantial portions of our business with one or more of our major customers. If we do not sell products or services to customers in the quantities anticipated, or if a major customer reduces or terminates its relationship with us, market perception of our products and technology, growth prospects, and financial condition and results of operation could be harmed.

OUR RELIANCE ON SALES TO A FEW MAJOR CUSTOMERS AND GRANTING CREDIT TO THOSE CUSTOMERS PLACES US AT FINANCIAL RISK.

As of March 31, 2004, receivables from two customers comprised 29% of accounts receivable. A concentration of our receivables from a small number of customers places us at risk should these receivables become uncollectible. If any one or more of our major customers is unable to pay us it could adversely affect our results of operations and financial condition. Color Imaging attempts to manage this credit risk by performing credit checks, requiring significant partial payments prior to shipment where appropriate, and actively monitoring collections.

APPROXIMATELY 35% OF OUR BUSINESS DEPENDS ON A FOREIGN SUPPLIER APPROVED BY TWO OF OUR CUSTOMERS.

Some of our products incorporate technologies that are available from a particular foreign supplier that has been approved by one of our customers. Approximately 35% of our sales for the quarter ended March 31, 2004 were derived from products limited to a specific foreign supplier. For the quarter ended March 31, 2004, we purchased 33% of our supplies from that same foreign supplier. We do not have a written agreement with this or any other supplier. We rely on purchase orders. Should we be unable to obtain the necessary materials from this foreign supplier, product shipments could be prevented or delayed, which could result in a loss of sales. If we are unable to fulfill existing orders or accept new orders because of a shortage of materials, we may lose revenues and risk losing customers.

IF OUR CRITICAL SUPPLIERS FAIL TO DELIVER SUFFICIENT QUANTITIES OF MATERIALS OR PRODUCTS IN A TIMELY AND COST-EFFECTIVE MANNER IT COULD NEGATIVELY AFFECT OUR BUSINESS.

We use a wide range of materials in the manufacture of our products, and we use numerous suppliers to supply materials and certain finished products. We generally do not have guaranteed supply arrangements with our suppliers. Because of the variability and uniqueness of customers' orders, we do not maintain an extensive inventory of materials for manufacturing or resale. Key suppliers include providers of special resins, toners and toner related products, including those from our largest supplier who is also foreign, and our injection molder affiliate that provides plastic bottles, cartridges and related components designed to avoid the intellectual property rights of others.

Although we make reasonable efforts to ensure that raw materials, toners and certain finished products are available from multiple suppliers, this is not always possible; accordingly, some of these materials are being procured from a single supplier or a limited group of suppliers. Many of these suppliers are outside the United States, including our largest supplier, resulting in longer lead-times for many important materials, which could cause delays in meeting shipments to our customers. We have sought, and will continue to seek, to minimize the risk of production interruptions and shortages of key materials and products by:

- selecting and qualifying alternative suppliers for key materials and products;
- monitoring the financial stability of key suppliers; and
- maintaining appropriate inventories of key materials and products.

There can be no assurance that results of operations will not be materially and adversely affected if, in the future, we do not receive in a timely and cost-effective manner a sufficient quantity of raw materials, toners or finished products to meet our production or customer delivery requirements.

OUR SUCCESS IS DEPENDENT ON OUR ABILITY TO UTILIZE AVAILABLE MANUFACTURING CAPACITY.

From 1999 through 2000, we expanded our manufacturing capacity by acquiring new manufacturing equipment and moving to a larger location. Thereafter we further expanded our capacity by placing in service additional manufacturing equipment during 2002 and 2003. To fully utilize these new additions to the factory, new formulations for toner have to be developed specifically for manufacture on this new equipment or orders for larger quantities of existing toners must be obtained. While we have been successful in developing formulas for new equipment in the past and increasing sales of many of our existing toner products, our continued success will be dependent on our ability to develop additional formulations or increase our sales from existing formulations and manufacture the toners with the new equipment to achieve a reduction in production costs. We cannot assure you that we will be successful in developing all of the formulations needed in the future or that we will be able to manufacture toner at a lower production cost on a regular basis or that such products will achieve market acceptance. If we are not successful in increasing the sales of our manufactured products, or if our existing sales from manufactured products declines, our business will be materially and adversely affected.

OUR SUCCESS IS DEPENDENT ON OUR ABILITY TO SUCCESSFULLY DEVELOP, OR USE OR HAVE ACCESS TO THIRD PARTIES', INTELLECTUAL PROPERTY OR PRODUCTS THAT WE CAN COMMERCIALIZE AND THAT ACHIEVE MARKET ACCEPTANCE.

Our success depends in part on our ability to develop proprietary toner formulas and manufacturing processes, maintain trade secret protection and operate without infringing the proprietary rights of others. Future claims of intellectual property infringement could prevent us from obtaining products incorporating the technology of others and could otherwise adversely affect our operating results, cash flows, financial position or business, as could expenses incurred enforcing intellectual property rights against others or defending against claims that our products or those acquired from others infringe the intellectual property rights of another.

Success in the aftermarket imaging industry depends, in part, on developing consumable products that are compatible with the printers, photocopiers and facsimile machines made by the OEMs, and that have a selling price less than that of like consumable supplies offered by the OEM. For example, if the OEMs introduce chemical toners with better imaging characteristics and higher yields, microprocessor chips that communicate between the toner cartridge and the device, or introduce products using patented or other proprietary technologies, then the aftermarket industry has to respond with ongoing development programs to offer compatible products that emulate the OEMs' without infringing upon the OEM's intellectual property.

Technical innovations are inherently complex and require long development cycles and appropriate professional staffing. Our future business success depends on our ability, and that of critical suppliers, to develop and introduce new products that successfully address the changing technologies of the OEMs, meet the customer's needs and win market acceptance in a timely and cost-effective manner. If we do not develop and introduce products compatible with the OEM's technologies in a timely manner in response to changing market conditions or customer requirements, our business could be seriously harmed.

The challenges we face in implementing our business model include establishing market acceptance of existing products and successfully developing or acquiring new products for resale that achieve market acceptance. We must successfully commercialize the products that are currently being developed, such as our color and magnetic character recognition toner for printers and black text and color toners for new digital copiers and continue to acquire from third parties parts, materials and finished product that can be integrated into finished products or sold as our products. While we have successfully developed toners in the past and are in the late stages of developing and testing several new toners, we have not commercialized many of the toners that are under development. While we have in the past acquired from third parties materials and products that we have been successful in selling, there can be no assurance that parts, materials or products for new products will be available or will achieve market acceptance. If we fail to successfully commercialize products we develop or acquire for resale from third parties, or if these products fail to achieve market acceptance, our financial condition and results of operation would be seriously harmed.

OUR BUSINESS MIGHT BE ADVERSELY AFFECTED BY OUR DEPENDENCE ON FOREIGN BUSINESS.

We sell a significant amount of product to customers outside of the United States. International sales accounted for 43% and 41% of net sales in the quarters ended March 31, 2004 and 2003, respectively. We expect that shipments to international customers will continue to account for a material portion of net sales. During the quarter ended March 31, 2004, our sales were made to customers outside the United States as follows:

- o Europe (including Eastern Europe) - 22%
- o Mexico - 14%
- o Asia/Southeast Asia - 5%
- o Other - 2%

Most of our products sold internationally, including those sold to our larger international customers, are on open account, giving rise to the added costs of collection in the event of non-payment. On foreign customer accounts other than those we feel are credit worthy and justify open credit terms with us, we mitigate the risk of non-payment and collection of foreign accounts receivable by obtaining foreign credit insurance on those customers who qualify. Further, should a product shipped overseas be defective, Color Imaging would experience higher costs in connection with a product recall or return and replacement.

Most of our sales are priced in U.S. dollars, but because we began selling products in Europe denominated in Euros during 2001, fluctuations in the Euro could also cause our products there to become less affordable or less competitive or we may sell some products at a loss to otherwise maintain profitable business from a customer. We recorded gains of approximately $55,000 and $37,000 during the quarters ended March 31, 2004 and 2003, respectively, as a result of foreign currency transactions.

While our business has not been materially affected in the past by foreign business or currency fluctuations, because of our increasing dependence on international revenues, our operating results could be negatively affected by a continued or additional decline in the economies of any of the countries or regions in which we do business. Periodic local or international economic downturns, trade balance issues, changes to duties, tariffs or environmental regulations, political instability and fluctuations in interest and currency exchange rates could negatively affect our business and results of operations.

We cannot assure you that these factors will not have a material adverse effect on our international sales and would, as a result, adversely impact our results of operation and financial condition.

OUR RESULTS OF OPERATIONS MAY BE MATERIALLY HARMED IF WE ARE UNABLE TO RECOUP OUR INVESTMENT IN RESEARCH AND DEVELOPMENT.

The rapid change in technology in our industry requires that we continue to make investments in research and development in order to not only develop technologies that function like the OEMs' and do not infringe on the OEMs' intellectual property rights, but we must also enhance the performance and functionality of our products and keep pace with competitive products and satisfy customer demands for improved performance, features, functionality and costs. There can be no assurance that revenues from future products or product enhancements will be sufficient to recover the development costs associated with such products or enhancements or that we will be able to secure the financial resources necessary to fund future development. Research and development costs typically are incurred before we confirm the technical feasibility and commercial viability of a product, and not all development activities result in commercially viable products. In addition, we cannot ensure that these products or enhancements will receive market acceptance or that we will be able to sell these products at prices that are favorable to us. Our business could be seriously harmed if we are unable to sell our products at favorable prices or if the market in which we operate does not accept our products.

OUR INTELLECTUAL PROPERTY PROTECTION IS LIMITED.

We do not rely on patents to protect our proprietary rights. We do rely on a combination of laws such as trade secrets and contractual restrictions such as confidentiality agreements to protect proprietary rights. Despite any precautions we have taken:

- laws and contractual restrictions might not be sufficient to prevent misappropriation of our technology or deter others from developing similar technologies; and
- policing unauthorized use of our products is difficult, expensive and time-consuming and we might not be able to determine the extent of this unauthorized use.

Therefore, there can be no assurance that we can meaningfully protect our rights in such unpatented proprietary technology or that others will not independently develop substantially equivalent proprietary products or processes or otherwise gain access to the proprietary technology. Reverse engineering, unauthorized copying or other misappropriation of our proprietary technology could enable third parties to benefit from our technology without paying us, which could significantly harm our business.

WE DEPEND ON THE EFFORTS AND ABILITIES OF CERTAIN SENIOR MANAGEMENT AND OTHER KEY PERSONNEL TO CONTINUE OUR OPERATIONS AND GENERATE REVENUES.

Our success depends to a significant extent on the continued services of senior management and other key personnel. While we do have confidentiality agreements with executive officers and certain other key individuals, we have few employment agreements and they may be terminated by either party upon giving the required notice. The loss of the services of any of our executive officers or other key employees could harm our business. Our success also depends on our ability to attract, retain and motivate highly skilled employees. Competition for qualified employees in the industries in which we operate is intense. If we fail to hire and retain a sufficient number of qualified employees, our business will be adversely affected.

WE HAVE A SINGLE MANUFACTURING FACILITY AND WE MAY LOSE REVENUE AND BE UNABLE TO MAINTAIN OUR CLIENT RELATIONSHIPS IF WE LOSE OUR PRODUCTION CAPACITY.

We manufacture all of the products we sell in our existing facility in Norcross, Georgia. If our existing production facility becomes incapable of manufacturing products for any reason, we may be unable to meet production requirements, we may lose revenue and we may not be able to maintain our relationships with our customers. Without our existing production facility, we would have no other means of manufacturing products until we were able to restore the manufacturing capability at our facility or develop an alternative manufacturing facility. Although we carry business interruption insurance to cover lost revenue and profits in an amount we consider adequate, this insurance does not cover all possible situations. In addition, our business interruption insurance would not compensate us for the loss of opportunity and potential adverse impact on relations with our existing customers resulting from our inability to produce products for them.

OUR ACQUISITION STRATEGY MAY PROVE UNSUCCESSFUL.

We intend to pursue acquisitions of businesses or technologies that management believes complement or expand the existing business. Acquisitions of this type involve a number of risks, including the possibility that the operations of any businesses that are acquired will be unprofitable or that management attention will be diverted from the day-to-day operation of the existing business. An unsuccessful acquisition could reduce profit margins or otherwise harm our financial condition, by, for example, impairing liquidity and causing non-compliance with lending institution's financial covenants. In addition, any acquisition could result in a dilutive issuance of equity securities, the incurrence of debt or the loss of key employees. Certain benefits of any acquisition may depend on the taking of one-time or recurring accounting charges that may be material. We cannot predict whether any acquisition undertaken by us will be successfully completed or, if one or more acquisitions are completed, whether the acquired assets will generate sufficient revenue to offset the associated costs or other adverse effects.

ACTS OF DOMESTIC TERRORISM AND WAR HAVE IMPACTED GENERAL ECONOMIC CONDITIONS AND MAY IMPACT THE INDUSTRY AND OUR ABILITY TO OPERATE PROFITABLY

On September 11, 2001, acts of terrorism occurred in New York City and Washington, D.C. During 2001 and 2003, the United States launched military attacks on Afghanistan and Iraq. As a result of those terrorist acts and acts of war, there has been a disruption in general economic activity. The demand for printing products and services may decline as layoffs in the transportation and other industries affect the economy as a whole. There may be other consequences resulting from those acts of terrorism and war, and any others which may occur in the future, including civil disturbance, war, riot, epidemics, public demonstration, explosion, freight embargoes, governmental action, governmental delay, restraint or inaction, quarantine restrictions, unavailability of capital, equipment, personnel, which we may not be able to anticipate. These terrorist acts and acts of war may continue to cause a slowing of the economy, and in turn, reduce the demand of printing products and services, which would harm our ability to make a profit. In addition, they could disrupt our ability to obtain raw materials at reasonable prices, this in turn could adversely affect our sales and profit margins. We are unable to predict the long-term impact, if any, of these incidents or of any acts of war or terrorism in the United States or worldwide on the U.S. economy, on us or on the price of our common stock.

COMPLIANCE WITH GOVERNMENT REGULATIONS MAY CAUSE US TO INCUR UNFORESEEN EXPENSES.

Our black text, color and magnetic character toner supplies and manufacturing operations are subject to domestic and international laws and regulations, particularly relating to environmental matters that impose limitations on the discharge of pollutants into the air, water and soil and establish standards for treatment, storage and disposal of solid and hazardous wastes. In addition, we are subject to regulations for storm water discharge, and as a requirement of the State of Georgia have developed and implemented a Storm Water Pollution Prevention Plan. We are also required to have a permit issued by the State of Georgia in order to conduct various aspects of our business. Compliance with these laws and regulations has not in the past had a material adverse affect on our capital expenditures, earnings or competitive position. There can be no assurance, however, that future changes in environmental laws or regulations, or in the criteria required to obtain or maintain necessary permits, will not have a material adverse affect on our operations.

OUR QUARTERLY OPERATING RESULTS FLUCTUATE AS A RESULT OF MANY FACTORS.

Our quarterly operating results fluctuate due to various factors. Some of these factors include the mix of products sold during the quarter, the availability and costs of raw materials or components, the costs and benefits of new product introductions, and customer order and shipment timing. Because of these factors, our quarterly operating results are difficult to predict and are likely to vary in the future.

DUE TO INHERENT LIMITATIONS, THERE CAN BE NO ASSURANCE THAT OUR SYSTEM OF DISCLOSURE AND INTERNAL CONTROLS AND PROCEDURES WILL BE SUCCESSFUL IN PREVENTING ALL ERRORS OR FRAUD, OR IN MAKING ALL MATERIAL INFORMATION KNOWN IN A TIMELY MANNER TO THE APPROPRIATE MANAGEMENT.

Though we have concluded with reasonable assurance that our books, records and accounts are kept in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets, transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, receipts and expenditures and access to assets is permitted in accordance with authorizations of management and directors of the Company, we do not have internal auditors and we depend on a small staff with which it is sometimes difficult to segregate certain duties or to document our practices in policies and procedures. Further, notwithstanding management's conclusions, the effectiveness of a system of disclosure and internal controls and procedures is subject to certain inherent limitations, including cost and staffing limitations, judgments used in decision making, assumptions regarding the likelihood of future events, soundness of internal controls and fraud. Due to such inherent limitations, there can be no assurance that any system of disclosure or internal controls and procedures will be successful in preventing all errors or fraud, or in making all material information known in a timely manner to the appropriate management.

RISKS RELATING TO OUR INDUSTRY:

WE OPERATE IN A COMPETITIVE AND RAPIDLY CHANGING MARKETPLACE.

There is significant competition in the toner and consumable imaging products industry in which we operate. In addition, the market for digital color printers and copiers and related consumable products is subject to rapid change and the OEM technologies are becoming increasingly difficult barriers to market entry. Many competitors, both OEMs and other after market firms, have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing and other resources than we do. These competitors may be able to devote substantially more resources to developing their business than we can. Our ability to compete depends upon a number of factors, including the success and timing of product introductions, marketing and distribution capabilities and the quality of our customer support. Some of these factors are beyond our control. In addition, competitive pressure to develop new products and technologies could cause our operating expenses to increase substantially.

THE IMAGING SUPPLIES INDUSTRY IS COMPETITIVE AND WE ARE RELATIVELY SMALL IN SIZE AND HAVE FEWER RESOURCES IN COMPARISON WITH MANY OF OUR COMPETITORS.

Our industry includes large original equipment manufacturers of printing and photocopying equipment and the related imaging supplies, as well as other manufacturers and resellers of aftermarket imaging supplies, with substantial resources to support customers worldwide. Our future performance depends, in part, upon our ability to continue to compete successfully worldwide. All of the original equipment manufacturers and many of our other competitors are diversified companies with greater financial resources and more extensive research, engineering, manufacturing, marketing and customer service and support capabilities than we can provide. We face competition from companies whose strategy is to provide a broad array of products, some of which compete with the products that we offer. These competitors may bundle their products in a manner that may discourage customers from purchasing our products. In addition, we face competition from smaller emerging imaging supply companies whose strategy is to provide a portion of the products and services that we offer. Loss of competitive position could impair our prices, customer orders, revenues, gross margins, and market share, any of which would negatively affect our operating results and financial condition. Our failure to compete successfully with these other companies would seriously harm our business. There is risk that larger, better-financed competitors will develop and market more advanced products than those that we currently offer or may be able to offer, or that competitors with greater financial resources may decrease prices thereby putting us under financial pressure. The occurrence of any of these events could have a negative impact on our revenues.

OUR PRODUCTS HAVE SHORT LIFE CYCLES AND ARE SUBJECT TO FREQUENT PRICE REDUCTIONS.

Rapidly evolving and increasingly difficult technologies, frequent new product introductions and significant price competition characterize the markets in which we operate. Consequently, our products have short life cycles, and we must frequently reduce prices in response to product competition. Our financial condition and results of operations could be adversely affected if we are unable to manufacture new and competitive products in a timely manner. Our success depends on our ability to develop and manufacture technologically advanced products, price them competitively, and achieve cost reductions for existing products. Technological advances require sustained research and development efforts, which may be costly and could cause our operating expenses to increase substantially.

OUR FINANCIAL PERFORMANCE DEPENDS ON OUR ABILITY TO SUCCESSFULLY MANAGE INVENTORY LEVELS, WHICH IS AFFECTED BY FACTORS BEYOND OUR CONTROL.

Our financial performance depends in part on our ability to manage inventory levels to support the needs of new and existing customers. Our ability to maintain appropriate inventory levels often depends on factors beyond our control, including unforeseen increases or decreases in demand for our products and production and supply difficulties. Demand for our products can be affected by product introductions or price changes by competitors or by us, the life cycle of our products, or delays in the development or manufacturing of our products. Our operating results and ability to increase the market share of our products may be adversely affected if we are unable to address inventory issues on a timely basis.

RISKS RELATING TO OWNING OUR COMMON STOCK:

OUR OFFICERS AND DIRECTORS BENEFICIALLY OWN APPROXIMATELY 30% OF THE OUTSTANDING SHARES OF COMMON STOCK, AND AN AFFILIATE OWNS 35% OF OUR COMMON STOCK, ALLOWING THESE STOCKHOLDERS TO CONTROL MATTERS REQUIRING APPROVAL OF THE STOCKHOLDERS.

As a result of such ownership, and potential increased ownership, by our officers and directors, other investors will have limited control over matters requiring approval by the stockholders, including the election of directors. Such concentrated control may also make it difficult for the stockholders to receive a premium for their shares of our common stock in the event we enter into transactions that require stockholder approval. In addition, certain provisions of Delaware law could have the effect of making it more difficult or more expensive for a third party to acquire, or of discouraging a third party from attempting to acquire control of us.

EXERCISE OF WARRANTS AND OPTIONS WILL DILUTE EXISTING STOCKHOLDERS AND COULD

DECREASE THE MARKET PRICE OF OUR COMMON STOCK.

As of April 21, 2004, we had issued and outstanding 12,713,005 shares of common stock and 100,000 outstanding warrants and 970,000 outstanding options to purchase additional shares of common stock. The existence of the remaining warrants and options may adversely affect the market price of our common stock and the terms under which we obtain additional equity capital.

WE MAY FACE POTENTIAL REGULATORY ACTION OR LIABILITY IN CONNECTION WITH OUR 2001 PRIVATE PLACEMENT.

Our issuance of common stock and warrants in a private placement which was completed in 2001 could subject us to potential adverse consequences, including securities law liability and the voiding of contracts entered into in connection with the private placement. If our activities or the activities of other parties in the 2001 private placement are deemed to be inconsistent with securities laws under Section 29 of the Securities Exchange Act of 1934 or our activities or the activities or the activities of other parties are deemed to be inconsistent with the broker dealer registration provisions of Section 15(a) of the Exchange Act:

- we may be able to void our obligation to pay transaction-related fees in connection with the private placement and we may receive reimbursement for fees already paid;
- persons with whom we have entered into securities transactions that are subject to these transaction-related fees may have the right to void these transactions; and
- we may be subject to regulatory action.

Due to the inherent uncertainties involved with the interpretation of securities laws, we are unable to predict the following: the validity of any potential liability in connection with our private placement, the outcome of any regulatory action or potential liability or the outcome of voiding transactions in connection with the private placement. The defense of any regulatory action or litigation and any adverse outcome could be costly and could have a material adverse effect on our financial position and results of operations and could divert management attention.

OUR COMMON STOCK IS LISTED ON THE OVER-THE-COUNTER (OTC) BULLETIN BOARD, WHICH MAY MAKE IT MORE DIFFICULT FOR STOCKHOLDERS TO SELL THEIR SHARES AND MAY CAUSE THE MARKET PRICE OF OUR COMMON STOCK TO DECREASE.

Because our common stock is listed on the OTC Bulletin Board, the liquidity of our common stock is impaired, not only in the number of shares that are bought and sold, but also through delays in the timing of transactions, and limited coverage by security analysts and the news media, if any, of us. As a result, prices for shares of our common stock may be lower than might otherwise prevail if our common stock was traded on NASDAQ or a national securities exchange, like the American Stock Exchange.

OUR STOCK PRICE MAY BE VOLATILE AND AN INVESTMENT IN OUR COMMON STOCK COULD SUFFER A DECLINE IN VALUE.

The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control. These factors include:

- progress of our products through development and marketing;
- announcements of technological innovations or new products by us or our competitors;
- government regulatory action affecting our products or competitors'

products in both the United States and foreign countries;
- developments or disputes concerning patent or proprietary rights;
- actual or anticipated fluctuations in our operating results;
- the loss of key management or technical personnel;
- the loss of major customers or suppliers;
- the outcome of any future litigation;
- changes in our financial estimates by securities analysts;
- fluctuations in currency exchange rates;
- general market conditions for emerging growth and technology companies;
- broad market fluctuations;
- recovery from natural disasters; and
- economic conditions in the United States or abroad.

OUR CHARTER DOCUMENTS AND DELAWARE LAW MAY HAVE THE EFFECT OF MAKING IT MORE EXPENSIVE OR MORE DIFFICULT FOR A THIRD PARTY TO ACQUIRE, OR TO ACQUIRE CONTROL OF, US.

Our certificate of incorporation makes it possible for our board of directors to issue preferred stock with voting or other rights that could impede the success of any attempt to change control of us. Our certificate of incorporation and bylaws eliminate cumulative voting, which may make it more difficult for a minority stockholder to gain a seat on our board of directors and to influence board of directors' decision regarding a takeover. Delaware Law prohibits a publicly held Delaware corporation from engaging in certain business combinations with certain persons, who acquire our securities with the intent of engaging in a business combination, unless the proposed transaction is approved in a prescribed manner. This provision has the effect of discouraging transactions not approved by our board of directors as required by the statute which may discourage third parties from attempting to acquire us or to acquire control of us even if the attempt would result in a premium over market price for the shares of common stock held by our stockholders.

The information referred to above should be considered by investors when reviewing any forward-looking statements contained in this report, in any of our public filings or press releases or in any oral statements made by us or any of our officers or other persons acting on our behalf. The important factors that could affect forward-looking statements are subject to change, and we disclaim any obligation or duty to update or modify these forward-looking statements.

FORWARD-LOOKING STATEMENTS

Statements contained in this report which are not statements of historical fact are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements may be identified by the use of forward-looking terms such as "believes," "expects," "may", "will," "should" or "anticipates" or by discussions of strategy that involve risks and uncertainties. From time to time, we have made or may make forward-looking statements, orally or in writing. These forward-looking statements include statements regarding our ability to borrow funds from financial institutions or affiliates, to engage in sales of our securities, our intention to repay certain borrowings from future sales of our securities or cash flow, the ability to expand capacity by placing in service additional manufacturing equipment and making use of that capacity, our expected acquisition of business or technologies, our plans for broadening our sales channels and the outlets for our products, our expectation that shipments to international customers will continue to account for a material portion of net sales, anticipated future revenues, our introduction of new products and our increasing our sales from all in one cartridges, digital copier, color and magnetic character recognition toner products during 2004, sales, our expectations for operations, demand, technology, products, business ventures, major customers, major suppliers, retention of key officers, management or employees, competition, capital expenditures, credit arrangements and other statements regarding matters that are not historical facts, involve predictions which are based upon a number of future conditions that ultimately may prove to be inaccurate. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Forward-looking statements are made based upon management's current expectations and beliefs concerning future developments and their potential effects upon our business. We cannot predict whether future developments affecting us will be those anticipated by management, and there are a number of factors that could adversely affect our future operating results or cause our actual results to differ materially from the estimates or expectations reflected in such forward-looking statements.

21

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, exchange rates, commodity prices, equity prices and other market changes. Market risk is attributed to all market sensitive financial instruments, including long-term debt.

We do not hold any investments or assets outside of the United States. However, we are exposed to financial market risks, including changes in foreign currency exchange rates and interest rates.

We estimate that about 80% of our transactions are denominated in U.S. dollars, excepting those sales in Euros. Accordingly, beginning in 2001, we became subject to foreign currency risk with respect to future costs or cash flows from our sales in Euros. We have adjusted our prices annually with our customer to reflect the change in the exchange rate and do not expect to be subject to material foreign currency risk, accordingly, with respect to those sales. As a result, to date, we have not entered into any foreign currency forward exchange contracts or other derivative financial instruments to hedge the effects of adverse fluctuations in foreign currency exchange. We incurred a net foreign currency transaction gain of approximately $55,000 in the quarter ended March 31, 2004, and we incurred a net foreign currency transaction gain of $149,000 and $2,858 in the years ended December 31, 2003 and 2002, respectively. Our pricing for our products sold in Euros is currently at the rate of 0.96 Euros relative to the U.S. dollar. A 10% change in the value of the Euro from .96 Euros relative to the United States dollar would cause approximately an $8,000 foreign currency translation adjustment in an average month, a type of other comprehensive income (loss), which would be a direct adjustment to stockholders' equity.

Our revolving line of credit bears interest based on interest rates tied to the prime rate or LIBOR rate, either of which may fluctuate over time based on economic conditions. As a result, we are subject to market risk for changes in interest rates and could be subjected to increased or decreased interest payments if market rates fluctuate and we are in a borrowing mode. At March 31, 2004, there were no amounts outstanding under the line of credit agreement and, accordingly, a sustained increase in the reference rate of 1% would not cause our annual interest expense to change.

Color Imaging's investment policy requires investments with high credit quality issuers and or over night repurchase agreements with our bank. Investments made by Color Imaging will principally consist of U.S. government and government agency obligations and investment-grade, interest-bearing corporate debt securities with varying maturity dates of five years or less, or the overnight purchase of securities held in our bank's investment portfolio. Because of the credit criteria of Color Imaging's investment policies, the primary market risk associated with these investments is interest rate risk. Color Imaging does not use derivative financial instruments to manage interest rate risk or to speculate on future changes in interest rates. Color Imaging had $1.1 million invested in short-term securities available-for-sale through a fund at March 31, 2004, and we received dividends of approximately $11,000 while recording a net asset value decrease of approximately $1,100 for the quarter ended March 31, 2004.

Management believes that a reasonable change in raw material prices could have a material impact on future earnings or cash flows, because we generally are not able to offset increases to our costs with higher prices for our products.

ITEM 4. CONTROLS AND PROCEDURES

a) On April 27, 2004, our Chief Executive Officer and Chief Financial Officer participated in a meeting during which there was an evaluation of our disclosure controls and procedures as of March 31, 2004. Based on such evaluation, they believe such controls and procedures are effective.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that its Disclosure Controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control system, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdown can occur because of simple error or mistake. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based upon the Company's Disclosure Controls evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, subject to the limitations noted above, the Company's Disclosure Controls are effective to give reasonable assurance that the information required to be disclosed by the Company in its periodic reports is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure and is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

b) Our Chief Executive Officer and Chief Financial Officer are involved in ongoing evaluations of internal controls. On April 27, 2004, in anticipation of the filing of this Form 10-Q, they reviewed our internal controls and have determined, based on such review, that, there have been no significant changes in our internal controls or in other factors that would significantly affect our internal controls during the quarter ended March 31, 2004.

PART II

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUERS PURCHASE OF EQUITY SECURITIES

On January 23, 2003, the Company's registration statement on Form SB-2, registering up to 7 million shares of the Company's common stock, was declared effective (Registration Statement No. 333-76090), and the offering was commenced by the Company's officers and directors. On March 13, 2003, the Company completed the public sale of 4,500,000 shares of the Company's common stock at a price of $1.35 per share, whereby the Company received $6,075,000 in gross proceeds from an affiliate, and the Company terminated the offering before the sale of all 7 million of registered shares. The net proceeds received by the Company, after expenses of $174,416, was $5,900,584. None of the aforementioned expenses were direct or indirect payments to directors, officers, their associates or persons owning ten (10) percent or more of the common stock of the Company.

On April 18, 2003, the Company established a stock repurchase program under which the Company may purchase on the open market the lesser of the aggregate value of $1,000,000 or 1,000,000 shares in compliance with Rule 10b-18, and we have reallocated proceeds for this program.

Our intended uses, as reallocated, of the $6,075,000 of proceeds received from the public sale of our common stock, and our uses through March 31, 2004, are listed below in descending order of priority:

Purpose:	Amount	Used	Reallocated
Accounts payable and other corporate and offering expenses	$ 1,000,000	$ (115,042)	$ (884,958
To retire debt (1)	$ 350,000	$ (324,301)	$ (25,699
To retire debt (2)	$ 1,050,000	$ (956,883)	$ (93,117
To retire debt (3)	$ 0	$ (235,000)	$ 235,000
To acquire capital assets.	$ 1,500,000	$ (318,774)	$ 0
To repurchase our stock (4)	$ 0	$ (41,940)	$ 1,000,000
For other general corporate purposes including working capital	$ 2,175,000	$(1,445,000)	$ (231,226
Total:	$ 6,075,000	$(3,436,940)	
Pending application:			
Short-term investments			
Pay down of revolving line of credit . . .			

(1) On November 30, 2000, we entered into a loan for $500,000 with a 5-year term, secured by specific manufacturing equipment, maturing November 30, 2004, with General Electric Capital Corporation for the purchase of toner manufacturing equipment. The interest rate is 10.214% and the monthly principal and interest payments were $10,676.39.

(2) On June 24, 1999, we entered into a loan for $1,752,000 with a 7-year term, secured by our business assets, maturing June 24, 2006, with SouthTrust Bank for the refinancing of obligations owing the bank for the acquisition

of equipment and that due under a previous working capital line of credit. The interest rate is 7.90% per annum and the monthly principal and interest payments were $27,205.00.

(3) On July 24, 1999, as amended, we entered into a borrowing arrangement under a revolving line of credit in the maximum amount of $2.5 million. During March 2003 we temporarily used $1,735,000 of our proceeds from our public offering on Form SB-2 to pay down the line of credit to $0, which at that time had an interest rate of 3.8375%. On June 16, 2003, we renewed and restructured the line of credit with the bank, reducing the maximum availability to $1.5 million and permanently retiring $235,000.

(4) From July 2003 through March 31, 2004, under the repurchase program the Company has repurchased 62,000 shares of our common stock on the open market at an average price of $0.678. Approximately $958,000 remains available for future common stock repurchases.

During March 2003, using proceeds from the offering on Form SB-2, the Company retired debt owed to General Electric Capital Corporation and SouthTrust Bank, and to the extent proceeds were not required in the amounts outlined for those purposes, they have been reallocated to be used for general corporate purposes.

During March 2003, pending application of the proceeds from the offering on Form SB-2, the Company paid down its line of credit with the bank by the then outstanding principal balance of $1,735,000. On June 16, 2003, with the renewal of our line of credit with SouthTrust Bank, we permanently reduced our revolving line of credit to $1,500,000; and, as a result, we retired $235,000 of that debt with our bank.

Pending application, we have retained the balance of the net proceeds in a deposit account with the bank and an investment account with a securities firm related to the bank.

No direct or indirect payments to directors, officers, their associates or persons owing ten (10) percent or more of the Company's common stock were made with proceeds from the Company's offering on Form SB-2

ISSUER PRIVATE PURCHASES OF EQUITY SECURITIES

There were no private purchases by the Company of its equity securities during the quarter ended March 31, 2004.

ISSUER MARKET PURCHASES OF EQUITY SECURITIES

On April 18, 2003, the Company established a stock repurchase program under which the Company may purchase on the open market the lesser of the aggregate value of $1,000,000 or 1,000,000 shares in compliance with Rule 10b-18 until September 30, 2004, and we have reallocated proceeds for this program. From July 2003 through March 31, 2004, under the repurchase program the Company has repurchased 62,000 shares of our common stock on the open market at an average price of $0.68. Approximately $958,000 remains available for future common stock repurchases.

ISSUER (MARKET) PURCHASE OF EQUITY SECURITIES

	Total Number of Shares Purchased	Maximum Number (or Approximate Dollar Value) of

Period	Total Number of Shares Purchased	Average Price Paid per Share ($)	as Part of Publicly Publicly Announced Plans or Programs	Shares that May Be Purchased Under the Plans or Programs
During 2003	44,500	0.65	44,500	
During 2004				
January	7,000	0.72	7,000	
February	3,500	0.76	3,500	
March	7,000	0.77	7,000	
Total 2004	17,500	0.75	44,500	1,000,000
Total	62,000	0.68	62,000	1,000,000

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6 -EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

Exhibit No.	Description
2.1	Merger Agreement and Plan of Reorganization dated May 16, 2000, by and between Advatex Associates, Inc., Logical Imaging Solutions Acquisition Corp., Color Imaging Acquisition Corp., Logical Imaging Solutions, Inc., and Color Image, Inc., incorporated by reference to the Registrant's Form 8-K filed on July 17, 2000.
2.2	Amendment No. 1 to the Merger Agreement and Plan of Reorganization dated June 15, 2000, incorporated by reference to the Registrant's Form 8-K filed on July 17, 2000.
2.3	Amendment No. 2 to the Merger Agreement and Plan of Reorganization dated June 26, 2000, incorporated by reference to the Registrant's Form 8-K filed on July 17, 2000.
2.4(1)	Share Exchange Agreement dated as of September 11, 2002 between Color Imaging, Inc., Logical Imaging Solutions, Inc., Digital Color Print, Inc., and the shareholders of Digital Color Print, Inc., incorporated by reference to Exhibit 2.1 to the Registrant's Form 8-K filed September 26, 2002.
2.5	Amendment No. 1 to Share Exchange Agreement dated as of September 20, 2002 between Color Imaging, Inc., Logical Imaging Solutions, Inc., Digital Color Print, Inc., and the shareholders of Digital Color Print, Inc., incorporated by reference to Exhibit 2.2 to the Registrant's Form 8-K filed September 26, 2002.
3.1	Certificate of Incorporation, incorporated by reference to

	Exhibit 3.1 to the Registration statement on Form SB-2 filed July 15, 2002.
3.2	Bylaws, incorporated by reference to the Registrant's Form 10-QSB for the quarter ended March 31, 2002. 4.1 Stock Purchase Agreement between the Company and Wall Street Consulting Corp. dated October 30, 2001, incorporated by reference to Exhibit 4.1 to the Registration statement on Form SB-2 filed May 31, 2002.
4.2	Promissory Note of Wall Street Consulting Corp. dated October 30, 2001, incorporated by reference to Exhibit 4.2 to the Registration statement on Form SB-2 filed May 31, 2002.
4.3	Form of Warrant issued to Selling Stockholders, incorporated by reference to Exhibit 4.3 to the Registration statement on Form SB-2 filed November 28, 2001.
4.4	Development Authority of Gwinnett County, Georgia Industrial Development Trust Indenture dated June 1, 1999, incorporated by reference to Exhibit 4.27 to the Registration statement on Form SB-2 filed May 31, 2002.
4.5	Loan Agreement between the Company, Kings Brothers LLC and the Development Authority of Gwinnett County, Georgia dated June 1, 1999, incorporated by reference to Exhibit 4.28 to the Registration statement on Form SB-2 filed May 31, 2002.
4.6	Joint Debtor Agreement dated June 28, 2000 by and among Color Image, Inc., Kings Brothers, LLC, Dr. Sueling Wang, Jui-Chi Wang, Jui-Kung Wang, and Jui-Hung Wang, incorporated by reference to Exhibit 4.28 to the Registration statement on Form SB-2 filed February 11, 2002.
4.7	First Amendment to Joint Debtor Agreement dated January 1, 2001 by and among Color Imaging, Kings Brothers, LLC, Dr. Sueling Wang, Jui-Chi Wang, Jui-Kung Wang, and Jui-Hung Wang, incorporated by reference to Exhibit 4.29 to the Registration statement on Form SB-2 filed February 11, 2002.
4.8	$500,000 Promissory Note between Color Imaging and Sueling Wang dated March 14, 2002, incorporated by reference to Exhibit 4.34 to the Registration statement on Form SB-2 filed April 11, 2002.
4.9	$500,000 Promissory Note between Color Imaging and Jui Hung Wang dated August 21, 2002, incorporated by reference to Exhibit 4.50 to the Registration statement on Form SB-2 filed October 2, 2002.
4.10	$100,000 Promissory Note between Color Imaging and Jui Chi Wang dated August 21, 2002, incorporated by reference to Exhibit 4.51 to the Registration statement on Form SB-2 filed October 2, 2002.
4.11	First Note Modification Agreement between Sueling Wang and Color Imaging dated August 27, 2002, incorporated by reference to Exhibit 4.52 to the Registration statement on Form SB-2 filed October 2, 2002.
4.12	Amended and restated $1,500,000 revolving note between Color Imaging and SouthTrust Bank dated June 16, 2003, incorporated by reference to Exhibit 4.12 to the Registrant's Form 10-Q for the quarter ended June 30, 2003.
4.13	Amended and restated loan and security agreement between Color Imaging and SouthTrust Bank dated June 16, 2003, incorporated by reference to Exhibit 4.13 to the Registrant's Form 10-Q for the quarter ended June 30, 2003.

Exhibit No.	Description
10.1+*	Employment Agreement between Color Imaging and Patrick J. Wilson dated April 1, 2004.
10.2+*	Amendment to Employment Agreement between Color Imaging and Morris E. Van Asperen dated April 23, 2004.
31.1+	Chief executive officer's certification pursuant to Section 302

	of the Sarbanes-Oxley Act of 2002
31.2+	Chief financial officer's certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1+	Chief executive officer's certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2+	Chief financial officer's certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

+ Filed herewith.
* Management contract or compensatory arrangement or plan.
(1) Pursuant to Rule 601(b)(2), the schedules and exhibits to this Agreement shall not be filed. A list of the schedules and exhibits is contained on the last page of the Agreement. The Registrant agrees to furnish supplementally a copy of any of the omitted schedules and exhibits to the Securities and Exchange Commission upon request.

(b) REPORTS ON FORM 8-K

None.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COLOR IMAGING, INC.

/S/ JUI-KUNG WANG

April 27, 2004 — Jui-Kung Wang
Chief Executive Officer

/S/ MORRIS E. VAN ASPEREN

Morris E. Van Asperen
Executive Vice President and
Chief Financial Officer