

U. S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) September 30, 1996

FORENSIC TECHNOLOGIES INTERNATIONAL CORPORATION  
(Exact name of registrant as specified in its charter)

Maryland  
(State of other jurisdiction of  
incorporation)

0-  
(Commission File Number)

52-1261113  
(IRS Employer Identification No.)

2021 Research Drive, Annapolis, Maryland 21401  
(Address of principal executive offices, including Zip Code)

(410) 224-8770  
(Registrant's telephone number, including area code)

FORENSIC TECHNOLOGIES INTERNATIONAL CORPORATION

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements. Audited financial statements of Teklicon, Inc., for the year ended March 31, 1996.

(b) Pro Forma Financial Information. Pro Forma Balance Sheet and Pro Forma Statement of Income combining Forensic Technologies International Corporation and Teklicon, Inc. for the year ended December 31, 1995, and the nine months ended September 30, 1996.

SIGNATURES

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

FORENSIC TECHNOLOGIES INTERNATIONAL CORPORATION  
(Registrant)

By: /s/ Gary Sindler

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Gary Sindler  
Executive Vice President and Chief  
Financial Officer

DATED: November 27, 1996

YOUNG,  
CRAIG  
+ COMPANY  
-----  
CERTIFIED PUBLIC  
ACCOUNTANTS  
=====

TEKLICON, INC.  
Audited Financial Statements  
For The Year Ended March 31, 1996

5150 El Camino Real, Suite C-10 Los Altos, California 94022 (415)988-7300  
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Fax (415)988-8852  
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MEMBER OF ASSOCIATED REGIONAL ACCOUNTING FIRMS

TABLE OF CONTENTS

	Page No.
	-----
INDEPENDENT AUDITORS REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	2
Statement of Operations and Retained Earnings	4
Statement of Cash Flows	5
Notes to Financial Statements	6
SUPPLEMENTARY INFORMATION	10

YOUNG, CRAIG + COMPANY  
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YOUNG,  
CRAIG  
+ COMPANY

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CERTIFIED PUBLIC  
ACCOUNTANTS  
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INDEPENDENT AUDITOR'S REPORT  
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Teklicon, Inc.  
Mountain View, California

Dennis A. Young, CPA  
Janet L. Craig, CPA  
Raymond H. Skitt, CPA  
Robert D. Galen, CPA  
David L. Heacock, CPA

We have audited the accompanying balance sheet of Teklicon (a corporation) as of March 31, 1996 and the related statements of operations, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above represent fairly, in all material respects, the financial position of Teklicon, Inc. as of March 31, 1996, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

/s/ Young Craig + Company

July 25, 1996

5150 El Camino Real, Suite C-10 Los Altos, California 94022 (415) 988-7300  
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Fax (415) 988-8852  
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MEMBER OF ASSOCIATED REGIONAL ACCOUNTING FIRMS

TEIAICON, INC.  
BALANCE SHEET  
March 31, 1996

CURRENT ASSETS	
Cash in bank	\$ 25,326
Money market	60,568
Certificates of deposit	149,421
Accounts receivable-trade	546,663
Accounts receivable-other	20,680
Notereceivable-employee	3,075
Prepaid expenses	12,753
	-----
TOTAL CURRENT ASSETS	818,486
	-----
PROPERTY AND EQUIPMENT	
Machinery and equipment	240,361
Accumulated depreciation	(189,856)
	-----
	50,505
	-----
OTHER ASSETS	
Investment in insurance contract	72,997
	-----
	\$ 941,988
	=====

See accompanying notes and Independent Auditor's Report.

2

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CERTIFIED PUBLIC ACCOUNTANTS

TEIAICON, INC.  
BALANCE SHEET  
March 31, 1996

CURRENT LIABILITIES	
Accounts payable	169,279
Accrued expenses	85,180
Payroll taxes payable	113,095
Unearned income-deposits	112,500
Deferred taxes	79,831
	-----
TOTAL CURRENT LIABILITIES	559,885
	-----

STOCKHOLDER'S EQLTITY

Common stock, no par value, 15,000,000 shares authorized

7,500,000 shares issued and outstanding	5,000
Retained earnings	377,103
	-----
	382,103
	-----
	941,988
	=====

See accompanying notes and Independent Auditor's Report.

3

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CERTIFIED PUBLIC ACCOUNTANTS

TEKLICON, INC.  
STATEMENT OF OPERATIONS AND RETAINED EARNINGS  
Year Ended March 31, 1996

REVENUE	\$ 3,099,288
Less Sales Allowances	45,724
	-----
	3,053,564
	-----
COST OF SERVICES	
Consultant fees	1,621,193
Client expenses paid	35,523
	-----
	1,656,716
	-----
GROSS PROFIT	1,396,848
GENERAL AND ADMINISTRATIVE EXPENSES	866,098
	-----
INCOME FROM OPERATIONS BEFORE OFFICER COMPENSATION	530,750
OFFICER COMPENSATION	
Salary	530,000
Pension plan	23,631
Life insurance	14,035
	-----
LOSS FROM OPERATIONS	(36,916)
	-----
OTHER INCOME (EXPENSES)	
Interest income	16,481
Other income	15,025
Interest expense	(1,040)
	-----

LOSS BEFORE TAX PROVISION	(6,450)
PROVISION FOR INCOME TAXES	2,183
	-----
NET LOSS	(8,633)
	-----
BEGINNING RETAINED EARNINGS	466,022
Prior period adjustment, net of tax	(80,286)
	-----
BEGINNING RETAINED EARNINGS RESTATED	385,736
	-----
ENDING RETAINED EARNINGS	\$377,103
	=====

See accompanying notes and Independent Auditor's Report.

4

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CERTIFIED PUBLIC ACCOUNTANTS

TEKLICON, INC.  
STATEMENT OF CASH FLOWS  
Year Ended March 31, 1996

CASH FLOWS FROM OPERATING ACTIVITES	
Net loss	\$ (8,633)
Prior period adjustment, net of tax	(80,286)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	28,771
Change in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable - trade	(87,670)
Accounts receivable - other	(15,025)
Note receivable - employee	(3,075)
Prepaid expenses	(12,753)
Increase (decrease) in:	
Accounts payable	114,604
Accrued payroll taxes	63,366
Accrued expenses	85,179
Income taxes payable	(16,796)
Unearned income - deposits	11,000
Deferred taxes	(37,615)
	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	41,067
	-----

CASH FLOWS FROM INVESTING ACTIVITIES	
Equipment purchases	(15,105)
Investment in insurance contract	(35,965)
	-----
NET CASH USED BY INVESTING ACTIVITIES	(51,070)
	-----
NET DECREASE IN CASH	(10,003)
CASH AT BEGINNING OF YEAR	245,318
	-----
CASH AT END OF YEAR	\$235,315
	=====

See accompanying notes and Independent Auditor's Report.

YOUNG, CRAIG + COMPANY  
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CERTIFIED PUBLIC ACCOUNTANTS

TEKLICON., INC.  
NOTES TO FINANCIAL STATEMENTS  
March 31, 1996

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

- - -----

Teklicon, Inc. provides technical consulting and expert witness testimony to attorney's and businesses.

Management Estimates

- - -----

The use of management estimates is required in order to prepare any financial statements in accordance with generally accepted accounting principles.

Property and equipment

- - -----

Property and equipment are stated at cost. Depreciation is computed using the accelerated and straight-line methods over the estimated useful lives of the assets, which range from three to seven years.

Bad debt expense

- - -----

During fiscal year ended March 31, 1996, the Company determined that some accounts receivables had become uncollectable and they were written off at the end of the year.

Allowance for doubtful accounts  
- - -----

The Company considers the remaining accounts receivable fully collectable; accordingly, no allowance for doubtful accounts is required.

Cash Equivalents  
- - -----

For purposes of reporting cash flows, cash equivalents include money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less.

See accompanying notes and Independent Auditor's Report.

YOUNG, CRAIG + COMPANY  
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CERTIFIED PUBLIC ACCOUNTANTS

TEKLICON, INC.  
NOTES TO FINANCIAL STATEMENTS  
March 31, 1996

NOTE B - SUPPLEMENTARY INFORMATION FOR STATEMENT OF CASH FLOWS

The following accounts are a summation of the cash accounts on the statement of cash flows:

Cash in bank	\$ 25,326
Money market	60,568
Certificates of deposit	149,421
	-----
	\$ 235,315
	=====

SUPPLEMENTAL DISCLOSURES OF CASH FLOW  
INFORMATION:

Cash paid during the year for:

Interest	\$ 1,040
	=====
Income taxes	\$ 44,154



=====

NOTE C - INCOME TAXES

The components of the provision for income taxes for the fiscal year ended March 31, 1996 is as follows:

Tax liability per tax returns:	
Federal income tax	\$ 13,112
California Franchise tax	3,273
Tax effect of depreciation and other temporary differences	(14,202)
	-----
	\$ 2,183
	=====

The Company uses the cash basis of accounting for tax reporting purposes. Temporary differences giving rise to the deferred tax liability consist primarily of accrued income and expenses recognized in the current period for financial reporting, but deferred for tax purposes and the excess of depreciation for tax purposes over the amount for financial reporting.

See accompanying notes and Independent Auditor's Report.

7

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CERTIFIED PUBLIC ACCOUNTANTS

TEKLICON, INC.  
NOTES TO FINANCIAL STATEMENTS  
March 31, 1996

NOTE D - LEASE COMMITMENTS

The Company leases an office facility in Mountain View under an operating lease agreement effective March 1, 1990. This lease expired on April 30, 1996. The Company entered into a new lease for less office space effective May 1, 1996 through April 30, 1999. The agreement requires payment of a share of real property taxes, operating expenses and property insurance during the term of the lease.

The Company sublet a portion of this office facility under an operating lease effective June 15, 1994, and expiring April 30, 1996. The income received from this sublease was used to offset rent expense.

Future minimum lease payments, without regard for sublease offset, real property taxes, and operating expenses and property insurance, are as follows:

1997	\$	56,486
------	----	--------

1998	55,085
1999	56,465
2000	4,715
----	-----
	\$ 172,751
	=====

NOTE E - RELATED PARTY TRANSACTIONS

The Company has an account receivable due of \$20,680 for reimbursable expenses from Pat, Inc. This entity is owned 75% by the principal stockholder of the Company.

NOTE F - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the company to concentrations of credit risk consist principally of cash investments. At March 31, 1996, the Company had a cash investment with one financial institution which exceeded the federally insured limit by \$109,989.

See accompanying notes and Independent Auditor's Report.

YOUNG, CRAIG + COMPANY  
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CERTIFIED PUBLIC ACCOUNTANTS

TEKLICON, INC.  
NOTES TO FINANCIAL STATEMENTS  
March 31, 1996

NOTE G - PROFIT SHARING PLAN

The Company has a profit sharing plan that covers all employees. Contributions to the plan are at the discretion of the Board of Directors. Contributions to the plan for the year ended March 31, 1996 totaled \$71,584.

NOTE H - MAJOR VENDORS AND CUSTOMERS

For the year ended March 31, 1996, the Company had four consultants from whom 14%, 12%, 11%, and 10% of consulting services were purchased.

Sales to two customers comprised greater than 10% of the Company's sales during the year ended March 31, 1996. Sales to these customers approximated \$841,527. Accounts receivable from these customers totaled \$321,565.

NOTE I - PRIOR PERIOD ADJUSTMENT

Retained Earnings at the beginning of the year has been adjusted to correct an error in accrued expenses for the prior year. Had the error not occurred, net income for the year ending March 31, 1995 would have been decreased by \$80,286,

net of income taxes of \$34,551.

See accompanying notes and Independent Auditor's Report.

9

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CERTIFIED PUBLIC ACCOUNTANTS

TEKLICON, INC.  
GENERAL AND ADMINISTRATIVE EXPENSES  
Year Ended March 31, 1996

GENERAL AND ADMINISTRATIVE EXPENSES

Salaries-office	\$ 375,826
Advertising and marketing	73,945
Auto expense	58,115
Rent	56,181
Pension plan	47,953
Accounting and legal fees	46,610
Office supplies	40,332
Payroll taxes	34,687
Travel expense	33,651
Depreciation	28,771
Meals and entertainment-client	24,445
Insurance (employee benefits)	18,426
Telephone	12,085
Dues and subscriptions	5,150
Postage	4,040
Bad debt expense	1,763
Meals and entertainment	1,716
Other expenses	1,411
Property tax	991
	-----
	866,098
	=====

See accompanying notes and Independent Auditor's Report.

10

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CERTIFIED PUBLIC ACCOUNTANTS

Forensic Technologies International Corporation  
Pro Forma Balance Sheet (unaudited)  
December 31, 1995

	FTI	Teklicon	Pro Forma Adjustments	FTI/ Teklicon Pro Forma Combined
	---	-----	-----	-----
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	9,610	\$ 235,315		244,925
Accounts receivable, net	4,063,432	570,418		4,633,850
Unbilled accounts receivable, net	2,230,674			2,230,674
Deferred income taxes	499,141			499,141
Other current assets	133,052	12,753		145,805
<b>Total current assets</b>	<b>6,935,909</b>	<b>818,486</b>		<b>7,754,395</b>
<b>Property and equipment:</b>				
Buildings	411,241			411,241
Furniture and equipment	6,335,898	240,361		6,576,259
Leasehold improvements	677,348			677,348
	7,424,487	240,361		7,664,848
Accumulated depreciation and amortization	(4,594,318)	(189,856)		(4,784,174)
<b>Property, net</b>	<b>2,830,169</b>	<b>50,505</b>		<b>2,880,674</b>
Other assets	127,755	72,997		200,752
<b>Total assets</b>	<b>\$ 9,893,833</b>	<b>\$ 941,988</b>		<b>\$ 10,835,821</b>
<b>Liabilities and stockholders' equity</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 916,742	\$ 254,459		\$ 1,171,201
Borrowings under line of credit	2,110,391			2,110,391
Accrued compensation expense	820,746	113,095		933,841
Incomes tax payable	208,296	79,831		288,127
Current portion of deferred revenue	138,889			138,889
Current portion of capital lease obligations	63,463			63,463
Accrued loss on disposal of discontinued operations	478,828			478,828
Other current liabilities	198,054	112,500		310,554
<b>Total current liabilities</b>	<b>4,935,409</b>	<b>559,885</b>		<b>5,495,294</b>
Long-term debt and capital lease obligations, less current portion	206,747			206,747
8% Convertible Subordinated Debentures, due to stockholders	1,800,000			1,800,000
Series A Redeemable Convertible Preferred Stock	1,560,000			1,560,000
Common Stock Subject to Repurchase	310,930			310,930
<b>Stockholders' equity:</b>				
Common stock - Class A	15,741	4,150		19,891
Common stock - Class B	15,246			15,246
Additional paid-in capital		850		850
Retained earnings	1,049,760	377,103		1,426,863
<b>Total stockholders' equity</b>	<b>1,080,747</b>	<b>382,103</b>		<b>1,462,850</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 9,893,833</b>	<b>\$ 941,988</b>		<b>\$ 10,835,821</b>

Forensic Technologies International Corporation  
Pro Forma Statement of Income (Unaudited)  
For Year ended December 31, 1995

	FTI	Teklicon	Pro Forma Adjustments	FTI/ Teklicon Pro Forma Combined
	---	-----	-----	-----
Revenues	\$ 20,327,739	\$ 3,053,564		\$ 23,381,303
Direct cost of revenues	9,492,533	1,873,716		11,366,249
Selling, general and administrative expenses	8,670,027	1,216,764	(370,000)	9,516,791
<b>Total costs and expenses</b>	<b>18,162,560</b>	<b>3,090,480</b>	<b>(370,000)</b>	<b>20,883,040</b>
<b>Income from operations</b>	<b>2,165,179</b>	<b>(36,916)</b>	<b>370,000</b>	<b>2,498,263</b>
Other income (expenses):				
Interest and other income	10,163	32,706		42,869
Interest expense	(262,784)	(1,040)		(263,824)
	(252,621)	31,666		(220,955)
<b>Income (loss) from continuing operations before income taxes</b>	<b>1,912,558</b>	<b>(5,250)</b>	<b>370,000</b>	<b>2,277,308</b>
Income taxes	776,482	24,183	152,000	952,665
<b>Income (loss) from continuing operations</b>	<b>1,136,076</b>	<b>(29,433)</b>	<b>218,000</b>	<b>1,324,643</b>
Discontinued operations:				
Loss from discontinued operations (net of income tax benefit of \$44,460)	(65,074)			(65,074)
Loss on disposal of discontinued operations (net of income tax benefit of \$248,520)	(365,109)			(365,109)
<b>Net income (loss)</b>	<b>\$ 705,893</b>	<b>\$ (29,433)</b>	<b>\$ 218,000</b>	<b>\$ 894,460</b>

Per common and common equivalent share:		
Income from continuing operations	\$ 0.61	\$ 0.58
Net income	\$ 0.38	\$ 0.39
Per common share, assuming full dilution:		
Income from continuing operations	\$ 0.42	\$ 0.42
Net income	\$ 0.27	\$ 0.29
Common and common equivalent shares used in calculation of earnings per share:		
Primary	1,867,836	2,282,836
Fully diluted	2,942,879	3,357,879

In connection with the merger, the Company entered into an employment agreement with the sole stockholder and executive officer of Teklicon. The future amount of compensation to be paid the officer, who will have substantially the same duties, will be less than the amounts paid in periods prior to the merger. The pro forma adjustment, presented above, assumes that the officer had received the reduced amount of compensation in the periods presented.

Forensic Technologies International Corporation  
Pro Forma Balance Sheet (unaudited)  
September 30, 1996

	FTI	Teklicon	Pro Forma Adjustments	FTI/ Teklicon Pro Forma Combined
	---	-----	-----	-----
Assets				
Current assets:				
Cash and cash equivalents	6,699,791	\$ 237,166	\$	6,936,957
Accounts receivable, net	6,318,424	520,314		6,838,738
Unbilled receivable, net	2,896,332			2,896,332
Deferred income taxes	499,141			499,141
Prepaid expenses	657,952	11,409		669,361
Total current assets	17,071,640	768,889		17,840,529
Property and equipment:				
Buildings	411,241			411,241
Furniture and equipment	7,539,228	238,906		7,778,134
Leasehold improvements	781,161			781,161
Accumulated depreciation and amortization	8,731,630	238,906		8,970,536
	(5,176,499)	(191,721)		(5,368,220)
Property, net	3,555,131	47,185		3,602,316
Other assets	96,880	131,484		228,364
Total assets	\$ 20,723,651	\$ 947,558		\$ 21,671,209
Liabilities and stockholders' equity				
Current liabilities:				
Accounts payable	1,064,424	\$ 296,439	\$	1,360,863
Borrowings under line of credit	699,443	13,632		713,075
Accrued compensation expense	820,330	24,291		844,621
Incomes tax payable	532,071	90,184		622,255
Current portion of capital lease obligations	56,443			56,443
Other current liabilities	456,380	121,500		577,880
Total current liabilities	3,629,091	546,046		4,175,137
Long-term debt and capital lease obligations, less current portion	182,931			182,931
Stockholders' equity:				
Common stock - Class A	40,920	4,150		45,070
Additional paid-in capital	14,384,750	850		14,385,600
Retained earnings	2,485,959	396,512		2,882,471
Total stockholders' equity	16,911,629	401,512		17,313,141
Total liabilities and stockholders' equity	\$ 20,723,651	\$ 947,558		\$ 21,671,209

Forensic Technologies International Corporation  
Pro Forma Statement of Income (Unaudited)  
For Nine Months ended September 30, 1996

	FTI ---	Teklicon -----	Pro Forma Adjustments -----	FTI/ Teklicon Pro Forma Combined -----
Revenues	\$ 20,338,661	\$ 2,208,523		\$ 22,547,184
Direct cost of revenues	10,923,870	1,413,771	(100,000)	12,237,641
Selling, general and administrative expenses	6,893,470	864,633		7,758,103
Total costs and expenses	17,817,340	2,278,404	(100,000)	19,995,744
Income from operations	2,521,321	(69,881)	100,000	2,551,440
Other income (expenses):				
Interest and other income	163,057	29,914		192,971
Interest expense	(155,982)			(155,982)
Income from continuing operations before income taxes	7,075			36,989
	2,528,396	(39,967)	100,000	2,588,429
Income taxes	1,033,599	12,537	41,000	1,087,136
Net income	\$ 1,494,797	\$ (52,504)	\$ 59,000	\$ 1,501,293
Per common and common equivalent share:				
Net income	\$ 0.49			\$ 0.43
Per common share, assuming full dilution:				
Net income	\$ 0.42			\$ 0.38
Common and common equivalent shares used in calculation of earnings per share:				
Primary	3,074,275			3,489,275
Fully diluted	3,607,126			4,022,126

In connection with the merger, the Company entered into an employment agreement with the sole stockholder and executive officer of Teklicon. The future amount of compensation to be paid the officer, who will have substantially the same duties, will be less than the amounts paid in periods prior to the merger. The pro forma adjustment, presented above, assumes that the officer had received the reduced amount of compensation in the periods presented.