

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

QUINTEK TECHNOLOGIES INC
Form 10QSB
May 15, 2003

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

FORM 10-QSB

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

For the Quarterly Period Ended March 31, 2003

or

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

Commission File Number 000-29719

QUINTEK TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

State of California

77-0505346

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

537 Constitution Ave., Suite B
Camarillo, California 93012

(Address of principal executive office)

Registrant's telephone number: 805-383-3914

Check 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 No

Indicate by check mark whether the registrant is an accelerated filer (as
defined in Rule 12b-2 of the Act). Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant has filed all documents and reports required to be
filed by Section 12,13, or 15(d) of the Securities Exchange Act of 1934 after
the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

On May 15, 2003 a total of 46,627,008 shares of the registrant's common stock
were issued and outstanding.

Transitional Small Business Disclosure Format Yes No

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

Table of Contents

PART I	FINANCIAL INFORMATION	
Item 1.	Financial Statements	3
Item 2.	Management's Discussion and Analysis of Plan of Operations	10
Item 3.	Disclosure Controls and Procedures	11
PART II	OTHER INFORMATION	
Item 1.	Legal Proceedings	12
Item 2.	Changes in Securities and Use of Proceeds	12
Item 3.	Defaults Upon Senior Securities	13
Item 4.	Exhibits and Reports on Form 8-K	
Item 5.	Other Information	13
Item 6.	Exhibits and Reports on Form 8-K	15
Signatures		

2

PART I --- FINANCIAL INFORMATION

Item 1. Financial Statements

QUINTEK TECHNOLOGIES, INC.

BALANCE SHEETS AT MARCH 31, 2003

AND JUNE 30, 2002

A S S E T S	March 31, 2003 Unaudited	June 30, 2002
-----	-----	-----
Current assets:		

Cash	5,850	2,602
Accounts receivable (net of allowance for doubtful accounts of \$20,498)	153,481	27,212
Inventory	32,383	57,426
Other	1,380	2,038
	-----	-----
Total current assets	193,094	89,278
Property and equipment, at cost:		
Equipment	102,881	102,881
Computer and office equipment	92,492	88,492
Furniture and fixtures	32,526	32,526
	-----	-----
	227,899	223,899
Less-accumulated depreciation	(207,676)	(192,210)

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

Net fixed assets	20,223	31,689
Other assets:		

Deposits	2,395	4,994
Intangible assets (net of accumulated amortization of \$67,796 and \$53,082)	68,277	82,985
Investments	--	28,762
Employee receivables, net	10,410	2,400
	-----	-----
Total other assets	81,082	119,141
	-----	-----
Total assets	294,399	240,108
	=====	=====

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

3

QUINTEK TECHNOLOGIES, INC.

BALANCE SHEETS AT MARCH 31, 2003

AND JUNE 30, 2002

	March 31, 2003 Unaudited	June 30, 2002
LIABILITIES AND STOCKHOLDERS' (DEFICIT)	-----	-----
Current liabilities:		
Accounts payable	241,977	207,335
Payroll and payroll taxes payable	181,678	307,522
Payroll taxes assumed in merger	123,272	123,272
Accrued expenses	127,618	134,521
Notes payable-stockholders	105,300	36,400
Other liabilities	2,028	48,594
Convertible bonds	161,695	330,505
Unearned revenue	39,550	27,886
Liabilities In Process Of Conversion To Stock	440,482	--
Total current liabilities	1,423,600	1,216,035
COMMITMENTS AND CONTINGENCIES	--	--
Stockholders' (deficit):		
Common stock-\$0.01 par value, 50,000,000 shares authorized, 46,026,008 and 40,162,008 issued and outstanding	460,260	401,620
Additional paid-in capital	20,241,828	19,997,017
Retained (deficit)	(21,830,406)	(21,361,481)
	-----	-----
	(1,128,318)	(962,844)
Less-subscriptions receivable	(883)	(13,083)
	-----	-----
Total stockholders' (deficit)	(1,129,201)	(975,927)
	-----	-----

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

Total liabilities and stockholders' (deficit)	294,399	240,108
	=====	=====

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

4

QUINTEK TECHNOLOGIES, INC.

STATEMENTS OF OPERATIONS FOR THE THREE MONTHS AND NINE MONTHS

ENDED MARCH 31, 2003 AND 2002

	Three Months Ended March 31		Nine Months Ended March 31	
	(Unaudited)		(Unaudited)	
	2003	2002	2003	2002
	-----	-----	-----	-----
Sales	100,838	121,084	323,449	333,472

Cost of sales	56,510	35,831	169,463	141,195

Gross margin	44,328	85,253	153,986	192,277

Operating expenses:				

Selling, general and administrative	161,645	136,554	393,277	522,962
Stock-based compensation for services	151,000	--	223,013	343,414
	-----	-----	-----	-----
Total operating expenses	312,645	136,554	616,290	866,376
	-----	-----	-----	-----
Loss from operations	(268,317)	(51,301)	(462,304)	(674,099)

Other income (expenses):				

Other income	(3,351)	6,659	30,665	16,364
Interest expense	(13,440)	(21,601)	(37,286)	(50,124)
Share of net loss in unconsoli- dated affiliate	--	(183,276)	--	(186,201)
	-----	-----	-----	-----
Total other income (expenses)	(16,791)	(198,218)	(6,621)	(219,961)
	-----	-----	-----	-----

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

Net (loss) before income taxes	(285,108)	(249,519)	(468,925)	(894,060)

Provision for income taxes	--	800	--	800
-----	-----	-----	-----	-----
Net (loss)	(285,108)	(250,319)	(468,925)	(894,860)
-----	=====	=====	=====	=====
Net loss per share:				
Basic and diluted	(\$ 0.01)	(\$ 0.01)	(\$ 0.01)	(\$ 0.03)

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

QUINTEK TECHNOLOGIES, INC.

STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS

ENDED MARCH 31, 2003 AND 2002

	(Unaudited)	
	March 31,	
	2003	2002
	-----	-----
Cash flows from operating activities:		
Net (loss)	(468,925)	(894,680)
Adjustments to reconcile net (loss) to net cash		
(used) by operating activities:		
Depreciation and amortization	27,880	22,591
Stock-based compensation for services	223,013	343,414
Loss in unconsolidated affiliate	--	186,201
Changes in current assets and liabilities:		
(Increase) in accounts receivable	(126,269)	(155,300)
(Increase) decrease in inventory	25,043	(25,301)
(Increase) in other current assets	--	(4,027)
(Decrease) in accounts payable	(5,358)	(128,145)
Increase in payroll payables	126,370	118,051
Increase (decrease) in other liabilities and accrued expenses	(18,195)	3,552
	-----	-----
Total adjustments	252,484	361,036
	-----	-----
Net cash (used) by operating activities	(216,441)	(533,644)
Cash flows from investing activities:		

Purchase of fixed assets	(4,000)	--
Decrease in other assets	2,599	--
(Increase) decrease in employer receivables	(8,010)	2,400
	-----	-----
Net cash provided (used) by investing activities	(9,411)	2,400
Cash flows from financing activities:		

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

Factoring payable	40,000	130,490
Notes payable-stockholders	68,900	43,000
Convertible bonds	--	94,200
Proceeds from common stock	120,200	261,451
	-----	-----
Net cash provided by financing activities	229,100	529,141
	-----	-----
Net increase (decrease) in cash	3,248	(2,103)
	-----	-----
Cash-beginning of period	2,602	3,073
	-----	-----
Cash-end of period	5,850	970
	=====	=====

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

QUINTEK TECHNOLOGIES, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF MARCH 31, 2003
 (Unaudited)

1. Basis of Presentation

In the opinion of management, the accompanying unaudited financial statements of Quintek Technologies, Inc. (the "Company") include all adjustments (consisting only of normal recurring adjustments) considered necessary to present fairly its financial position as of March 31, 2003, the results of operations for the three months and nine months ended March 31, 2003 and 2002, and cash flows for the nine months ended March 31, 2003 and 2002. The results of operations for the nine months ended March 31, 2003 and 2002, are not necessarily indicative of the results to be expected for the full year or for any future period. The information included in this Form 10-QSB should be read in conjunction with Management's Discussion and Analysis and financial statements and notes thereto included in the Company's 2002 Form 10-KSB.

2. Summary of Significant Accounting Policies

a) Nature of Business

The Company was originally incorporated under the laws of the State of California on April 16, 1993, as Quintek Electronics, Inc. On January 14, 1999, the Company merged with Pacific Diagnostic Technologies, Inc. in a business combination accounted for as a purchase. The acquisition took place under a plan of reorganization. Quintek Electronics, Inc. ("QEI") became public when it was acquired by Pacific Diagnostic Technologies, Inc. ("PDX") through a reverse merger and Chapter 11 Plan of Reorganization. Under the plan, all assets of QEI were sold to PDX, all PDX management resigned once the Plan was confirmed, and QEI's management and operating plan were adopted by the new operating entity. Shortly after the confirmation of the plan, the name of the reorganized debtor was changed to Quintek Technologies, Inc. ("QTI"). QTI assumed the assets, liabilities, technology and public position of both QEI and PDX. At the time of the merger, PDX was a nonoperating public entity and QTI has no intention of carrying on the former operations of PDX.

The plan was structured to compensate all related parties with common stock and units. Each unit consisted of one share of common stock, one Class A warrant,

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

one Class B warrant, one Class C warrant and one Class D warrant. PDX shareholders received unrestricted units at a ratio of one QTI unit for 25 shares of PDX stock, resulting in a distribution of 310,535 units. PDX creditors received unrestricted QTI units at a ratio of one QTI unit for \$3 of previous PDX debt, resulting in a net distribution of 885,549 units. Chapter 11 administrators and consultants received approximately 610,000 unrestricted QTI shares, attorneys received 220,000 unrestricted units and market-makers received 200,000 unrestricted units. QEI shareholders received 11,096,167 shares of restricted common stock.

On February 24, 2000, the Company acquired all of the outstanding common stock of Juniper Acquisition Corporation ("Juniper"). For accounting purposes, the acquisition has been treated as a capitalization of the Company with the Company as the acquirer (reverse acquisition). The historical financial statements prior to February 24, 2000 are those of the Company.

5

2. Summary of Significant Accounting Policies (Continued)

The Company was established for the primary purpose of developing, manufacturing, and distributing the 4300 Aperture Card Imaging System technologies, used for recording digital images on aperture card media ("the 4300 system"). Aperture cards are small, rectangular cards each of which contains a 35mm strip of microfilm, which is used for storing visual information. The 4300 system is intended to eliminate the problems of conventional aperture card manufacturing by producing aperture card media with a chemical free process. The chemistry and fumes involved with conventional photographic film development may be hazardous and the waste material resulting from the chemical process may be considered hazardous material. The Company's 4300 system does not use a chemical process and does not produce any hazardous material.

b) Basis of Accounting

The Company reports on the accrual basis of accounting for both financial statement and income tax purposes. Revenue from product sales is recognized upon shipment of the product. Revenue from services is recognized as the service is provided using the straight-line method over the life of the contract. A related liability is recorded for the unearned portion of service revenue received.

c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Actual results could differ from those estimates.

d) Major Customers

The Company had two customers that accounted for more than 67% of revenue. For the nine months ended March 31, 2003, revenues from the Company's major customers amounted to approximately \$152,887. Accounts receivable from these major customers was approximately \$137,649 at March 31, 2003.

e) Major Suppliers

There are currently only two known suppliers of aperture cards that use dry silver film. A continued supply of aperture card media is crucial to the success of the Company because without cards, customers have no use for the Company's equipment, services and software.

g) Accounts Receivable

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

The allowance for bad debt is established through a provision for bad debt charged to expense. Receivables are charged off against the allowance when management believes that the collectibility of the account is unlikely. Recoveries of amounts previously charged off are credited to the allowance.

h) Property, Equipment and Depreciation

Property and equipment are recorded at cost. Depreciation of property and equipment is provided using the straight-line and accelerated methods over the following estimated useful lives: Equipment-5 years, computers and office equipment-3-7 years and furniture and fixtures-7 years.

Expenditures and maintenance and repairs are charged against operations when incurred. Major renewals and betterments are capitalized.

6

i) Intangible Assets

The cost of patents and purchased proprietary processes acquired are being amortized using the straight-line method over their remaining useful lives of 4 years.

j) Payroll Taxes-Assumed in Merger

The Company assumed \$205,618 of payroll tax liabilities in the merger with Pacific Diagnostic Technologies, Inc. The balance at March 31, 2003 is \$123,272.

k) Research and Development

Research and development costs are charged to operations when incurred and are included in operating expenses. The amount charged to operations for the nine months ended March 31, 2003 was \$42,375.

l) Advertising

The Company expenses advertising costs as they are incurred. Advertising expense was \$11,572 for the nine months ended March 31, 2003.

m) Income Taxes

The Company accounts for income taxes using the liability approach to financial accounting and reporting. Current income taxes are based on the year's income taxable for federal and state reporting purposes.

The Company has a deferred tax asset due to net operating loss carry forwards and temporary taxable differences due to stock-based compensation for income tax purposes. The deferred tax asset is \$2,480,092 as of December 31, 2002. However, due to the ongoing nature of the losses and the potential inability of the Company to ever realize the benefit, a valuation allowance has been established for 100% of the deferred tax asset. Net operating loss carry forwards expire at various times through the year 2021.

3. Going Concern

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern; however, the Company has sustained substantial operating losses. In view of this matter, realization of a major portion of the assets in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financing requirements, and the success of its future operations.

The Company's management is unable to determine how long its cash flow will sustain its operations or whether certain creditors will initiate actions to collect amounts due. Accordingly, the Company will require an additional capital infusion or revenues from additional sales to continue operations. Management is not certain if additional capital or sales proceeds will become available and is

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

considering other strategic alternatives, which may include a merger, asset sale, or another comparable transaction, or financial restructuring. If unsuccessful in completing a strategic transaction, the Company may be required to cease operations.

4. Net Loss Per Share

Basic net loss per share is based on the weighted average number of common shares outstanding of 44,577,008 and 32,232,302, for the three month periods ended March 31, 2003 and 2002, respectively. The basic and diluted net loss per share calculations are the same because potential dilutive securities would have had an antidilutive or immaterial effect. Securities that were not included in the net loss per share calculation because they were antidilutive consist of the convertible bonds and warrants.

7

5. Inventory

Inventory consists of aperture cards, parts and supplies, and completed machines, and is stated at the lower of cost or market. Cost is determined on a FIFO (first-in, first-out) basis.

Inventories are as follows:

	3/31/03	6/30/02
	-----	-----
Parts and supplies	330,027	355,070
Reserve for obsolescence	(297,644)	(297,644)
	-----	-----
	32,383	57,426
	=====	=====

6. Convertible Bonds

Bonds payable with interest at 9%, due on various dates in 2001 and 2002, convertible to shares of common stock in increments of \$1,000 or more.

120,554

Bonds payable with interest at 12%, due July 2002, convertible to shares of common stock in increments of \$500 or more.

41,141

161,695

Certain of the outstanding convertible bonds have matured prior to March 31, 2003. The holders of the matured bonds do not wish to renew the bonds and have asked for payment; however, the Company does not have the cash to repay these bonds.

Bond holders have been asked to exchange their bonds for Series B preferred stock. As of March 31, 2003, holders of \$149,000 of the bonds had acted on this. The \$149,000 is included in the liability section of the financials under "Liabilities In Process Of Conversion To Stock", since the Preferred stock has not yet been issued.

7. Notes Payable

Notes payable, due on demand, unsecured,
with interest at 12% per annum.

105,300

=====

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

8. Factoring Payable

The Company has entered into an agreement with a factoring company (the "Factor") to factor receivables with recourse. The Factor funds 85% of the face value of approved invoices and retains the remaining 15% as a deposit against its fees. The factoring fee is 1% of the factored amount for every 10 days of use. The deposit, less fees, is refunded to the Company once payment is received from the customer. The Company records a factoring payable liability for the amount of the funds received from the Factor. When payment is ultimately received from the customer, the factoring payable and the related receivable are removed from the balance sheet. At March 31, 2003, the Company had a factoring payable balance of \$40,000 which is included in accounts payable.

8

9. Stockholders' Deficit

a. Stock and Warrants

The Company has authorized 50 million shares of common stock with a par value of \$0.01 per share. Each share entitles the holder to one vote. There are no dividend or liquidation preferences, participation rights, call prices or rates, sinking fund requirements, or unusual voting rights associated with these shares. At March 31, 2003, there were 47,027,008 shares of common stock issued and outstanding. During the three months ended March 31, 2003, the Company established the Class L warrants and initiated the process of establishing the Class A Preferred stock which underlies these warrants.

Upon surrender of either a Class J or L warrant, the holder is entitled to purchase one share of the Company's stock at the designated exercise price. For each warrant class, the number of warrants outstanding, the exercise price, the type of underlying stock, and the expiration dates are defined as follows:

Class J - 6,458,384 warrants to purchase common restricted stock with an exercise price of \$1.00 per share, expiring on January 14, 2004.

Class L - warrants were established in March 2003, with an exercise price of \$.25 per share, an expiration date of January 14, 2005 and Series A Preferred as underlying stock. As of March 31, 2003, holders of Class J warrants to purchase 5,686,861 shares of common stock have agreed to exchange their warrants for 2,843,431 Class L Warrants (i.e. a two for one exchange ratio).

At March 31, 2003, the outstanding warrants of classes A, B, C, D, E, F, G, H, and I have expired.

b. Common Stock Reserved

At March 31, 2003, common stock was reserved for the following reasons:

Conversion of bonds	1,763,585 shares
Exercise of Class J warrants classified as stock options	195,000 shares
Exercise of Class J warrants	576,523 shares

c. Stock Option Agreements

The Company previously had granted stock options to employees through Class J warrants. As of March 31, 2003 no options were outstanding to employees; however, 195,000 Class J warrants remain outstanding to former employees.

The Company intends to issue 903,500 Class L warrants to employees later in year 2003 once the underlying securities have been approved by stockholders of the Company.

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

The Company applies APB Opinion 25 in accounting for its fixed stock compensation. Compensation cost charged to operations for the nine months ended March 31, 2003 was \$-0-.

10. Commitments and Contingencies

a. SEC Inquiry

On September 17, 2002, the Company was advised by the staff of the U.S. Securities and Exchange Commission that they will recommend that the Commission file a civil injunctive lawsuit against the Company, alleging that the Company violated Section 17(a) of the Securities Act of 1933 and Sections 10(b) and 13(a) of the Securities Exchange Act of 1934 and Rules 10b-5, 13a-1, and 13a-13. On March 25, 2003, the Company signed, without admitting or denying the

9

allegations, a proposed settlement agreement with the U.S. Securities and Exchange Commission, which permanently restrains and enjoins the company from engaging in acts which would constitute violations of these regulations in the future. The U.S. Securities and Exchange Commission has not yet approved and executed the settlement agreement.

b. First Horizon Lawsuit

On September 19, 2002, First Horizon Loan Corp. filed suit for damages for breach of a lease agreement for the Company's former sales offices in Fairfax, Virginia. The suit alleges that the Company breached the lease when the Fairfax office was closed in July 2000 and lease payments were stopped. In May 2003, the Company and First Horizon reached a tentative settlement in which the total sum of \$20,000 is to be paid to First Horizon over an nine-month period of time.

c. Purchase Obligation

The Company has established a licensing agreement with Qtek Aperture Card AB. Under the agreement, the Company is required to purchase at least 30 of the Q4305 units at approximately \$18,000 each before June 30, 2004. As of March 30, 2003, the Company had purchased 15 units under the agreement.

d. Income Tax Return Filings

The Company has not filed income tax returns for several years. Due to operating losses, income tax liability and penalties would not be substantial. However, the State of California could potentially revoke the Company's charter if the Company does not become current on its income tax return filings.

Item 2. Management's Discussion and Analysis

2.1 Results of Operations

Our revenues totaled \$323,449 and \$333,472 for the nine months ended March 31, 2003 and 2002, respectively, a decrease of \$10,023 (3%) in 2002. Our revenues totaled \$100,838 and \$121,084 for the three months ended March 31, 2003 and 2002, respectively, a decrease of \$20,246 (17 %) in 2003, primarily due to a decrease in machine sales. Revenues in both periods resulted primarily from sales of equipment, aperture card media, and maintenance services.

For the nine months ended March 31, 2003 and 2002, cost of sales was \$169,463 and \$141,195, respectively, an increase of \$28,268 (20%) in 2003. For the three months ended March 31, 2003 and 2002, cost of sales was \$56,510 and \$35,831, respectively, an increase of \$20,679 (57%) in 2003. The cost of sales for both

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

periods consisted primarily of labor and production costs.

Operating expenses totaled \$ 616,290 for the nine-month period ended March 31, 2003 as compared to \$ 866,376 for the nine-month period ended March 31, 2002, a \$250,086 (29%) decrease in 2003, primarily due to a decrease in overhead expenses and stock based compensation for services. Operating expenses totaled \$312,645 and \$136,554 for the three months ended March 31, 2003 and 2002, respectively, an increase of \$176,091 (129%) in 2003.

During the three months ended March 31, 2003, we sold one Q4300 system for installation at a domestic site, we sold 66,000 aperture cards, and we renewed three maintenance contracts.

2.2 Liquidity and capital resources

We have historically financed operations from the sale of common stock and the conversion of common stock warrants. On March 31, 2003, we had cash on hand of \$ 5,850 and working capital of \$ (\$1,230,506) as compared to cash on hand of \$970 and working capital of (\$1,002,949) at period-ending March 31, 2002.

10

Net cash used in operating activities of (\$216,441) and (\$533,644) for the nine months ended March 31, 2003 and 2002, respectively, is attributed primarily to stock based compensation and payroll payables.

Net cash used for investing activities of (\$9,411) for the nine months ended March 31, 2003 and \$ 2,400 for the nine months ended March 31, 2002 is primarily related to employer receivables.

Net cash provided by financing activities of \$229,110 for the nine months ended March 31, 2003 is based primarily on proceeds from common stock and convertible bonds. Net cash provided by financing activities of \$529,141 for the nine months ended March 31, 2002 is based primarily on proceeds from common stock.

We occasionally enter into factoring agreements with a factoring company (the "Factor"). The Factor funds 85% of the face value of approved invoices and retains the remaining 15% as a deposit against its fees. When payments are remitted to the Factor, the deposit, less fees ranging from 1% to 15%, is refunded. Fees are determined based on the length of time the invoice is outstanding.

We assumed certain payroll tax liabilities as the result of the merger with Pacific Diagnostic Technologies, Inc., on January 14, 1999. We have negotiated a payment plan with the Internal Revenue Service to pay the payroll taxes assumed in the merger.

We believe that the receipt of net proceeds from the sale of the common stock and the exercise of common stock warrants plus cash generated internally from sales will be sufficient to satisfy our future operations, working capital and other cash requirements for the remainder of the fiscal year. However, if we are unable to raise sufficient capital, we may need sell certain assets, enter into new strategic partnerships, reorganize the company, or merge with another company to effectively maintain operations. Our audit for the years ended June 30, 2002 and 2001, contained a going concern qualification.

Item 3. Disclosure Controls and Procedures

Within the 90 days prior to the date of this Form 10-QSB, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Company's Chief Executive Officer and Treasurer/Controller concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in the Company's periodic SEC filings. There have been no significant changes in the Company's internal controls or in other factors, which could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

11

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings

a. SEC Inquiry

On September 17, 2002, we were advised by the staff of the U.S. Securities and Exchange Commission that they will recommend that the Commission file a civil injunctive lawsuit against us, alleging that we violated Section 17(a) of the Securities Act of 1933 and Sections 10(b) and 13(a) of the Securities Exchange Act of 1934 and Rules 10b-5, 13a-1, and 13a-13. On March 25, 2003, we signed, without admitting or denying the allegations, a proposed settlement agreement with the U.S. Securities and Exchange Commission, which permanently restrains and enjoins the company from engaging in acts which would constitute violations of these regulations in the future. The U.S. Securities and Exchange Commission has not yet approved and executed the settlement agreement.

b. First Horizon Lawsuit

On September 19, 2002, First Horizon Loan Corporation filed suit in Superior Court of California, County of Ventura against us for breach of a lease agreement for our former sales offices in Fairfax, Virginia. The suit alleges that we breached the lease when the Fairfax office was closed in July 2000 and the lease payments stopped. In May 2003, we reached a tentative settlement with First Horizon, agreeing to pay a total of \$20,000 to First Horizon in monthly payments distributed over an nine-month period of time.

Item 2. Changes in Securities

Common Stock Transactions

During the three month period ending March 31, 2003, we issued 4,500,000 warrants to purchase our common stock and 4,900,000 shares of our common stock. These transactions are summarized below:

(A) In March 2003, we issued 400,000 shares of stock to Robert Steele as compensation for consulting services performed during the months of December 2002 and January 2003, prior to assuming the position of our President & CEO on January 31, 2003. In March 2003 these shares were registered with the Securities and Exchange Commission on Form S-8 of the Securities Act of 1933.

(B) In January 2003, we issued a warrant to purchase 4,500,000 shares of common stock, under a special warrant agreement, to one individual as compensation for consulting services. The warrant has an exercise price of 2 cents per share, an expiration date of July 31, 2003, and a requirement for the underlying stock to be registered on Form S-8 of the Securities Act of 1933.

(C) In March 2003, we issued 4,500,000 shares of common stock to one individual upon exercise of the warrants described in Item 2 (B) for \$90,000 in cash. The

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

common stock was subsequently registered with the Securities and Exchange Commission on Form S-8 of the Securities Act of 1933.

12

Unless otherwise noted, the sales set forth above involved no underwriter's discounts or commissions and are claimed to be exempt from registration with the Securities and Exchange Commission pursuant to Section 4(2) of the securities Act of 1933, as amended, as transactions by an issuer not involving a public offering, the issuance and sale by the Company of shares of its common stock to financially sophisticated individuals who are fully aware of the Company's activities, as well as its business and financial condition, and who acquired said securities for investment purposes and understood the ramifications of same.

Item 3. Defaults Upon Senior Securities

During the three month period ended March 31, 2003, we made offers to all holders of our promissory notes and convertible bonds to convert their bond principal and accrued interest into Series B Preferred stock at a rate of 25 cents per share. As of March 31, 2003, we received commitments to convert \$188,268 of debt (\$149,000 in principal + \$39,268 in accumulated interest) into 753,072 shares of Series B Preferred stock. The balance of related debt, consisting of \$181,695 in principal and \$33,455 in accrued interest, still remains outstanding.

Interest continues to accrue against the principal of all outstanding bonds. The convertible bonds are unsecured, general obligations of the Company which are convertible into common stock at the option of the holders. The holders of the bonds that are in default have indicated that they do not want to convert their debt to stock and wish to be repaid in cash. At present we do not have funds to repay the indebtedness. We do not know whether we will be able to repay or renegotiate the debt. If we are unable to cure the default or renegotiate our debt, we may not be able to continue as a going concern.

Item 5. Other Information

Series A Preferred Stock

During the three month period ended March 31, 2003, our board of directors allocated 7,000,000 shares out of an authorized 10,000,000 shares of Preferred stock to be used to establish Series A Preferred stock with general terms as defined below:

- o Par Value - \$0.00
- o Liquidation Preference - \$0.25 per share plus any unpaid accumulated dividends
- o Dividends - cumulative annual rate of \$0.005 per share
- o Conversion Rights - convertible to common stock at a 1:1 ratio if and when a majority of the Company's shareholders vote to approve an increase in authorized common shares from 50,000,000 to 200,000,000
- o Redemption Rights - The company has the right to redeem part or all of the stock upon 30 days written notice at a rate of \$0.25 per share plus all accumulated and unpaid dividends

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

- o Voting Rights - one vote per share on all matters requiring shareholder vote

13

Prior to issuing the Series A Preferred stock, we will need to modify our articles of incorporation and obtain approval on such changes from a majority of our shareholders. A shareholder meeting is scheduled for June 30, 2003 to vote on this and other corporate matters.

Series B Preferred Stock

During the three month period ended March 31, 2003, our board of directors allocated 1,613,680 shares out of a remaining authorized 3,000,000 shares of Preferred stock to be used to establish Series B Preferred stock with the following terms:

- o Par Value - \$0.00
- o Liquidation Preference - \$0.25 per share plus any unpaid accumulated dividends
- o Dividends - cumulative annual rate of \$0.0005 per share when and as declared by our Board of Directors
- o Conversion Rights - convertible to common stock at a 1:5 ratio (i.e. 1 share of Preferred Series B stock is convertible to 5 shares of common stock) if and when a majority of the Company's shareholders vote to approve an increase in authorized common shares from 50,000,000 to 200,000,000
- o Redemption Rights - The company has the right to redeem part or all of the stock upon 30 days written notice at a rate of \$0.25 per share plus all accumulated and unpaid dividends
- o Voting Rights - one vote per share on all matters requiring shareholder vote

Prior to issuing the Series B Preferred stock, we will need to modify our articles of incorporation and obtain approval on such changes from a majority of our shareholders. A shareholder meeting is scheduled for June 30, 2003 to vote on this and other corporate matters.

Class L Warrants

During the three month period ended March 31, 2003, we established the Class L Warrants with the following general terms; 1) exercise price of 25 cents per share, 2) expiration date of January 14, 2005, and 3) Series A Preferred stock designated as underlying stock. During this same period we initiated an exchange program with our existing Class J Warrant holders in which we offered to exchange one Class L Warrant for two Class J Warrants, with the exchange number rounded up to the next whole number in cases where an odd number of Class J Warrants were submitted for exchange. In comparison, the Class J Warrants have the following general terms; 1) exercise price of \$1.00 per share, 2) expiration date of January 14, 2004, and 3) common stock designated as the underlying stock.

As of March 31, 2003, our Class J Warrant holders had committed, by signed agreement, to exchange a total of 5,686,861 Class J Warrant shares for a total of 2,843,431 Class L Warrant shares.

Subsequent Events

In April 2003, our management team established an advisory board consisting of six outside people, representing legal, business, and financial disciplines. A consulting agreement was signed with each board member, contracting their services as advisors for 90 days in return for the following compensation package:

- o For the first 60 days of service, members will be compensated with 100,000 shares of our common stock.
- o For the last 30 days of service, members will be compensated with \$2,000 in cash or an equivalent amount of our restricted common stock, with the payment method defined solely by our Board of Directors. If stock is used for payment, the stock value is determined by using the average closing bid price of our stock over the 10 days just prior to the end of the 60 day period.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 99.1 Certification of C.E.O. Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 99.2 Certification of Principal Accounting Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 99.3 Press Release Dated March 25, 2003

Exhibit 99.4 Press Release Dated March 28, 2003

Exhibit 99.5 Press Release Dated April 11, 2003

Exhibit 99.6 Press Release Dated April 30, 2003

Exhibit 99.7 Press Release Dated May 6, 2003

(b) Reports on Form 8-K - None

Signatures

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

QUINTEK TECHNOLOGIES, INC.

Date: May 15, 2003

/s/ ROBERT STEELE

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

Robert Steele, President & CEO

Date: May 15, 2003

/s/ ANDREW HAAG

Andrew Haag, Chief Financial Officer

16

Certificate of President & Chief Executive Officer

I, Robert Steele, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Quintek Technologies, Inc. ("Quintek").
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report fairly present, in all material respects, the financial condition, results of operations and cash flows of Quintek as of, and for, the periods presented in this quarterly report.
4. Quintek's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Exchange Act Rules 13a-14 and 15d-14) for Quintek and we have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to Quintek, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. evaluated the effectiveness of Quintek's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.
5. Quintek's other certifying officers and I have disclosed, based on our most recent evaluation, to our auditors and the audit committee of Quintek's board of directors :
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect Quintek's ability to record, process, summarize and report financial data and have identified for Quintek's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in Quintek's internal controls.

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

6. Quintek's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ ROBERT STEELE

Robert Steele, President & CEO

17

Certificate of Chief Financial Officer

I, Andrew Haag, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Quintek Technologies, Inc. ("Quintek").
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.
3. Based on my knowledge, the financial statements and other financial information included in this quarterly report fairly present, in all material respects, the financial condition, results of operations and cash flows of Quintek as of, and for, the periods presented in this quarterly report.
4. Quintek's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Exchange Act Rules 13a-14 and 15d-14) for Quintek and we have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to Quintek, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. evaluated the effectiveness of Quintek's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.
5. Quintek's other certifying officers and I have disclosed, based on our most recent evaluation, to our auditors and the audit committee of Quintek's board of directors :
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect Quintek's ability to record, process, summarize and report financial data and have identified for Quintek's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in Quintek's internal controls.
6. Quintek's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in

Edgar Filing: QUINTEK TECHNOLOGIES INC - Form 10QSB

other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ ANDREW HAAG

Andrew Haag, Chief Financial Officer