

Edgar Filing: E-NET FINANCIAL COM CORP - Form 10QSB/A

E-NET FINANCIAL COM CORP
Form 10QSB/A
March 05, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SECOND AMENDED
FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED OCTOBER 31, 2001

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

For the transition period from _____ to _____.

COMMISSION FILE NUMBER 0-24512

ANZA CAPITAL, INC.
(Exact name of registrant as specified in its charter)

NEVADA 88-1273503
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

3200 BRISTOL STREET, SUITE 700
COSTA MESA, CA 92626
(Address of principal executive offices) (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (714) 866-2100

Check whether the issuer (1) filed all reports required to be filed by
Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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.

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of
common equity, as of the latest practicable date. As of December 14, 2001,
there were 38,376,547 shares of common stock issued and outstanding.

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT
(check one):

Edgar Filing: E-NET FINANCIAL COM CORP - Form 10QSB/A

Yes _____ No X

-

ANZA CAPITAL, INC.

1

TABLE OF CONTENTS

PART I

- Item 1 Financial Statements
- Item 2 Management's Discussion and Analysis or Plan of Operations

PART II

- Item 1 Legal Proceedings
- Item 2 Changes in Securities and Use of Proceeds
- Item 3 Defaults Upon Senior Securities
- Item 4 Submission of Matters to a Vote of Security Holders
- Item 5 Other Information
- Item 6 Exhibits and Reports on Form 8-K

2

PART I

EXPLANATORY NOTE

In response to comments from the United States Securities and Exchange Commission, Anza Capital, Inc. has restated its Quarterly Statement on Form 10-QSB. This Quarterly Statement is for the quarter ended October 31, 2001, and was originally filed with the Commission on December 17, 2001. Effective on January 2, 2002, the Company changed its name from e-Net Financial.com Corporation to Anza Capital, Inc. References throughout this Quarterly Statement are accurate as of the date originally filed, and other than on the front page, references to the Company as e-Net Financial.com Corporation have been left as originally drafted. The Company has not undertaken to update all of the information in this Quarterly Report, but instead has updated only those areas requested by the Commission. Please read all of the Company's filings with the Commission in conjunction with this Quarterly Report.

This Quarterly Report includes forward-looking statements within the meaning of the Securities Exchange Act of 1934 (the "Exchange Act"). These statements are based on management's beliefs and assumptions, and on information currently available to management. Forward-looking statements include the information concerning possible or assumed future results of operations of the Company set forth under the heading "Management's Discussion and Analysis of Financial Condition or Plan of Operation." Forward-looking statements also include statements in which words such as "expect," "anticipate," "intend," "plan," "believe," "estimate," "consider" or similar expressions are used.

Edgar Filing: E-NET FINANCIAL COM CORP - Form 10QSB/A

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. The Company's future results and shareholder values may differ materially from those expressed in these forward-looking statements. Readers are cautioned not to put undue reliance on any forward-looking statements.

ITEM 1 FINANCIAL STATEMENTS

3

E-NET FINANCIAL.COM CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET

	October 31, 2001

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 587,306
Accounts receivable, net of allowance for doubtful accounts of \$74,123	602,810
Loans held for sale	439,924
Advances to employees	185,000
Prepaid and other current assets	95,999
Total current assets	1,911,039
Property and equipment, net of accumulated depreciation of \$83,386	104,151
Goodwill, net of accumulated amortization and impairments of \$1,385,049	425,247
Other assets	10,807
	\$ 2,451,244
	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current liabilities:	
Accounts payable	\$ 449,539
Warehouse line of credit	441,308
Accrued liabilities	149,720
Commissions payable	730,090
Short term notes payable	177,118
Total current liabilities	1,947,775
Convertible notes payable to related parties	541,211
Interest payable on notes to related parties	24,095
Other liabilities	1,088
Total liabilities	2,514,169
Stockholders' deficit:	
Class C convertible preferred stock, no par value; liquidation value of \$100.00 per share;	

Edgar Filing: E-NET FINANCIAL COM CORP - Form 10QSB/A

17,984 shares issued and outstanding.	1,798,400
Common stock, \$0.001 par value; 100,000,000 shares authorized; _38,326,547 issued and outstanding	38,327
Additional paid-in capital	12,409,123
Accumulated deficit.	(14,252,775)
Deferred stock compensation.	(56,000)

Total stockholders' deficit	(62,925)

	\$ 2,451,244
	=====

E-NET FINANCIAL.COM CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended October 31, 2001	Three months ended October 31, 2000	Six m ende Octobe 2000
	-----	-----	-----
REVENUES			
Broker commissions	\$ 5,798,285	\$ 2,575,247	\$ 10,985
Other	174,919	41,733	340
	-----	-----	-----
	5,973,204	2,616,980	11,326
	-----	-----	-----
Cost and expenses			
Commissions	3,143,056	1,662,345	5,995
	-----	-----	-----
Gross profit	2,830,148	954,635	5,330
	-----	-----	-----
General and administrative	2,800,614	1,139,152	5,054
Consulting fees	137,200	-	547
Non-recurring loss on settlements	221,000	-	282
	-----	-----	-----
Total costs and expenses	3,158,814	1,139,152	5,885
Operating income (loss)	(328,666)	(184,517)	(554)
Goodwill	-	(144,186)	

Edgar Filing: E-NET FINANCIAL COM CORP - Form 10QSB/A

Interest expense	(79,720)	(61,406)	(122,233)
Other income (expense), net	17,343	14,620	23,963
	-----	-----	-----
Net loss before extraordinary item		(375,489)	(653,270)
Extraordinary item, gain on settlement or debt	56,185	-	56,185
Net income (loss)	\$ (334,858)	\$ (375,489)	\$ (597,085)
	=====	=====	=====
Basic and diluted net loss per share of common stock, before extraordinary item	\$ (0.01)	\$ (0.02)	\$ (0.03)
Extraordinary item	-	-	-
Basic and diluted net loss per share of common stock	(0.01)	(0.02)	(0.03)
Weighted average common shares outstanding	37,774,349	21,821,568	32,901,300
	=====	=====	=====

5

E-NET FINANCIAL.COM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended Oct 31, 2001	Six Months Ended Oct 31, 2000
	-----	-----
Cash flows from operating activities:		
Net loss.	\$ (597,381)	\$ (597,381)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,001	5,001
Non-recurring loss on settlements	282,494	282,494
Extraordinary gain from settlement of capital leases.	(56,185)	(56,185)
Stock compensation to consultants	405,173	405,173
Amortization of discounts on loans.	59,261	59,261
Amortization of deferred stock compensation	131,133	131,133
Changes in operating assets and liabilities:		
Increase in accounts receivable, net.	(138,687)	(138,687)
Increase in loans held for sale	(82,575)	(82,575)
Increase in other current assets.	(10,895)	(10,895)
Increase in due from employees.	(119,750)	(119,750)
Decrease in accounts payable.	(85,753)	(85,753)
Increase in commissions payable	469,777	469,777
(Decrease) increase in accrued liabilities.	(56,301)	(56,301)
Increase in other liabilities	18,610	18,610
	-----	-----
Net cash provided by (used in) operating activities	223,922	223,922
	-----	-----
Cash flows from investing activities:		
Decrease in other assets.	-	-

Edgar Filing: E-NET FINANCIAL COM CORP - Form 10QSB/A

Acquisitions of property and equipment	(19,167)	-	
		-----	-----
Net cash provided by (used in) investing activities	(19,167)		
		-----	-----
Cash flows from financing activities:			
(Payments on) Proceeds from notes payable to related parties, net		-	
Proceeds from issuance of bridge loan		225,000	
Payments on capital lease obligations		(35,800)	
Advances from warehouse line of credit		100,466	
Proceeds from private placement		-	
		-----	-----
Net cash provided by financing activities		289,666	
		-----	-----
Net increase in cash		494,421	
Cash at beginning of period		92,886	
		-----	-----
Cash at end of period	\$	587,307	\$
		=====	=====

E-NET FINANCIAL.COM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CON'T)

Non - cash financing activities:

Debt reduction through the issuance of common stock\$	-	\$
		=====	=====
Warrants issued for bridge-loan issue costs		-	\$
		=====	=====
Conversion of C-Preferred to common stock		-	\$
		=====	=====

Supplemental cash flow information:

Cash paid for interest and income taxes was not significant during the periods presented

NOTES TO INTERIM FINANCIAL STATEMENTS

NOTE 1. UNAUDITED INTERIM FINANCIAL STATEMENTS

Edgar Filing: E-NET FINANCIAL COM CORP - Form 10QSB/A

The interim financial data as of October 31, 2001, for the three and six months ended October 31, 2001 and 2000 are unaudited; however, in the opinion of management, the interim data includes all adjustments, consisting of normal recurring adjustments, necessary to present fairly the Company's consolidated financial position as of October 31, 2001, and the results of their operations and their cash flows for the three and six months ended October 31, 2001 and 2000. The results of operations are not necessarily indicative of the operations, which may result for the year ending April 30, 2002. Also, in the opinion of management, all disclosures required on Form 10-QSB, were fully furnished with exception of the per segment information required by Statement of Financial Accounting Standards No. 131 (SFAS 131), "Disclosures about Segments of an Enterprise and Related Information" issued by the Financial Accounting Standards Board (FASB.) Management omitted this information since this information was not readily available and due to the lack of resources to compile this information. However, management determined that the omission of this information is insignificant to the overall presentation of the Company's financial position and will provide this information only in the annual financial report in the Company's Form 10-KSB.

NOTE 2. EARNINGS PER SHARE

Anti-dilutive securities which are not included in the calculation of dilutive EPS for the three and six months ended October 31, 2001 which could be dilutive in future periods, include the C preferred convertible into approximately 24,977,778 shares of common stock, respectively.

NOTE 3. GLOBAL SETTLEMENT

As part of the acquisition of AMRES, e-Net was obligated to file and prosecute until completion a registration statement with the Securities and Exchange Commission for the purpose of registering 7,500,000 shares of e-Net common stock issued to EMB. Additionally, e-Net was obligated to pay the sum of \$4,000,000 under the terms of a promissory note issued to EMB.

In an unrelated transaction, Williams de Broe loaned the sum of \$700,000 to EMB, which remained unpaid at the time of the Global Settlement. In connection with a revision of the agreement between EMB and Williams de Broe, the then-chairman of e-Net executed a document on behalf of e-Net in favor of Williams de Broe, which Williams de Broe believed acted as a guarantee of EMB's obligation. e-Net disputed this assertion.

In order to settle the outstanding disputes among all the parties, on June 26, 2001, e-Net entered into a settlement agreement with EMB Corporation, AMRES Holding LLC, Vincent Rinehart, and Williams de Broe (the "Global Settlement"). As part of the Global Settlement:

(i) e-Net issued to EMB 1,500,000 shares of restricted common stock as consideration for EMB's waiver of its registration rights for 7,500,000 shares of e-Net common stock already held by EMB. The shares were valued at \$0.14 per share based on a 10% discount from the closing price on the date of the agreement. The Company will record a settlement expense of \$229,500 with regard to this issuance. e-Net issued to EMB a promissory note in the principal amount of \$103,404, which represents the reduced amount due to EMB by e-Net under a promissory note previously issued in connection with the AMRES acquisition, after giving effect to a principal reduction offset for amounts owed by EMB to Wdb, but which were satisfied by e-Net (see below). The note bears interest at the rate of 10% per annum and is convertible into common stock of e-Net.

(ii) e-Net issued to Williams de Broe ("WdB") 3,000,000 shares of restricted common stock valued at \$459,000 as consideration for WdB's release of all claims against e-Net arising under the purported guarantee of EMB's obligation to WdB by e-Net. The parties agreed that the amount be credited as

Edgar Filing: E-NET FINANCIAL COM CORP - Form 10QSB/A

additional consideration to apply to the EMB notes payable.

8

iii) EMB acknowledges its obligations to pay all outstanding leases covering equipment and/or furniture now in the possession of e-Net as contemplated by the agreement.

iv) EMB assigns its rights of a portion of e-Net's note payable totaling \$485,446 to AMRES Holdings LLC, owned by Vincent Rinehart. The note bears interest at 10% per annum. This note is convertible into shares of common stock based on 80% of the closing stock price on the date of the conversion. The Company assigned a value of approximately \$54,000 to the beneficial conversion feature imbedded in this note. The entire principal balance, together with accrued interest, shall be due and payable, in full, on December 15, 2002.

v) EMB forgave principal and interest totaling \$168,006. The balance of \$103,404 convertible notes was issued, bearing interest at 10% per annum. The note has a mandatory conversion into the Company's common stock on December 15, 2001.

The following reflects the reduction of the note payable to EMB as follows:

Note payable	\$1,055,000
Accrued interest	160,856

Total due EMB prior to settlement	1,215,856
Less:	
Value of 3,000,000 shares to WdB	(459,000)
Payable to AMRES Holdings, LLC	(485,446)
Debt and interest relief	(168,006)

Balance due EMB after settlement	\$ 103,404
	=====

The following reflects the non-recurring charge to operations associated with the Global Settlement:

Value of 1,500,000 shares to EMB	\$ 229,500
Debt and interest relief	(168,006)

Total non-recurring loss	\$ 61,494
	=====

NOTE 4. BRIDGE FINANCING

On June 27, 2001, the Company entered into an Investment Agreement and related documents with Laguna Pacific Partners, LLP. Under the terms of the agreements, in exchange for \$225,000 received by the Company from Laguna Pacific, the Company

(i) executed a promissory note in favor of Laguna Pacific in the principal sum of \$200,000, bearing interest at the rate of 7% per annum, secured by all of the assets of the Company, and payable on the earlier of nine months from its issuance date or the date the Company's common stock is listed on the NASDAQ Small Cap market. The purpose of this bridge financing was to finance the proposed start-up of Anza Properties and to provide working capital to the Company, and

9

Edgar Filing: E-NET FINANCIAL COM CORP - Form 10QSB/A

(ii) executed a Warrant Agreement which entitled Laguna Pacific to acquire up to \$225,000 worth of e-Net common stock for the total purchase price of \$1.00, calculated at 70% of the closing stock price on the date immediately preceding the exercise date. The issuance of the warrant was negotiated between Laguna Pacific and e-Net. The Company is required to allocate the proceeds received to the value the warrant and the bridge loan using the relative value method and resulting warrant value is reflected as an increase in additional paid-in capital and corresponding reduction (discount) to the face value of the note. Management established the fair value based on \$225,000 in common stock, divided by the discount to market of 30% which the holder of the warrants receive when purchasing the shares of common stock for a computed value of \$321,428. The relative value of the warrant amounted to \$132,345, and such amount is reflected as a discount to the note. The discount on the note will be amortized over the term of the note (March 27, 2002) using the effective interest method.

Other than as set forth above, there is no affiliation between the Company and Laguna Pacific or any of their respective officers or directors.

FORMATION OF ANZA PROPERTIES, INC.

Also on June 27, 2001, in transactions related to the agreements with Laguna Pacific, the Company formed a wholly-owned subsidiary, Anza Properties, Inc., a Nevada corporation ("Anza") capitalized with \$75,000 from the proceeds of the bridge loan, which

(i) executed a Bond Term Sheet with e-Net outlining the proposed terms of an offering to raise up to \$5,000,000. The purpose of this offering was to obtain capital on behalf of Anza Properties to acquire income producing real estate. This real estate would then provide the Company with improved cash flow and net worth, on a consolidated basis.

(ii) entered into an Employment Agreement with Thomas Ehrlich beginning thirty days from the date of the agreement and ending upon the earlier to occur of the liquidation of the real estate portfolio to be owned by Anza or the completion of a NASDAQ Small Cap listing by e-Net. The Employment Agreement provides for a salary of \$20,000 per month, payable only by Anza and specifically not guaranteed of e-Net. Mr. Ehrlich will serve as Anza's Vice President and will be a director thereof. In connection with the Employment Agreement, e-Net executed a Stock Option Agreement which entitled Ehrlich to acquire up to 2,000,000 shares of e-Net common stock at the closing price on the date of the Option Agreement, vesting equally over the 12 months following the date of the Employment Agreement, and exercisable only in the event Anza is successful in raising a minimum of \$2,000,000 in a contemplated \$5,000,000 bond offering, and the holders thereof converting at least \$2,000,000 of the bonds into equity of e-Net (any amounts less than \$2,000,000 will be applied, pro-rata, to the total options exercisable under the Option Agreement). The options are subject to an anti-dilution provision in the event of future issuances of common stock or a reverse stock split. The holder in no event can the option holder own more than 10% of the issued and outstanding common stock in the event of a reverse stock split. The Company will assess the value of these options when the contingencies are removed.

(iii) entered into a Consulting Agreement with Lawrence W. Horwitz to provide legal services to Anza. The Consulting Agreement provides for compensation of \$20,000 to be paid on its date of execution, and \$5,000 per month for eight months beginning September 1, 2001, guaranteed by e-Net. In addition, e-Net executed a Stock Option Agreement which entitled Horwitz to acquire up to 1,000,000 shares of e-Net common stock on terms identical to those

Edgar Filing: E-NET FINANCIAL COM CORP - Form 10QSB/A

of Ehrlich, described above. The options are subject to an anti-dilution provision in the event of future issuances of common stock or a reverse stock split. The holder in no event can the option holder own more than 5% of the issued and outstanding common stock in the event of a reverse stock split. The Company will assess the value of these options when the contingencies are removed in accordance with SFAS No. 123.

(iv) entered into an Operating Agreement with e-Net concerning the operations of Anza Properties, Inc. The Operating Agreement specifies in material part that Vince Rinehart will be the President of Anza Properties, that Mr. Rinehart and Mr. Ehrlich will be the directors, that the signatures of both Mr. Rinehart and Mr. Ehrlich will be required on all checking accounts, and that the assets of Anza Properties cannot be encumbered without the express written consent of Mr. Rinehart and Mr. Ehrlich.

The purpose of Anza Properties is primarily to improve the net worth of e-Net by acquiring income producing real estate. If Anza Properties is successful in acquiring such properties, its assets would be consolidated with the assets of e-Net, thereby improving the net worth of e-Net.

10

NOTE 5. STOCKHOLDERS' EQUITY (DEFICIT)

From time to time, the Company's board of directors authorizes the issuance of common stock. The Company values shares of common stock based on the closing price of the securities on the date the directors approve such issuance. In the event the Company issues common stock subject to transferability restrictions under Rule 144a of the Exchange Act of 1933, the Company discounts the closing prices by 10% to value its common stock transactions.

On June 14, 2001, Class C Preferred stockholders exercised their option and converted 1,616 shares of Class C Preferred stock into 3,741,671 of the Company's restricted common stock. Also, on July 13, 2001 an additional 400 shares of the Class C were converted at the option of the shareholders into 924,992 shares of the Company's restricted common stock. The number of shares received upon conversion was determined based on the conversion discount specified in the agreement of 20%, taking into account the dividends which were due on the Class C Preferred shares. No expense was recorded in either transaction.

In June of 2001, the Company issued 400,000 shares of its restricted common stock both as payment of a \$14,482 liability due an outside consultant and as a "buy-out" of the remaining guaranteed contract for this consultant who was providing legal services to the Company. In connection with this transaction, the Company charged operations \$43,118 for the difference between the carrying value of the liability and the value of the common stock.

On July 2, 2001, the Company issued 325,000 shares of its restricted common stock valued at \$55,575 as a partial satisfaction of a loan payable due an unrelated party. The original amount of the loan, including interest payable was \$150,000. The Company continues to repay the note in monthly payments of \$4,320 through May 2, 2002. As of October 31, 2001, \$30,040 remained due on the loan.

At various dates from May 1, 2001 through October 31, 2001, the Company issued 3,500,000 shares of common stock, valued at \$531,200, to various consultants. Consulting services performed during the three and six months ended October 31, 2001 is summarized below:

Edgar Filing: E-NET FINANCIAL COM CORP - Form 10QSB/A

	Period Ending October 31, 2001		
	Three Months		Six Months
	Costs Incurred	Shares Issued	Costs Incurred
Financial and Internal Accounting Services	\$ -	-	\$ 75,750
Mergers Acquisitions Consulting.	51,000	450,000	242,000
Bravorealty Start-up Costs	56,000	400,000	161,000
Information Technology Consulting.	-	-	14,000
Legal Services	33,700	250,000	38,450
Total	\$140,700	1,100,000	\$ 531,200

Amortization of deferred compensation arrangements was \$52,500 and \$106,000 during the three and six months ended October 31, 2001, respectively.

Refer to Notes 2 and 3 for discussion of transactions affecting stockholders' equity (deficit).

NOTE 6. EMPLOYMENT AGREEMENT

On June 1, 2001, e-Net entered into an Employment Agreement with Vincent Rinehart. Under the terms of the agreement, the Company is to pay to Mr. Rinehart a salary equal to \$275,000 per year, subject to an annual increase of 10% commencing January 1, 2002, plus an automobile allowance of \$1,200 per month and other benefits, including life insurance. The agreement is for a term of five years and provides for a severance payment in the amount of \$500,000 and immediate vesting of all stock options in the event his employment is terminated for any reason, including cause. Mr. Rinehart was granted options to acquire 2,500,000 shares of e-Net common stock at per share, which shall vest monthly over a three- year period. The options are subject to an anti-dilution provision in the event of future issuances of common stock or a reverse stock split. The holder in no event can own more than 20% of the issued and outstanding common stock in the event of a reverse stock split. The options are exercisable at the fair market value at the date of the grant of \$0.08 per share. Using the variable method in accordance with Accounting Principles Board Opinion No. 25, no expense was recognized from the issuance of the options.

NOTE 7. IMPACT OF RECENTLY ISSUED ACCOUNTING STATEMENTS

In July 2001, the FASB issued Statement No. 141, Business Combinations, and Statement No. 142, Goodwill and Other Tangible Assets. Statement 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. Statement 141 also specifies criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill, noting that all

Edgar Filing: E-NET FINANCIAL COM CORP - Form 10QSB/A

purchase price allocable to an assembled workforce may not be accounted for separately. Statement 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of Statement 142. Statement 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with FAS Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of. The Company is required to adopt the provisions of Statement 141 immediately, except with regard to business combinations initiated prior to July 1, 2001, and to adopt Statement 142 effective with the fiscal year beginning May 1, 2002.

The Company meets the criteria for early adoption of Statement 142, and has elected early adoption of the statement during the first quarter of 2001 with no material effect on the Company's financial condition and results of operations based on the requirements of Statement 142. See Note 9 for further discussion.

In July 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. This statement provides accounting and reporting standards for costs associated with the retirement of long-lived assets. This statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The Company will be required to adopt this statement no later than January 1, 2003. The Company is currently assessing the impact of this statement on its results of operations, financial position and cash flows.

12

In October 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This statement replaces SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. However it retains the fundamental provisions of SFAS No. 121 for recognition and measurement of the impairment of long-lived assets to be held and used and for measurement of long-lived assets to be disposed of by sale. This statement applies to all long-lived assets, including discontinued operations, and replaces the provisions of APB Opinion No. 30, Reporting Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, for the disposal of segments of a business. This statement requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. The Company will be required to adopt this statement no later than January 1, 2002. The Company is currently assessing the impact of this statement on its results of operations, financial position and cash flows.

NOTE 8. INVESTMENT BANKING AGREEMENT

On May 27, 1999, the Company entered into an agreement with an investment banker to seek debt financing through public or private offerings or debt or equity securities and in seeking merger and acquisition candidates. Per the agreement, the Company granted the investment banker options to purchase 200,000 shares of the Company's common stock at an exercise price of \$0.13, expiring on May 31, 2001. Additionally, the Company was required to pay \$60,000 for the initial twelve months. In addition, the agreement specified that the investment banker will receive a percentage of consideration received in a merger, acquisition, joint venture, debt or lease placement and similar transactions through May 31,

Edgar Filing: E-NET FINANCIAL COM CORP - Form 10QSB/A

2001. The Company valued these options using the Black Scholes model at \$3.14 per share for total consulting expenses of \$627,200 and amortized such an expense over the course of the contract. As of July 31, 2001, entire value of this contract had been amortized. In April 2000, the parties agreed to amend the agreement to eliminate the fee based on a percentage of the consideration of a transaction, and to grant the investment banker 200,000 shares of the Common Stock and to cancel the options to purchase 200,000 shares. On August 7, 2001, the Company agreed to settle a dispute over the terms of the amendment by canceling the 200,000 shares in exchange for 1,500,000 of the Company's restricted common stock. The Company valued the additional 1,300,000 shares at \$0.17 each and charged operations a total of \$221,000 for non-recurring loss on settlement.

NOTE 9 EXTRAORDINARY ITEM

SFAS No. 4 "Reporting Gains and Losses from Extinguishment of Debt", specifies that material debt extinguishment gains and losses be classified as extraordinary items. During the three months ended October 20, 2001, the Company had capital lease obligations in default totaling \$91,985 that were settled for \$35,800. The remaining balance was recognized as an extraordinary gain of \$56,185. The Company used cash from operations to satisfy these settlements.

NOTE 10 GOODWILL - ADOPTION OF STATEMENT 142

The Company has elected early adoption of SFAS No.142. Accordingly, the Company has stopped amortization of goodwill effective May 1, 2001. However, goodwill amortization continues to be presented in the three and six months ended October 31, 2000, statement of operations. Had the provision of SFAS No. 142 been applied for the three and six months ended October 31, 2000, the Company's net income and net income per share would have been as follows:

13

	For the three months ended October 31, 2001	2000	For the six months October 31, 2001	
Reported net income (loss)	(334,858)	(375,489)	(597,381)	(1,2
Add back: Goodwill amortization	-	144,186	-	2
Adjusted net income (loss)	(334,858)	(231,303)	(597,381)	(9
Basic earnings per share:				
Reported net income (loss)	(0.009)	(0.017)	(0.018)	
Goodwill amortization	-	0.006	-	
Adjusted net income	(0.009)	(0.011)	(0.018)	

There was no goodwill amortization recognized in the first six months of fiscal 2002 and, as of October 31, 2001, net goodwill was \$250,000 for Titus Real Estate, Inc., and \$175,247 for Expidoc.Com, Inc. The net goodwill balance as of October 31, 2001 remains unchanged from the April 30, 2001, balance. There were no intangible assets recorded for the Company as of October 31, 2001.

Management assessed the value of Titus during the fourth quarter of fiscal year 2001 based on a liquidation or residual value of the enterprise, and they recorded an impairment at that time. In contemplating the adoption of SFAS No. 142, management assessed the intangible assets of Expidoc. At May 1, 2001, the date of adoption, management believed that the primary intangible asset of Expidoc was goodwill. Because of the relative immateriality of the carrying value of the Expidoc goodwill, management did not believe that an appraisal was necessary to determine what amount, if any, should be allocated to intangible assets with definite lives. Management believes the enterprise value of Expidoc exceeds the carrying value of goodwill.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION OVERVIEW

The Company is an independent financial services company, whose primary source of revenue is American Residential Funding "AMRES", a wholly owned subsidiary. AMRES offers loan originators a "net-branch" opportunity, in which AMRES provides licensing, accounting and lender approvals in over 40 states. They maintain a web site, www.amres.net, which contains detailed information on

AMRES, as well as provides Net Branches with various corporate services. Currently over 200 net-branches nationwide are operating, in addition to four Corporate owned branches in four counties in Southern California. Further rapid growth is anticipated, both from commissioned and corporate marketing staff. Loan processing, mortgage banking and acquisitions will provide additional revenues sources. During the three months ended October 31, 2001, AMRES generated operating income in excess of \$160,000.

The Company has seen improvement in other subsidiaries as well.

Expidoc.com has added Ditech.com as a customer, and is now doing over 500 loan document signings a month through their network of notaries in all 50 states. By adding staff, and implementing a new marketing initiative, Expidoc should improve its operations and achieve near term profitability.

BravoRealty.com (69% owned subsidiary) has established joint venture branches in four locations. In addition, BravoRealty.com has initiated a net branch of AMRES inside Bravo, and has experienced an increase in revenues from home loans brokered. Bravorealty has incurred the expenses to begin, and within 120 days is expected to establish the documentation, licensing, marketing materials and operations to sell "Bravo Real Estate Network" franchises. Former officers of Century 21 have been acting as advisors to Bravorealty. Their objective is to become operationally profitable by the end of the fiscal 3rd quarter, excluding additional start-up costs of franchising. Due to these start-up costs, Bravorealty had incurred an operating loss for the current quarter.

Edgar Filing: E-NET FINANCIAL COM CORP - Form 10QSB/A

Titus Real Estate, LLC, operates as the manager of Titus REIT, a real estate investment trust. Current shareholders of the REIT have requested the selling of assets in order to return their original investment. As such, eight of the ten properties are in escrow to be sold. It is the intent of the management of the Company to raise new capital for Titus REIT when the market permits, estimating the summer of 2002 as a possible target date. The Company believes the long term benefits of a REIT compliment the Company's business plan. Titus Real Estate, LLC, has incurred small operating losses during the current quarter.

ANZA Properties was established in July 2001, for the purpose of raising investor funds from accredited investors, for the initial purpose of purchasing Income Producing Real Estate. It will be the intention of the Company to convert these investors, whom originally invested in ANZA bonds, into the Company's equity. The ultimate goal, if obtained, is to list the Company on a National Market System, such as the NASDAQ (see Note 2). Anza is in the development stage. The Company has incurred approximately \$100,000 of expenses in connection with the establishment of Anza.

16

Results of Operations

For the three and six month periods ended October 31, 2001, the Company reported net losses of (\$334,858) and (\$597,381) respectively. For both periods, the Company had significant non-cash expenses relating to stock issued to consultants and amortization of warrants issued as part of the bridge loan financing. In addition, the tragedy of Sept. 11 virtually stopped loan production for a week, significantly reducing income for that period. As these costs are expected to reduce in future periods, the Company remains positive about its ability to obtain profitability in the near future.

Three Months Ended October 31, 2001 Compared To The Three Months Ended October 31, 2000

REVENUES

Revenues increased to \$5,973,204 for the three months ended October 31, 2001, compared to \$2,616,980 for the three months ended October 31, 2000. The growth in revenues is primarily attributable to the expansion and growth of AMRES through the brokering of loans. AMRES accounted for greater than 95% of consolidated revenues for both periods. AMRES, as did most of the mortgage industry, benefited greatly from the decline in interest rates over the last several months. Typically, as interest rates fall, the refinance market heats up expanding the market of interested borrowers beyond those borrowing for the purchase of their primary residence. AMRES benefited from this market upturn, as they had the capacity in terms of people and infrastructure to accommodate the additional business.

More significantly, the growth of the net branch program at AMRES was the major contributor to the growth in revenue. AMRES' net branch program comprised approximately 200 branches as of October 31, 2001, compared to less than fifty branches as of October 31, 2000. As the added support and sales staff takes effect, the Net Branch program is expected to continue to be a primary growth vehicle for the Company in the future. In addition, the mortgage banking division of AMRES is expected to continue its expansion over the next several months, including applying to FannieMae as a seller/servicer.

Revenues for Expidoc increased slightly to \$116,110 for the three months ended October 31, 2001 compared to \$72,543 for the three months ended October

Edgar Filing: E-NET FINANCIAL COM CORP - Form 10QSB/A

31, 2000. The increase is primarily a result of Expidoc refocusing its market strategy to secure higher volume customers as compared to many low-volume customers. This change in focus is evidenced by the addition of such customers as Ditech.com.

Bravorealty became operational in January 2001. For the three months ended October 31 2001, total revenues amounted to \$58,809. These revenues were generated based on approximately five closed real estate purchase transactions during the quarter. Management believes that Bravorealty will be a significant growth vehicle for the Company over the next 12 months, as evidenced by the steady increase in the number of real estate sales' listings and closed transactions generated by Bravorealty so far this fiscal year.

Revenues from Titus were not material for the periods presented.

Costs and Expenses

Commissions are paid to loan agents on funded loans. Commissions increased by \$1,480,711 or 89.1%, for the three months ended October 31, 2001, to \$3,143,056 from \$1,662,345 for the three months ended October 31, 2000. This increase is primarily related to the increased revenues discussed above. As a percentage of revenue, the cost of revenue decreased by 10.9%, to 52.6% compared to 63.5% for the three months ended October 31, 2001 and the three months ended October 31, 2000, respectively. This decrease is attributable to the Company leveraging its increased revenues as the Company earns a higher commission split (compared to the loan agent) once certain revenue targets are reached.

17

General and Administrative Expenses

General and administrative expenses totaled \$2,800,614 for the three months ended October 31, 2001, compared to \$1,139,152 for the three months ended October 31, 2000. This increase of \$1,661,462 can be primarily attributed to the business growth of the operating subsidiaries, namely AMRES, as additional personnel, office space and other administrative costs are required to handle the expansion. Effective in the first quarter of fiscal 2001, the Company had implemented significant cost reductions to reduce its administrative expenses at its corporate offices.

The Company has elected early adoption of Statement 142 and as such, has not recorded any goodwill amortization for the three months ended October 31, 2001. Goodwill amortization relating to the Company's acquisitions of Expidoc, Titus, and LoanNet amounted to approximately \$145,000 for the three months ended October 31, 2000.

Consulting Expenses

To date, the Company has funded a portion of its operating costs through the use of its common stock paid to outside consultants. During the three months ended October 31, 2001, costs paid in the form of common stock to outside consultants totaled approximately \$137,200, representing 1,100,000 shares of common stock. For the three months ended October 31, 2000, costs paid in the form of common stock issued to outside consultants totaled \$547,995. The stock issued in connection with Bravorealty was reported as deferred compensation and \$52,500 was expensed during the three months ended October 31, 2001. Management expects a reduction in the use of stock for this purpose in the future.

Interest Expense

Interest expense was \$79,720 for the three months ending October 31, 2001,

Edgar Filing: E-NET FINANCIAL COM CORP - Form 10QSB/A

compared to \$61,406 for the three months ended October 31, 2000. This increase is primarily related to the amortization of three month's interest expense in the amount of \$35,569 related to options issued as part of the bridge loan financing with Laguna Pacific Partners, LLP.

Extraordinary Item

During, the three months ended October 31, 2001, the Company settled certain lease obligations and recorded a gain on the settlement of debt in the amount of 56,185.

Net Income (Loss)

The Company's net loss for the three months ending October 31, 2001 was (\$334,858), or (\$0.01) per share compared to a net loss of (\$375,489), or (\$0.02) per share for the three months ended October 31, 2000. The Company believes that with its continued growth in revenues and its ability to leverage its fixed costs against those revenues, it will be able to achieve profitability in future quarters.

18

Six Months Ended October 31, 2001 Compared To The Six Months Ended October 31, 2000

REVENUES

Revenues increased by \$6,343,325, or 127.3%, to \$11,326,267 for the six months ended October 31, 2001, compared to \$4,982,942 for the six months ended October 31, 2000. This increase is again the result of the growth and expansion of AMRES, primarily the Net Branch program.

Revenues for Expidoc increased slightly to \$172,927 for the six months ended October 31, 2001 compared to \$72,543 for the six months ended October 31, 2000. The increase in volume is a result of Expidoc adding such names as Ditech.com to their customer list.

Bravorealty became operational in January 2001. For the six months ended October 31 2001, total revenues amounted to \$161,119. These revenues were generated based on approximately fifteen closed real estate purchase transactions during the period. Management believes that Bravorealty will be a significant growth vehicle for the Company over the next 12 months, as evidenced by the steady increase in the number of real estate sales' listings and closed transactions generated by Bravorealty so far this fiscal year.

Revenues from Titus were not material for the periods presented.

Costs and Expenses

Commissions are paid to loan agents on funded loans. Commissions increased by \$2,631,635 or 78.2%, for the six months ended October 31, 2001, to \$5,995,586 from \$3,363,951 for the six months ended October 31, 2000. The primary reason for the increase in commissions is the increase in revenue as discussed above. Proportionally, total commissions as a percentage of revenue decrease as revenues increase due to the Company earning a higher commission split (compared to the loan agent) once certain revenue targets are meet.

General and Administrative Expenses

General and administrative expenses totaled \$5,054,615 for the six months ended October 31, 2001, compared to \$2,564,288 for the six months ended October

Edgar Filing: E-NET FINANCIAL COM CORP - Form 10QSB/A

31, 2000. The increase in general and administrative expense is a result of the continued rapid growth and expansion of the operating subsidiaries. The Company does expect that general and administrative costs will begin to level out, compared to the growth in revenue, as the company continues to leverage its fixed costs.

The Company has elected early adoption of Statement 142 and as such, has not recorded any goodwill amortization for the six months ended October 31, 2001. Goodwill amortization relating to the Company's acquisitions of Expidoc, Titus, and LoanNet amounted to approximately \$290,000 for the six months ended October 31, 2000.

19

Consulting Expenses

To date, the Company has funded a portion of its operating costs through the use of its common stock paid to outside consultants. During the six months ended October 31, 2001, costs paid in the form of common stock to outside consultants totaled approximately \$547,995 representing 3,500,000 shares of common stock. For the six months ended October 31, 2000, costs paid in the form of common stock issued to outside consultants totaled \$519,290. The stock issued in connection with Bravorealty was reported as deferred compensation and \$105,000 was expensed during the six months ended October 31, 2001

Interest Expense

Interest expense was \$122,355 for the six months ending October 31, 2001, compared to \$108,748 for the six months ended October 31, 2000. This increase is primarily related to the amortization of four month's interest expense in the amount of \$46,219 related to options issued as part of the bridge loan financing with Laguna Pacific Partners, LLP.

Net Losses

The Company's net losses for the six months ending October 31, 2001 and 2000 were (\$597,381), and (\$1,254,042), or (\$0.018) and (\$0.06) per share respectively. During the most recent six-month period, the non-cash expense component of the Company's net loss was significant. For the six months ending October 31, 2001, non-cash expense relating to common stock issued to consultants, for interest and for non-recurring settlements amounted to \$547,995, \$122,355 and \$282,494, respectively. The Company believes that with its continued growth in revenues and its ability to leverage its fixed costs against those revenues, it will be able to reduce its net losses in the future, and possibly achieve profitability.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Net cash provided by (used in) operating activities was \$223,922 and (\$348,204) for the six months ending October 31, 2001 and 2000, respectively. Net loss decreased significantly between the periods to (\$597,381) for the period ending October 31, 2001 compared to a net loss of (\$1,254,042) for the period ending October 31, 2000. Non-cash expenses relating to the issuance of stock for services, depreciation and amortization totaled \$823,801 and \$918,279 for the six months ended October 31, 2001 and 2000, respectively.

Net cash from investing activities was (\$19,167) and \$27,009 for the six months- ended October 31, 2001 and 2000, respectively. There were no individually

Edgar Filing: E-NET FINANCIAL COM CORP - Form 10QSB/A

significant sources or uses of funds from investing activities for either period presented.

Net cash provided by financing activities was \$289,666 and \$463,437 for the periods ending October 31, 2001 and October 31, 2000 respectively. Cash provided by financing for the period ended October 31, 2000 relates primarily to net proceeds received from private placements of the Company's stock, reduced by payments made on the Company's note payable to EMB corporation related to the acquisition of AMRES. Cash provided by financing for the period ended October 31, 2001 relates primarily to advances on the Company's warehouse line of credit in the amount of \$100,466 associated with its mortgage banking operations and to the proceeds from the issuance of the bridge loan. The warehouse line of credit is secured by first and second trust deed mortgages.

20

The Company generated cash flows from a bridge financing in the amount of \$225,000. The Company was required to issue warrants to purchase 225,000 shares of common stock for \$1.00, the exercise price of which is based on a 30% discount from the closing bid price on the date of exercise. The total value of the warrants amounted to \$132,345 based on the relative fair value of the warrants to the proceeds from the financing. The value is treated as a discount to the carrying value the debt which is being amortized over the nine-month term of the note using the effective interest method. The Company plans to repay the note from proceeds generated from an offering of securities by Anza. In the event the capital from the Anza is not received, management intends to repay the note from cash on hand, or cash flows generated from operations, if any.

The Company significantly improved their financial position upon completing a "Global Settlement" June 26, 2001. The Company substantially increased its net worth and reduced its liability to EMB from \$1,215,856 to \$103,404, after issuing a convertible note to AMRES Holding LLC and issuing 4.5 million shares of its common stock. The original obligation to EMB further required the Company to pursue an S-1 registration that had become very time consuming of management, and costly in terms of cash, which has now been withdrawn.

The Company is current in servicing its obligations as they become due. From time to time, the Company used its common stock to provide compensation for outside services that were required. It is the belief of management, that beginning the third quarter 2001, little or no common stock will be issued for services.

The Company's stockholders deficit has been significantly reduced from \$1,184,382 to \$69,925 primarily due to the issuance of common stock in relief of debt.

Management is pleased with the current direction and financial improvement of the Company. The operating subsidiaries are expanding in tough economic times. AMRES and Expidoc.com are currently profitable. BravoRealty is performing as projected, requiring budgeted initial investment in capital prior to ramping up to full operations, including anticipated selling of franchises. And Titus, with a small loss, is poised for a round of new investors when the markets permit. The cash flow of the Company has markedly improved, with cash on hand ending October 31 of \$587,307 versus \$427,825 the year earlier. Short-term debt is manageable. A \$43,000 note is being paid off in monthly payments through May of 2002, with approximately \$30,000 unpaid as of October 3, 2001. The \$225,000 note due Bridgeloan is to be paid from fundraising in the new subsidiary, Anza Properties, or can be paid with cash on hand. The \$485,446 convertible note due our Chief Executive, due in December 2002, will convert into common stock, or extend the maturity date, at holder's option, if paying in cash proves too

Edgar Filing: E-NET FINANCIAL COM CORP - Form 10QSB/A

difficult for E-net. The \$103,404 convertible note due in December 2002, can be converted to equity at E-net's option. And, the \$1,798,400 in convertible preferred is expected to convert to common stock. Significant debt has been eliminated, and no current obligations are delinquent. It is our opinion, barring some significant adverse change in our business, that E-net should but continue to grow rapidly and continue to increase its profitability. Finally, through recently established subsidiary Anza Properties, E-net has initiated plans to establish sufficient net worth in order to file for listing on a national exchange, such as NASDAQ, in mid-2002.

Our Interim financial statements have been prepared assuming the Company will continue as a going concern. Because the Company has incurred significant losses from operations and has excess current liabilities over current assets totaling approximately \$37,234, it may require financing to meet its cash requirements. Our auditors included an explanatory paragraph in their annual report raising substantial doubt about its ability to continue as a going concern. However, during the six months ended October 31, 2001, the Company executed relief from certain obligations by settlement of its creditors. Cash requirements depend on several factors, including but not limited to, the pace at which all subsidiaries continue to grow, become self supporting, and begin to generate positive cash flow, as well as the ability to obtain additional services for common stock or other non-cash consideration.

21

If capital requirements vary materially from those currently planned, the Company may require additional financing sooner than anticipated. At present, there are no firm commitments for any additional financing, and there can be no assurance that any such commitment can be obtained on favorable terms, if at all. Management has implemented several reductions of costs and expenses to reduce its operating losses. Management plans to continue its growth plans to generate revenues sufficient to meet its cost structure. Management believes that these actions will afford the Company the ability to fund its daily operations and service its remaining debt obligations primarily through the cash generated by operations; however, there are no assurance that management's plans will be successful. No adjustments have been made to the carrying value of assets or liabilities as a result of these uncertainties.

Except for historical information, the materials contained in this Management's Discussion and Analysis are forward-looking (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934) and involve a number of risks and uncertainties. These include the Company's historical losses, the need to manage its growth, general economic downturns, intense competition in the financial services and mortgage banking industries, seasonality of quarterly results, and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission. Although forward-looking statements in this Quarterly Report reflect the good faith judgment of management, such statements can only be based on facts and factors currently known by the Company. Consequently, forward-looking statements are inherently subject to risks and uncertainties, actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. Readers are urged to carefully review and consider the various disclosures made by the Company in this Quarterly Report, as an attempt to advise interested parties of the risks and factors that may affect the Company's business, financial condition, and results of operations and prospects.

22

PART II

Edgar Filing: E-NET FINANCIAL COM CORP - Form 10QSB/A

ITEM 1 LEGAL PROCEEDINGS

There have been no material developments to the reportable events in the Company's Form 10-KSB filed with the SEC on August 16, 2001.

ITEM 2 CHANGES IN SECURITIES

In August 2001, the Company issued 1,500,000 shares of common stock to D. Weckstein and 100,000 shares of common stock to Food Service Industries in settlement of disputed claims related to the value of services rendered. We had not previously accounted for the disputes as a contingency. The issuances were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5 OTHER INFORMATION

Not applicable

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

None

23

SIGNATURES

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

Dated: February 20, 2002

/s/ Vincent Rinehart

By: Vincent Rinehart
Its: President, Chairman,
Chief Executive Officer,
Chief Financial Officer,
Chief Accounting Officer,
and Director

Dated: February 20, 2002

/s/ Scott A. Presta

By: Scott A. Presta
Its: Director

24