

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

E-NET FINANCIAL COM CORP
Form 10QSB
March 25, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED JANUARY 31, 2002

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

(State or other jurisdiction of
incorporation or organization)

88-1273503

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

3200 BRISTOL STREET, SUITE 700

COSTA MESA, CA

(Address of principal executive offices)

92626

(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 March 22, 2002, there
were 44,139,397 shares of common stock issued and outstanding.

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT
(check one):

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

Yes _____ No X

ANZA CAPITAL, INC.

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

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.

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

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

ANZA CAPITAL, INC.
(FORMERLY E-NET FINANCIAL.COM CORPORATION)
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

January 31, 2002

ASSETS

Current assets:

Cash and cash equivalents	\$	633,655
Accounts receivable, net of allowance for doubtful accounts of \$74,123		734,877
Loans held for sale		1,498,116
Advances to employees		104,500
Prepaid and other current assets		80,125

Total current assets 3,051,273

Property and equipment, net of accumulated depreciation of \$93,387		97,941
Goodwill, net of accumulated amortization and impairments of \$1,385,049		425,247

\$ 3,574,461

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$	314,176
Warehouse line of credit		1,475,987
Accrued liabilities		136,143
Commissions payable		871,074
Short-term notes payable		224,934
Convertible notes payable to related parties		337,605
Interest payable on notes to related parties		29,533

Total current liabilities 3,389,452

Other liabilities 1,088

Total liabilities 3,390,540

Stockholders' equity:

Class A convertible preferred stock, no par value; liquidation value of \$0.50 per share; 388,700 shares issued and outstanding		194,350
Class C convertible preferred stock, no par value; liquidation value of \$100 per share; 17,746 shares issued and outstanding		1,745,900
Common stock, \$0.001 par value; 100,000,000 shares authorized; 39,589,401 issued and outstanding		39,589
Additional paid-in capital		12,160,226
Accumulated deficit		(13,950,144)
Deferred stock compensation		(6,000)

Total stockholders' equity 183,921

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

\$ 3,574,461
=====

See accompanying notes

4

ANZA CAPITAL, INC.
(FORMERLY E-NET FINANCIAL.COM CORPORATION)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended Jan 31, 2002	Three Months Ended Jan 31, 2001	Nine Months Jan 31,
	-----	-----	-----
Revenues:			
Broker commissions	6,502,348	2,507,877	17,56
Fee Income	142,348	45,927	48
	-----	-----	-----
	6,644,696	2,553,804	18,05
	-----	-----	-----
Cost of revenues:			
Commissions.	3,527,541	2,232,371	10,45
	-----	-----	-----
Gross profit.	3,117,155	321,433	7,59
General and administrative.	3,027,027	964,225	7,34
Consulting fees	76,850	538,823	60
Loss on Recession of LoanNet.	-	1,838,012	
Non-recurring loss on settlements	-	-	28
	-----	-----	-----
Operating income (loss).	13,278	(3,019,627)	(64
Interest expense.	(72,851)	(38,073)	(9
Other income (expense), net	5,646	23,472	3
	-----	-----	-----
Net loss before extraordinary item.	(53,927)	(3,034,228)	(70
Extraordinary item, gain on settlement of debt.	69,695	-	12
	-----	-----	-----
Net income (loss).	\$ 15,768	\$ (3,034,228)	\$ (58
	=====	=====	=====

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

Basic and diluted net loss per share of common stock, before extraordinary item	\$	-	\$	(0.14)	\$
Extraordinary item.		-		-	
Basic and diluted net loss per share of common stock.	\$	-	\$	(0.14)	\$
Weighted average common shares outstanding.		38,985,955		21,502,831	34,62
		=====		=====	=====

See accompanying notes

ANZA CAPITAL, INC.
(FORMERLY E-NET FINANCIAL.COM CORPORATION)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Nine Months Ended Jan 31, 2002	Nin End Jan
		-----	-----
Cash flows from operating activities:			
Net loss.	\$	(581,979)	\$
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization		15,001	
Non-recurring loss on settlements		282,494	
Loss on rescission of LoanNet		-	
Extraordinary gain from settlement of debt.		(125,880)	
Stock compensation to consultants		426,023	
Amortization of debt discounts.		116,875	
Amortization of deferred stock compensation		187,133	
Changes in operating assets and liabilities:			
Increase in accounts receivable, net.		(270,754)	
Increase in loans held for sale		(1,140,766)	
Increase in other current assets.		4,477	
Increase in due from employees.		(39,250)	
Decrease in accounts payable.		(221,116)	
Increase in commissions payable		610,761	
(Decrease) increase in accrued liabilities.		(39,539)	
		-----	-----
Net cash provided by (used in) operating activities		(776,520)	
		-----	-----
Cash flows from investing activities:			
Decrease in other assets.		11,307	
Acquisitions of property and equipment.		(22,957)	
Marketable securities		-	
		-----	-----

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

Net cash provided by (used in) investing activities	(11,650)

Cash flows from financing activities:	
Payments on notes payable to related parties, net	(150,000)
Proceeds from issuance of bridge loan	225,000
Payments on capital lease obligations	(35,800)
Advances from warehouse line of credit.	1,135,145
Proceeds from private placement	163,874
Dividends paid on A-preferred stock	(3,630)
Repurchase of A-preferred Stock	(5,650)

Net cash provided by financing activities	1,328,939

See accompanying notes

ANZA CAPITAL, INC.
(FORMERLY E-NET FINANCIAL.COM CORPORATION)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Net increase in cash	540,7
Cash at beginning of period.	92,8

Cash at end of period.	\$ 633,6
=====	
Non - cash financing activities:	
Debt reduction through the issuance of common stock	\$ 801,6
=====	
Warrants issued for bridge-loan issue costs	\$ 321,4
=====	
Conversion of C-preferred to common stock	\$ 575,6
=====	

Supplemental cash flow information:

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

See accompanying notes

NOTES TO INTERIM FINANCIAL STATEMENTS

NOTE 1. UNAUDITED INTERIM FINANCIAL STATEMENTS

The interim financial data as of January 31, 2002, for the three and nine months ended January 31, 2002 and 2001 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 January 31, 2002, and the results of their operations and their cash flows for the three and nine months ended January 31, 2002 and 2001. 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 American Residential Funding, Inc. ("AMRES") loan brokering business represents approximately 97% of the company's revenues and related expenses. 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.

Reclassifications

Certain prior year amounts have been reclassified for comparative purposes. These reclassifications have no effect on net income.

NOTE 2. 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 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 3 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

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

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.

8

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 3 GOODWILL

At January 31, 2002, the Company had goodwill attributable to acquired businesses as follows:

	Goodwill	Accumulated Amortization and Impairments	Net
	-----	-----	-----
Titus .	\$ 1,600,000	\$ (1,350,000)	\$ 250,000
Expidoc	210,292	(35,045)	175,247
	-----	-----	-----
	\$ 1,810,292	\$ (1,385,045)	\$ 425,247
	=====	=====	=====

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 nine months ended January 31, 2001, statement of operations. Had the provision of SFAS No. 142 been applied for the three and nine months ended January 31, 2001, the Company's net income (loss) and net income (loss) per share would have been as follows:

9

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

	FOR THE THREE MONTHS ENDED January 31, 2002	2001	FOR THE NIN Ja 2002
Reported net income (loss)	15,768	(3,034,228)	(581,979)
Add back: Goodwill amortization.	-	64,654	-
Adjusted net income (loss)	15,768	(2,969,574)	(581,979)
Basic earnings per share:			
Reported net income (loss)	-	(0.14)	(0.02)
Goodwill amortization	-	-	-
Adjusted net income	-	(0.14)	(0.02)

10

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

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.

NOTE 4 WAREHOUSE LINE OF CREDIT

The Company maintains a \$2,000,000 warehousing line of credit which will mature March 31, 2002. The agreement is personally guaranteed by the Company's chief executive officer. The credit agreement calls for various ratios and net worth requirements, minimum utilization requirements, and limits the warehouse period to 45 days for any specific loan. The interest rate as of January 31, 2002, was 6.25% per annum calculated on the daily outstanding balance. The adjustable interest rate is based upon a published prime rate plus 1.5% and is payable monthly. The line of credit is collateralized by the loans held for sale

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

as referenced above.

NOTE 5 GLOBAL SETTLEMENT

As part of the acquisition of AMRES, Anza 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, Anza was obligated to pay the sum of \$4,000,000 under the terms of a promissory note issued to EMB, of which \$1,215,856, including interest, was outstanding at the settlement date.

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 ("WdB"), the then-chairman of Anza executed a document on behalf of Anza in favor of WdB, which WdB believed acted as a guarantee of EMB's obligation. Anza disputed this assertion.

In order to settle the outstanding disputes among all the parties, on June 26, 2001, Anza 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) Anza 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 Anza 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. Anza issued to EMB a promissory note in the principal amount of \$103,404, which represents the reduced amount due to EMB by Anza 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 Anza and a note issued by Anza to AMRES Holdings, LLC to settle an acquisition obligation of EMB (see below). The note bears interest at the rate of 10% per annum and is convertible into common stock of Anza. See Note 10 for further discussions of this note.

11

(ii) Anza 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 Anza arising under the purported guarantee of EMB's obligation to WdB by Anza. The parties agreed that the amount be credited as additional consideration to apply to the EMB notes payable.

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

(iv) EMB assigned its rights of a portion of Anza'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 had a mandatory conversion into the Company's common stock on December

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

15, 2001, which was cancelled (see Note 10).

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
	=====

12

NOTE 6 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 \$225,000, 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

(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 Anza. The Company is required to allocate the proceeds received to the value the warrant and the bridge loan using the relative fair value method and resulting warrant value is reflected as an increase in additional paid-in capital and a 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; however, Mr. Ehrlich was the general partner of Laguna Pacific.

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 Properties") capitalized with \$75,000 from the proceeds of the bridge loan. The Company:

(i) executed a bond term sheet with Anza 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. The offer was terminated in March 2002.

(ii) entered into an employment agreement with Thomas Ehrlich. In March 2002, Thomas Ehrlich died and management has no intention to replace him. The employment agreement provided for a salary of \$20,000 per month and options to acquire up to 2,000,000 shares of Anza 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 Properties was successful in raising a minimum of \$2,000,000 in a contemplated \$5,000,000 bond offering. The options were effectively cancelled. No compensation expense was recorded since the contingency was not met.

(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 Anza. In addition, Anza executed a Stock Option Agreement which entitled Horwitz to acquire up to 1,000,000 shares of Anza common stock on terms identical to those 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 Anza 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 was primarily to improve the net worth of e-Net by acquiring income producing real estate. Due to the death of Mr. Thomas Ehrlich in March 2002, all operational and fundraising efforts associated with Anza Properties have been permanently discontinued.

NOTE 7. 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 144 of the Exchange Act of 1933, the Company discounts the closing prices by 10% to value its common stock transactions.

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

SERIES C CONVERTIBLE PREFERRED STOCK

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. 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. Also, on November 15, 2001, an additional 525 shares of Class were converted at the option of the shareholders into 1,012,854 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. The beneficial conversion feature embedded in the Class C Preferred was originally charged to the Company's accumulated deficit at the date of issuance since the right to convert into common stock at a discount was the same date. Preferred dividends totaling \$27,341 were charged to the Company's accumulated deficit during the nine months ended January 31, 2002.

SERIES A CONVERTIBLE PREFERRED STOCK

In November 2001 and January 2002, the Company issued an aggregate of 400,000 shares of Series A Convertible Preferred Stock, (the "A Preferred") in a private placement for consideration equal to \$163,874 in cash. The A Preferred has a liquidation value of \$200,000 and the holder is entitled to receive cumulative dividends at an annual rate of 12%, payable monthly. The A Preferred is convertible, at any time at the option of the holder, into shares of the Company's common stock at a price equal to 90% of the closing bid price of the Company's common stock in the previous trading day preceding the conversion. In connection with this issuance, the Company recorded a charge of \$36,126 to accumulated deficit for the difference between the consideration received and the liquidation value. See Note 12 for additional Series A Convertible Preferred Stock issuances subsequent to January 31, 2002.

15

COMMON STOCK

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 together with interest at 0% per annum of \$4,320 through May 2, 2002. As of January 31, 2002, \$30,040 remained due on the loan.

At various dates from May 1, 2001 through January 31, 2002, the Company issued 3,750,000 shares of common stock, valued at \$558,050 to various consultants which are included in general and administrative expenses in the accompanying statements of operations. Consulting services performed during the three and nine months ended January 31, 2002, are summarized below:

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

	Period Ending January 31, 2002		
	Three Months		Nine Months
	Costs	Shares	Costs
	Incurred	Issued	Incurred
Financial and Internal Accounting Services	\$ 3,500	25,000	\$ 79,250
Mergers Acquisitions Consulting.	8,100	100,000	250,100
Bravorealty Start-up Costs	12,500	100,000	173,500
Information Technology Consulting.	-	-	14,000
Legal Services	2,750	25,000	41,200
Total.	<u>\$ 26,850</u>	<u>250,000</u>	<u>\$ 558,050</u>

Refer to Notes 5 and 6 for discussion of transactions affecting stockholders' equity (deficit).

NOTE 8 EMPLOYMENT AGREEMENT

On June 1, 2001, the Company 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 9 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

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 10 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 nine months ended January 31, 2002, 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.

On January 17, 2002, AMRES purchased a note payable by the Company in the amount of \$103,404 and accrued interest totaling \$6,291 for consideration of \$40,000, of which \$25,000 was tendered to EMB with the balance of \$15,000 due on June 1, 2002. In the consolidation the note payable is eliminated and the Company recognizes extraordinary income of \$69,695 from forgiveness of debt. The Company used cash from operations to satisfy these settlements.

17

NOTE 11 EARNINGS PER SHARE

Anti-dilutive securities which are not included in the calculation of dilutive earnings per share for the three and nine months ended January 31, 2002, which could be dilutive in future periods include the C-preferred convertible into approximately 24,195,000 shares of common stock, A-preferred convertible into approximately 2,699,000 shares of common stock, note payable to related party convertible into approximately 4,018,000 shares of common stock. Also excluded from the calculation of dilutive earnings per share were warrants to purchase 1,040,241 shares of common stock that range between \$0.08 and \$6.73 in exercise price which exceeded the Company's stock price on January 31, 2002.

NOTE 12 SUBSEQUENT EVENTS

On March 1, 2002, the Company issued 100,000 shares of A Preferred for \$50,000 in a private placement. The A Preferred has a liquidation value of \$50,000 and the holder is entitled to receive cumulative dividends at an annual rate of 12%, payable monthly. The A Preferred is convertible, at any time at the option of the holder, into shares of the Company's common stock at a price equal to 90% of the closing bid price of the Company's common stock in the previous trading day preceding the conversion.

On March 1, 2002, the board of directors approved the issuance of 1,800,000 shares of the Company's registered common stock under an S-8 registration statement to various consultants for various services. The Company will charge operations a total of \$90,000 in connection with this issuance during the fourth quarter of fiscal 2002.

18

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

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 300 net-branches nationwide are operating, in addition to four Corporate owned branches in 4 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.

The Company has seen improvement in other subsidiaries as well.

Expidoc.com averaged, during the three months ending January 31, 2002, 275 loan document signings a month through their network of notaries in all 50 states. Expidoc was profitable for the first time during the quarter ended January 31, 2002. By adding staff, and implementing a new marketing initiative, Expidoc should continue to improve its operations and maintain near term profitability. Business is expected to increase over the 4th quarter as Expidoc.com has become a preferred signer for Ditech.com and with increased confidence the number of orders continue to increase monthly.

BravoRealty (69% owned subsidiary) has established joint venture branches in four locations. In addition, BravoRealty has initiated a net branch of AMRES inside Bravo, and has experienced an increase in revenues from home loans brokered. Bravorealty has established 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. The final franchise offering circular has been reviewed by management with the prospect of filing the document with the state during the 4th quarter of this fiscal year. Management expects the franchise concept will develop an additional 5 outlets within the next 2 quarters. Due to these start-up costs, BravoRealty had incurred an operating loss for the current quarter.

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. To date, six of ten properties have been sold, and the final two properties are on the market to be sold. It is the intent of the management of the Company to repay its initial investors, operate the REIT at minimal levels, and raise new capital for Titus REIT when the market permits, although no estimate can be made as to when that might be. 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.

Results of Operations

For the three and nine month periods ended January 31, 2002, the Company reported a net gain of \$15,768 and a net loss of (\$581,979) 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 January 31, 2002 Compared To The Three Months Ended January 31, 2001

REVENUES

Revenues increased to \$6,644,696 for the three months ended January 31, 2002, compared to \$2,553,804 for the three months ended January 31, 2001. The growth in revenues is primarily attributable to the expansion and growth of AMRES through the brokering of loans. AMRES accounted for greater than 96% 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 300 branches as of January 31, 2002, compared to less than 80 branches as of January 31, 2001. 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 substantially to \$83,065 for the three months ended January 31, 2002 compared to \$9,077 for the three months ended January 31, 2001. 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 January 31 2002, total revenues amounted to \$56,922. These revenues were generated based on approximately 18 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. With the continued growth pattern and the addition of 4 corporate real estate offices and 12 additional sales staff, the prospect for profitability within the next 2 quarters is obtainable.

Revenues from Titus were not material for the periods presented.

Gross Profit

Commissions are paid to loan agents on funded loans. Commissions increased by \$1,295,170 or 58%, for the three months ended January 31, 2002, to \$3,527,541 from \$2,232,371 for the three months ended January 31, 2001. This increase is primarily related to the increased revenues discussed above. As a percentage of revenue, the cost of revenue decreased by 34%, to 53% compared to 87% for the three months ended January 31, 2002 and the three months ended January 31, 2001, 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. Gross profit increased by \$3,085,012 or 960% for the three months ended January 31, 2002, to \$3,117,155 from \$321,433 for the three months ended January 31, 2001.

General and Administrative Expenses

General and administrative expenses totaled \$3,027,027 for the three months ended January 31, 2002, compared to \$964,225 for the three months ended January 31, 2001. This increase of \$2,062,802 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 January 31, 2002. Goodwill amortization relating to the Company's acquisitions of Expidoc, Titus, and LoanNet amounted to approximately \$65,000 for the three months ended January 31, 2001.

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 January 31, 2002, costs paid in the form of common stock to outside consultants totaled approximately \$76,850, representing 250,000 shares of common stock. For the three months ended January 31, 2001, costs paid in the form of common stock issued to outside consultants totaled \$538,823. The stock issued in connection with BravoRealty was reported as deferred compensation and \$56,000 was expensed during the three months ended January 31, 2002. Management expects a reduction in the use of stock for this purpose in the future.

Interest Expense

Interest expense was \$72,851 for the three months ending January 31, 2002, compared to \$38,073 for the three months ended January 31, 2001. This increase is primarily related to the amortization of three month's interest expense in the amount of approximately \$48,000 related to options issued as part of the bridge loan financing with Laguna Pacific Partners, LLP.

Extraordinary Item

On January 17, 2002, American Residential Funding, a subsidiary ("AMRES") purchased a note payable by the Company to a related party in the amount of \$103,404 and accrued interest totaling \$6,291 for consideration of \$40,000 of which \$25,000 was tendered. In the consolidation the note payable is eliminated and the Company recognizes extraordinary income of \$69,695 from forgiveness of debt. The Company used cash from operations to satisfy these settlements.

Net Income (Loss)

The Company's net income for the three months ending January 31, 2002 was \$15,768, or \$- per share compared to a net loss of \$3,034,228, or \$(0.14) per share for the three months ended January 31, 2001. 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.

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

Nine Months Ended January 31, 2002 Compared To The Nine Months Ended January 31, 2001

REVENUES

Revenues increased by \$10,513,502, or 139%, to \$18,050,248 for the nine months ended January 31, 2002, compared to \$7,536,746 for the nine months ended January 31, 2001. This increase is again the result of the growth and expansion of AMRES, primarily the Net Branch program.

Revenues for Expidoc increased substantially to \$255,992 for the nine months ended January 31, 2002 compared to \$42,727 for the nine months ended January 31, 2001. 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 nine months ended January 31 2002, total revenues amounted to \$219,070. These revenues were generated based on approximately 18 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. With the continued growth pattern and the addition of 4 corporate realestate offices and 12 additional sales staff, the prospect for profitability within the next 2 quarters is obtainable.

Revenues from Titus were not material for the periods presented.

Gross Profit

Commissions are paid to loan agents on funded loans. Commissions increased by \$4,861,720 or 87%, for the nine months ended January 31, 2002, to \$10,458,042 from \$5,596,322 for the nine months ended January 31, 2001. 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. Gross profit increased by \$5,651,782 or 291% for the nine months ended January 31, 2002, to \$7,592,206 from \$1,940,424 for the nine months ended January 31, 2001.

General and Administrative Expenses

General and administrative expenses totaled \$7,349,788 for the nine months ended January 31, 2002, compared to \$3,141,204 for the nine months ended January 31, 2001. 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 nine months ended January 31, 2002. Goodwill amortization relating to the Company's acquisitions of Expidoc, Titus, and LoanNet amounted to approximately \$476,000 for the nine months ended January 31, 2001.

Consulting Expenses

To date, the Company has funded a portion of its operating costs through

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

the use of its common stock paid to outside consultants. During the nine months ended January 31, 2002, costs paid in the form of common stock to outside consultants totaled approximately \$604,000 representing 4,071,000 shares of common stock. For the nine months ended January 31, 2001, costs paid in the form of common stock issued to outside consultants totaled \$1,469,543. The stock issued in connection with Bravorealty was reported as deferred compensation and \$162,000 was expensed during the nine months ended January 31, 2002

Interest Expense

Interest expense was \$99,522 for the nine months ending January 31, 2002, compared to \$146,821 for the nine months ended January 31, 2001. This increase is primarily related to the amortization of seven month's interest expense in the amount of \$94,000 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 nine months ending January 31, 2002 and 2001 were \$581,979, and \$4,543,282, or \$0.02 and \$0.22 per share respectively. During the most recent nine-month period, the non-cash expense component of the Company's net loss was significant. For the nine months ending January 31, 2002, non-cash expense relating to common stock issued to consultants, for interest and for non-recurring settlements amounted to \$604,000, \$116,875 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 used in operating activities was \$776,520 and \$399,685 for the nine months ending January 31, 2002 and 2001, respectively. Net loss decreased significantly between the periods to \$581,979 for the period ending January 31, 2002, compared to a net loss of \$4,543,282 for the period ending January 31, 2001. Non-cash expenses relating to the issuance of stock for services, depreciation and amortization and amortization of debt discounts totaled \$1,027,526 and \$3,690,368 for the nine months ended January 31, 2002 and 2001, respectively.

Net cash from investing activities was \$(11,650) and \$23,244 for the nine months- ended January 31, 2002 and 2000, respectively. There were no individually significant sources or uses of funds from investing activities for either period presented.

Net cash provided by financing activities was \$1,328,939 and \$613,263 for the periods ending January 31, 2002 and January 31, 2001 respectively. Cash provided by financing for the period ended January 31, 2001 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 January 31, 2002 relates primarily to advances on the Company's warehouse line of credit in the amount of \$1,135,145 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.

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

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. In March 2002, due to the death of Thomas Ehrlich, Anza Capital, Inc. has abandoned its plans to raise capital for Anza Properties. The Company plans to repay the note from proceeds generated by the sale of its common and/or preferred stock in private placements. In the event the capital from the sale of securities 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 first quarter 2003, little or no common stock will be issued for services.

The Company's stockholders equity increased from a deficit of (\$69,925) to an equity of \$184,000 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 January 31, 2002 of \$633,655 versus \$522,405 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 \$27,000 unpaid as of January 31, 2002. The \$225,000 note due Bridgeloan is to be paid from the sale of Company stock or can be paid with cash on hand. The Company paid \$125,000 towards the convertible note due our Chief Executive with an original balance of \$485,446, due in December 2002. The remaining balance of \$360,446 of the note with a carrying balance of \$322,605, net of discounts, will convert into common stock, or extend the maturity date, at holder's option, if paying in cash proves too difficult for the Company. The \$103,404 convertible note due in December 2002 was purchased by AMRES for consideration at \$40,000 of which \$25,000 was tendered during the third quarter. And, the \$1,745,900 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 the Company should continue to grow rapidly and continue to increase its profitability.

Our Interim financial statements have been prepared assuming the Company will continue as a going concern. Because the Company has incurred significant

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

losses from operations and current liabilities exceed current assets by approximately \$338,179, 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 nine months ended January 31, 2002, 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.

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.

25

PART II

ITEM 1 LEGAL PROCEEDINGS

In the ordinary course of business, the Company is from time to time involved in various pending or threatened legal actions. The litigation process is inherently uncertain and it is possible that the resolution of such matters might have a material adverse effect upon the financial condition and/or results of operations of the Company. However, in the opinion of the Company's management, matters currently pending or threatened against the Company are not expected to have a material adverse effect on the financial position or results of operations of the Company.

ITEM 2 CHANGES IN SECURITIES

In November 2001, the Company issued 244,000 shares of Series A Convertible

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

Preferred Stock to an accredited investor in exchange for consideration equal to \$80,500 in cash and forgiveness of debt in the amount of \$41,500. In January 2002, the Company issued 156,000 shares of Series A Convertible Preferred Stock to the same investor in exchange for consideration equal to \$83,374. The issuances were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933.

In January 2002, the Company issued an aggregate of 1,012,854 shares of common stock to a preferred stockholder upon conversion of 525 shares of Series C Convertible Preferred Stock. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933. The common stock was restricted in accordance with Rule 144 promulgated under the Act.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

Not Applicable.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its annual meeting of stockholders on December 6, 2001. Proxies were not solicited from the shareholders.

Two individuals were elected to the Company's Board of Directors, namely Vincent Rinehart and Scott A. Presta, both of which were Directors of the Company prior to the meeting. The results of the voting were as follows:

Director	Votes For	Votes Against	Votes Withheld
Vincent Rinehart	22,200,000	-0-	-0-
Scott A. Presta	22,200,000	-0-	-0-

The other matters on which the shareholders voted, and the results of voting, were:

(i) to amend the Articles Of Incorporation of the Company to change the name of the Company to Anza Capital, Inc., a Nevada Corporation.

Votes For	Votes Against	Votes Withheld
22,200,000	-0-	-0-

(ii) to ratify the appointment of McKennon Wilson & Morgan LLP, Certified Public Accountants, as independent auditors for the fiscal year ending April 30, 2002.

Votes For	Votes Against	Votes Withheld
22,200,000	-0-	-0-

(iii) to ratify certain executive compensation awards, a Global Settlement, and bridge financing transactions.

Votes For	Votes Against	Votes Withheld
22,200,000	-0-	-0-

(iv) to ratify the Company's acquisition strategy.

Votes For	Votes Against	Votes Withheld
22,200,000	-0-	-0-

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

ITEM 5 OTHER INFORMATION

Company Name Change

Effective on the open of business January 2, 2002, the Company changed its name from e-Net Financial.com Corporation to Anza Capital, Inc. In conjunction therewith, the Company's trading symbol for its common stock changed from "ENNT" to "ANZA."

Status of Subsidiaries

- American Residential Funding, Inc. ("AMRES") is the principal operating mortgage subsidiary of the Company. AMRES operates primarily as a mortgage banker and mortgage broker through an expansion of its existing company-owned and branch operations. AMRES has relationships with over 300 agents in over 250 branches, and is licensed in over 40 states. AMRES was profitable for the first time in the quarter ended January 31, 2002.

- Expidoc.com, Inc. ("Expidoc") is an Internet-based nationwide notary service that specializes in providing mortgage brokers with a solution to assist with the final step of the loan process: notarizing signatures of the loan documents. Expidoc was profitable for the first time in the quarter ended January 31, 2002.

- Brave Real Estate Network, Inc. ("BravoRealty") is an internet-based real estate brokerage which was incorporated in May 2000 and began operations in January 2001. The web-site is completed and fully operational, but this subsidiary has generated only a limited amount of revenue to date.

- Titus Real Estate, Inc. ("Titus Real Estate") is the management company of Titus REIT. Titus Real Estate, while currently operational, is not expected to provide significant revenues for Anza. To date, six of ten properties have been sold, and the final two properties are on the market to be sold. It is the intent of the management of the Company to repay its initial investors, operate the REIT at minimal levels, and raise new capital for Titus REIT when the market permits, although no estimate can be made as to when that might be. 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.

26

- Anza Properties, Inc. ("Anza Properties") was formed in June 2001 to acquire income producing real estate. Due to the death of Mr. Thomas Ehrlich in March 2002, all operational and fundraising efforts associated with Anza Properties have been permanently discontinued.

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

None.

27

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

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: March 25, 2002

/s/ Vincent Rinehart

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

Dated: March 25, 2002

/s/ Scott A. Presta

By: Scott A. Presta
Its: Director