

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

SILVERADO FINANCIAL INC
Form 10QSB
June 07, 2004

UNITED STATES
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 March 31, 2004

Commission File Number 000-29049

SILVERADO FINANCIAL, INC.

(Exact name of small business issuer as specified in its charter)

Nevada

86-0824125

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification Number)

5976 W. Las Positas, Suite 112, Pleasanton, CA

94588

(Address of principal executive offices)

(Zip Code)

Telephone Number: (925) 227-1500

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

As of May 4, 2004, 16,247,833 of the registrant's common stock, \$0.01 par value per share, were issued and outstanding.

1

SILVERADO FINANCIAL, INC.
INDEX TO FORM 10-QSB

PART I. FINANCIAL INFORMATION

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

Item 1. Financial Statements.....	3
Consolidated Balance Sheet as of March 31, 2004.....	3
Consolidated Statements of Operations for the three months ended March 31, 2004 and 2003.....	4
Consolidated Statements of Cash Flows for the three months ended March 31, 2004 and 2003.....	5
Notes to Financial Statements.....	6
Item 2. Management's Plan of Operation.....	12
Item 3. Controls and Procedures.....	27
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings.....	27
Item 2. Changes in Securities.....	28
Item 3. Defaults Upon Senior Securities.....	28
Item 4. Submissions of Matters to a Vote of Security Holders.....	28
Item 5. Other Information.....	28
Item 6. Exhibits and Reports on Form 8-K.....	29
SIGNATURES	29

2

PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SILVERADO FINANCIAL, INC.
CONSOLIDATED BALANCE SHEET
AT MARCH 31, 2004
(Unaudited)

ASSETS

CURRENT ASSETS

Cash	\$	36,779
Receivables		2,957
Total Current Assets		----- 39,736

OTHER ASSETS

Intellectual property		1,398,020
Furniture, fixtures & equipment, net		109,656
Other		10,114

Total assets	\$	1,557,526
		=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

CURRENT LIABILITIES	
Accounts Payable	\$ 268,761
Accrued officer salaries	18,340
Accrued interest	34,451
Due to affiliates	14,439

Total current liabilities	335,991
OTHER LIABILITIES	
Convertible notes payable	36,000
Note payable	275,000

Total liabilities	646,991
STOCKHOLDERS' EQUITY	
Preferred stock, \$.001 par value, 5,000,000 shares authorized, none issued	
Common stock, \$.001 par value, 20,000,000 shares authorized, 16,214,139 issued and outstanding	16,214
Additional paid-in capital	10,666,366
Deferred Stock Compensation	(9,030)
Accumulated Deficit	(9,763,015)

Total stockholders' equity	910,535

Total liabilities and stockholders' equity	\$ 1,557,526
	=====

See accompanying notes to these consolidated financial statements.

3

SILVERADO FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the 3 months ended	
	March 31, 2004	March 31, 2003
	-----	-----
Revenues		
Commission & processing revenue	\$ 108,685	\$ -
	-----	-----
Operating expenses		
Sales expenses and commissions	80,220	
Consulting	82,501	121,300
Interest expense	6,382	6,068
Depreciation expense	6,714	159
Other general and administrative	145,156	66,661
	-----	-----
Total operating expenses	320,973	194,188

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

Net (Loss) from operations	(212,288)	(194,188)
Other income and expense		
Gain (Loss) on sale of investments	9,814	(6,354)
Net (Loss)	\$ (202,474)	\$ (200,542)
NET (LOSS) PER SHARE:		
Basic	\$ (0.01)	\$ (0.02)
Diluted	\$ (0.01)	\$ (0.02)
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic	15,308,609	10,587,138
Diluted	15,308,609	10,587,138

See accompanying notes to these consolidated financial statements.

4

SILVERADO FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited)

	For the three months ended March 31,	
	2004	2003
OPERATING ACTIVITIES		
Net (loss) income for the period	\$ (202,474)	\$ (200,542)
Adjustments to reconcile net cash used by operations:		
Depreciation and amortization expense	13,684	159
Loss (gain) on sale of marketable securities	(9,814)	6,354
Common stock issued for services and trade payables	156,878	86,500
(Increase)/decrease in accounts receivable	8,448	(19,177)
(Increase)/decrease in other assets	(3,214)	-
Increase/(decrease) in accounts payable	23,941	126,609
Increase/(decrease) in accrued officer salaries	(41,660)	-
Increase/(decrease) in accrued interest	6,383	6,066
Increase/(decrease) in due to affiliates	439	(13,000)
Net Cash (Used) by Operating Activities	(47,389)	(7,031)
FINANCING ACTIVITIES		

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

Proceeds from private placements	55,350	
Cash provided from financing activities	55,350	-
	-----	-----
 INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	27,588	7,421
Cash provided by investment activities	27,588	7,421
 Increase (decrease) in cash		
	35,549	390
Cash at beginning of period	1,230	561
Cash at end of period	\$ 36,779	\$ 951
	=====	=====

See accompanying notes to these consolidated financial statements.

5

SILVERADO FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MARCH 31, 2004

Note 1 - ORGANIZATION AND BASIS OF PRESENTATION

The unaudited financial statements included herein were prepared from the records of the Company in accordance with Generally Accepted Accounting Principles. These financial statements reflect all adjustments which are, in the opinion of management, necessary to provide a fair statement of the results of operations and financial position for the interim periods. Such financial statements generally conform to the presentation reflected in our Forms 10-QSB and 10-KSB filed with the Securities and Exchange Commission for the year ended December 31, 2003. The current interim period reported herein should be read in conjunction with our Form 10-KSB subject to independent audit at the end of the year.

A majority of the shareholders of record on February 10, 2003 voted to amend the Articles of Incorporation of the Registrant to change the name of the Company to Silverado Financial, Inc. and to change the authorized common shares to 100,000,000 and the authorized preferred shares to 5,000,000 as described in an information statement filed on Form 14C with the Securities and Exchange Commission on February 11, 2003. The Registrant filed with the Secretary of State of Nevada a Certificate of Amended Articles of Incorporation on March 21, 2003. Subsequently, on April 29, 2003 we effected a one for five reversal of its authorized shares. See Note 2 below.

As shown in the accompanying financial statements, we had a net loss of \$202,474 for the three months ended March 31, 2004. We have incurred an accumulated deficit of \$9,763,015 and have a deficit in working capital of approximately \$296,255 as of March 31, 2004. Our ability to continue as a going concern is dependent on obtaining additional capital and financing and operating at a profitable level. We intend to seek additional capital either through debt or equity offerings, or a combination thereof, and to seek acquisitions which will

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

generate sales volume with operating margins sufficient to achieve profitability. The financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern. The independent auditor's report on the financial statements for the year ended December 31, 2003 expressed substantial doubt about our ability to continue as a going-concern. The results of operations for the three months ended March 31, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

RESTATEMENT OF SHARE AMOUNTS

Effective April 29, 2003 we changed our trading name and trading symbol to "SLVO" on the OTCBB and decreased the number of issued and outstanding shares of common stock by issuing one new share for each five shares held. This action was authorized by the board of directors at a meeting of the board on April 3, 2003.

6

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

CONSOLIDATION

The consolidated financial statements include the results of operations, account balances and cash flows of the Company and our wholly owned subsidiaries after elimination of inter-company transactions. Realty Capital Corporation's operations are consolidated from its acquisition of May 9, 2003.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH

Cash includes all short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less. At times cash deposits may exceed government insured limits.

PROPERTY AND EQUIPMENT

Property and equipment consists of computer equipment, office furniture and is stated at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis the estimated useful lives of the assets at 5 years. Depreciation expense for the quarter ended March 31, 2004 was \$6,714. Accumulated depreciation for the quarter ended March 31, 2004 was \$24,615.

REVENUE RECOGNITION

Commissions generated from brokering loans are recognized at the date of close.

FINANCIAL INSTRUMENTS

Financial instruments consist primarily of cash, receivables and obligations under accounts payable and accrued expenses. The carrying amounts of cash,

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

accounts receivable, accounts payable, notes payable and accrued expenses approximate fair value because of the short term maturity of those instruments.

INTELLECTUAL PROPERTY

Our intellectual property is comprised of a software platform acquired with the acquisition of Financial Services Inc. in 2002. We periodically evaluates the recoverability of intangible assets and takes into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists. Our intangible assets will be subject to amortization when put into productive use.

IMPAIRMENT OF LONG-LIVED ASSETS

In the event that facts and circumstances indicate that the cost of long-lived assets, primarily intellectual property and patents, may be impaired, we perform a recoverability evaluation. If an evaluation is required, the discounted estimated future cash flows associated with the assets are compared to the assets' carrying amount to determine whether a write-down to fair value is required.

7

IMPAIRMENT OF LONG-LIVED ASSETS- Continued

On January 1, 2002, we adopted SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" which requires that long-lived assets to be held and used be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

We evaluate its long-lived assets for impairment whenever changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts exceed the fair values of the assets. Assets to be disposed of are reported at the lower of carrying values or fair values, less costs of disposal.

STOCK-BASED COMPENSATION

Statement of Financial Accounting Standard (SFAS) No. 123, "Accounting for Stock-Based Compensation", ("SFAS 123") as amended by SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure", established accounting and disclosure requirements using a fair-value based method of accounting for stock-based employee compensation. We have no outstanding options to consultants or members of the Board of Directors.

INCOME TAXES

We have adopted the provisions of SFAS No. 109, "Accounting for Income Taxes". SFAS 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

LOSS PER SHARE

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

(Loss) per common share is computed based on the weighted average number of common shares outstanding during each period. Convertible equity instruments such as convertible debentures and warrants are not considered in the calculation of net loss per share, as their inclusion would be antidilutive.

Note 3 - INTELLECTUAL PROPERTY

Since its inception, we have entered into numerous agreements as a result of having acquired certain rights to various complex intellectual scientific properties. On November 19, 2002 we acquired intellectual property comprised of a software platform acquired with Financial Services Inc. during 2002.

During the quarter ended June 30, 2003, in a non-arms length transaction with Robert George Krushnisky, a director of the company, we received 62,000 shares of its own common stock together with cancellation of an outstanding debt in the amount of \$1,100 in exchange for all of the scientific intellectual property assets acquired prior to the acquisition of FSI in November of 2002 as well as all shares of Rockford Technology held for sale by the company.

We periodically analyze its investment in intellectual property for impairment. The stages of development in which the intellectual property is in make estimation of value or determination of impairment a difficult task. There has been no substantive revenues generated or value derived from the technology

8

INTELLECTUAL PROPERTY - Continued

since its acquisition. We have determined that there is no evidence that the book value of the intellectual property is impaired until it has been determined that there is no likely commercial application or one that will produce adequate cash flow to support those values.

On November 19, 2002, in connection with the acquisition of Financial Software, Inc., we acquired certain software, web sites and intellectual property which can aggregate financial information from a large number of data sources on an individual basis, amalgamate the data and provide accurate and detailed insight into an individual's personal financial picture on a real time basis. This software can manage a host of disparate objectives as they relate to a persons financial goals, be they investment or debt related or any combination. This software suite, together with mortgage generation capabilities can create a variety of new and different mortgage, investment or insurance products. We recorded the software on its books at the seller's basis of \$1,398,020. We engaged an experienced software developer based in Palo Alto, California to perform an independent, third party valuation of the software during 2003. We anticipate putting the software into service during the fourth quarter of 2004 and intend to amortize the software over a three year period commencing upon the in-service date. Estimated amortization expense on this intangible asset is estimated to be as follows for the years December 31:

2004	\$ 116,505
2005	466,000
2006	466,000
2007	349,515
-----	-----
-----	-----
Total	\$ 1,398,020
=====	=====

Note 4 - ACCOUNTS AND NOTES PAYABLE

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

Accounts Payable

We owe our vendors a total of \$268,761 of which \$127,907 is outstanding payables over ninety days.

Notes Payable

As part of the acquisition of Financial Services Software, we became obligated under a note for \$275,000 at 8% per annum, payable monthly, in arrears and amortized over eighteen equal installments of \$16,258. Principal and interest payments due under the note will not be paid until we have raised sufficient capital through the sale of stock and /or notes to raise a minimum of four times the monthly payment due. Further, additional monthly payments are abated until we are able to maintain sufficient capital to allow it to remain cash flow positive and continue making the payments. There was \$30,016 of accrued unpaid interest at March 31, 2004.

Convertible Notes payable

We have three convertible notes payable totaling \$36,000 at 10% per annum maturing during 2004 as a result of our extensions of two convertible notes that were originated during 2002. There was \$4,435 of accrued unpaid interest at March 31, 2004.

9

Convertible Notes payable - Continued

A Schedule of the maturity dates of the convertible debentures with their attached warrants are as follows:

Amount	Original Maturity Date	Extended Maturity Date	Warrants Outstanding
\$ 16,000	10/11/03	10/11/04	40,000 shares at \$.40 per share
\$ 10,000	11/16/03	11/16/04	25,000 shares at \$.40 per share
\$ 10,000	7/23/04	7/23/05	25,000 shares at \$.40 per share

All debentures can be converted into common stock for the same amount of shares as their right to purchase the same number of shares through their warrants.

Assuming the Company has the ability to make all note payments under their terms commencing October 1, 2003 and does not convert or extend the convertible notes payable, the minimum annual payments are as follows:

Year	Amount
2004	\$ 211,096
2005	89,904

	\$ 311,000
	=====

Note 5 - STOCKHOLDERS' EQUITY

On February 27, 2004 the Company issued 360,000 restricted common shares for fair value to the officers of the Company for accrued compensation of \$83,937 and 235,500 restricted common shares for \$45,036 for services through February

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

2004. The shares were issued under Section 4(2) of the 1933 Securities Act.

On January 13, 2004 the Company also issued 55,866 unrestricted shares under its registered 2004 Officers, Directors, Employees and Consultants Stock Compensation Plan at a fair value of \$10,000 to a consultant for services performed during the previous quarter for assistance with the rescission of San Francisco Funding, Inc.

On January 13, 2004 the Company also issued 88,281 unrestricted shares under its registered 2004 Officers, Directors, Employees and Consultants Stock Compensation Plan to two individuals at a fair value of \$14,505 for consulting services in connection with work on the Company's web site, assistance with acquisitions and consulting services related to planning for advertising our mortgage business.

On March 11, 2004 the Company issued 20,000 unrestricted shares to one consultant under its registered 2004 Officers, Directors, Employees and Consultants Stock Compensation Plan for legal services at a fair value of \$3,400 for legal work.

During the quarter ended March 31, 2004 the Company amortized a total of \$6,970 of legal services which had been previously paid for in advance with restricted common shares and recorded as deferred compensation.

10

STOCKHOLDERS' EQUITY- Continued

Also during the quarter ended March 31, 2004 the Company issued 615,000 restricted common shares to accredited investors for \$61,500 of cash. A total of \$6,150 was paid in finders fees resulting in the Company receiving \$55,350. The shares were issued under Section 4(2) of the 1933 Securities Act.

Note 6 - SUBSEQUENT EVENTS:

On April 15, 2004 we signed a lease on 2,512 sq. ft. located at 5976 W. Las Positas, Suite 112, Pleasanton, CA 94588. The monthly lease rate is \$4,396. The lease has a term of 36 months. Lease payments do not commence until June 15, 2004.

On April 20, 2004 and in connection with the lease, the Company acquired furniture, fixtures and equipment in exchange for \$12,000. The Company acquired furniture, fixtures and equipment consist primarily of a digital telephone system, office cubicles, file cabinets, a copier, lamps, chairs and office kitchen appliances.

On May 5, 2004 the Company acquired of all of the issued and outstanding shares of Lendingtech.com, Inc., (Lendingtech), from its sole owner and shareholder, for \$520,000 of debt with the following terms:

\$ 200,000	15% Promissory Note
\$ 144,000	8% Promissory Note
\$ 176,000	5% Convertible Promissory Note
-----	-----
\$ 520,000	Purchase Price
=====	=====

The Company did not tender any cash as consideration for the acquisition but was required to issue 2,000,000 of its shares as collateral for the debt. The Company acquired two computer servers, its web site, client base of

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

approximately 24,000 persons and loans in a pipeline which were all valued at \$520,000.

The acquisition was determined at arms length between the owners of Lendingtech and the registrant.

Lendingtech.com was established in 1988 as a mortgage brokerage company called Calabasas Mortgage. It has had a history of providing California homeowners and investors with real estate financing options. Using Internet technology combined with customer service it has been able to offer competitive rates in its product line. Its technology enables loans to close quickly, at a low cost by combining the use of the Internet along with its processing software and automated underwriting systems.

As a result of this transaction, Lendingtech has become and shall continue to operate as a wholly-owned subsidiary of the Registrant.

Subsequent to March 31, 2004, the Company issued 205,555 restricted common shares to two accredited individuals for \$17,000 in cash. The shares were issued under Section 4(2) of the 1933 Securities Act.

On April 21, 2004, the Company settled a dispute with a public relations firm by issuing 26,471 restricted common shares for fair value of \$4,500 and \$4,500 in cash for a total settlement of \$9,000.

11

SUBSEQUENT EVENTS: - Continued

On May 3, 2004, the Company issued 266,667 restricted common shares at a fair value of \$20,000 for future legal services in a private placement to an accredited investor.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THIS REPORT CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, INCLUDING, WITHOUT LIMITATION, STATEMENTS REGARDING OUR EXPECTATIONS, BELIEFS, INTENTIONS OR FUTURE STRATEGIES THAT ARE SIGNIFIED BY THE WORDS "EXPECTS", "ANTICIPATES", "INTENDS", "BELIEVES", OR SIMILAR LANGUAGE. SUCH FORWARD-LOOKING STATEMENTS INCLUDE, BUT ARE NOT LIMITED TO, THE SEEKING OF REVENUE PRODUCING ACQUISITIONS, THE DEVELOPMENT PLANS FOR THE TECHNOLOGIES OF THE COMPANY, TRENDS IN THE RESULTS OF OUR DEVELOPMENT, ANTICIPATED DEVELOPMENT PLANS, OPERATING EXPENSES AND OUR ANTICIPATED CAPITAL REQUIREMENTS AND CAPITAL RESOURCES. THESE FORWARD-LOOKING STATEMENTS INVOLVE RISKS, UNCERTAINTIES AND OTHER FACTORS. ALL FORWARD-LOOKING STATEMENTS INCLUDED IN THIS DOCUMENT ARE BASED ON INFORMATION AVAILABLE TO THE COMPANY ON THE DATE HEREOF AND SPEAK ONLY AS OF THE DATE HEREOF. THE FACTORS DISCUSSED BELOW UNDER "FORWARD-LOOKING STATEMENTS" AND ELSEWHERE IN THIS QUARTERLY REPORT ON FORM 10-QSB ARE AMONG THOSE FACTORS THAT IN SOME CASES HAVE AFFECTED OUR RESULTS AND COULD CAUSE THE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE PROJECTED IN THE FORWARD-LOOKING STATEMENTS. IN ADDITION, THE FOLLOWING DISCUSSION IS INTENDED TO PROVIDE AN ANALYSIS OF OUR FINANCIAL CONDITION AND PLAN OF OPERATION AND SHOULD BE READ IN CONJUNCTION WITH OUR FINANCIAL STATEMENTS AND THE NOTES THERETO.

MANAGEMENT'S PLAN OF OPERATION

During the next twelve months our ability to increase the number of offices and revenue will depend on the availability of cash. We have raised \$78,500 from accredited investors through the sale of restricted common stock at 50% discount to market on the day preceding investment. In order to continue to expand

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

operations, we intend to raise additional capital, up to \$121,500, through continued sale of restricted common stock on these terms. We believe that continued increases in revenue from operations will preclude the need to raise any additional amounts in the short term.

We plan to improve our FinanCenter software during the fourth quarter of 2004 as part of our plan to increase the number of sales offices over the next twelve months. We plan to apply for licensure under the California Department of Corporations as a Consumer Finance Lender through our subsidiary Realty Capital Corporation and, if approved as such, we expect to add significant numbers of W-2 employees as we expand throughout California in contrast to the current independent contractors who serve under our current California Department of Real Estate license.

We also expect to continue seeking new acquisition candidates which may add to our employee base.

From inception in 1994 until the fourth quarter of 2002, Silverado Financial, Inc. (formerly, "Rhombic Corporation"), was primarily focused on the acquisition of the rights to innovative technologies that could ultimately be developed into numerous applications. During the years of 1999 through 2001 we began to focus on the research and development of its portfolio of acquired technologies and to develop specific applications in order to make them commercially marketable. Our business strategy was to develop a specific application from a technology, then commence or contract for a marketing effort for the developed application that would generate sales.

12

PLAN OF OPERATION - Continued

In 2002 we concluded that we could not raise capital to pursue the planned efforts for the scientific technology and began seeking potential acquisition candidates. During the fourth quarter of 2002 we appointed John Hartman as Chief Executive Officer and director and Sean Radetich as a director.

On November 11, 2002, the board of directors of the Registrant approved the issuance of 22,000,000 restricted shares of its common stock for the acquisition of all of the issued and outstanding shares of Financial Software, Inc. ("FSI"). The transaction was closed on November 19, 2002. The value of the consideration in the exchange was determined at arms length by FSI and the registrant. FSI was in the financial services technology and publishing industry. A majority of the shareholders of record on February 10, 2003 voted to amend the Articles of Incorporation of the Registrant to change the name of the Company to Silverado Financial, Inc. and to change the authorized common shares to 100,000,000 and the authorized preferred shares to 5,000,000 as described in an information statement filed on Form 14C with the Securities and Exchange Commission on February 11, 2003. The Registrant filed with the Secretary of State of Nevada a Certificate of Amended Articles of Incorporation on March 21, 2003.

Our intention is to become a multifaceted real estate services company which leverages advances in technology to increase our competitive advantages. Silverado is currently considering the acquisition of firms and attempting to establish business lines in the mortgage brokerage, mortgage banking and other real estate related business sectors. To that end, we acquired Realty Capital Corporation from our president, John Hartman, in a non-arms length transaction on May 9, 2003 and, subsequent to the fiscal quarter covered by this report; we have acquired Lendingtech.com, Inc. an on-line mortgage broker formerly based in the Los Angeles metropolitan area and now headquartered within our offices in Pleasanton, California.

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

The majority of our sales and telemarketing staff are independent contractors although we do have four statutory employees and we utilize consultants for matters pertaining to coordinating technology development and administration. In an effort to expand our operations we have raised \$78,500 from accredited investors through the sale of restricted common stock at 50% discount to market on the day preceding investment. In order to continue to expand operations, we intend to raise additional capital, up to \$121,500, through continued sale of restricted common stock on these terms. We believe that continued increases in revenue from operations may preclude the need to raise any additional amounts in the short term.

Results of Operations

Comparison of Quarter Ended March 31, 2004 and 2003

We generated no revenue from operations during the first three months of 2003 or since the company's inception; however, during the first three months of 2004, we generated \$108,685 in revenues. Management's objective during the first quarter of 2004 was to increase revenues over the last quarter of 2003 and to find potential acquisitions candidates. Management's objective during the first quarter of 2003 was to restate its capital structure to attract investment capital and to register an employee and consultants stock compensation plan in a registration statement on Form S-8 in order to attract competent consultants to assist in structuring the Company to attract potential acquisitions.

On February 27, 2004 we filed an employee and consultants stock compensation plan in a registration statement on Form S-8 authorizing a Compensation Committee to issue up to 2,000,000 common shares. During the first quarter of 2004, the Compensation Committee issued 164,147 common shares to a total of three individuals at a fair value of \$27,905 for services pertaining to corporate legal and administrative matters. On January 31, 2003 we filed an employee and consultants stock compensation plan in a registration statement on Form S-8 authorizing a Compensation Committee to issue up to 1,600,000 (as adjusted by the April 29, 2003 one for five share reversal) common shares.

13

Results of Operations - Continued

During the first quarter of 2003, the Compensation Committee issued 250,000 common shares to a total of three consultants at an agreed value of \$37,500.

During the first quarter of 2004 we incurred \$145,156 in general and administrative expenses which were comprised of officer compensation expense of \$89,359, \$2,500 in director fees, \$11,799 of legal fees for acquisitions and defense costs, \$27,358 in office rental expense and approximately \$14,140 in office and advertising expenses. We also incurred \$82,501 in consulting fees of which approximately \$24,000 was accrued. The consulting fees were for marketing, general consulting pertaining to acquisitions and filings with the Securities and Exchange Commission. We plan to pay for the \$24,000 accrued consulting fees incurred for corporate administrative matters by issuing common shares under its 2004 registered compensation plan.

During the first quarter of 2003 we incurred \$121,300 in consulting fees of which approximately \$90,000 was accrued. The accrued consulting fees were comprised of approximately \$21,000 additional legal fees owed for general consulting and filings with the Securities and Exchange Commission, approximately \$33,000 for software valuations and modifications to get FSI operating, approximately \$26,000 in administrative costs to integrate all

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

corporate and financial records of FSI with Silverado and \$10,000 for additional costs pertaining to marketing consulting for commencing and expanding a mortgage brokerage business. A total of \$66,661 in general and administrative expenses was incurred which was comprised primarily of accrued compensation expense of \$30,000 to its officers and \$15,000 of office expenses and out of pocket costs involved with the restating our capital structure.

Liquidity and Capital Resources

At March 31, 2004 we had \$36,779 in cash and \$39,736 in current assets. We also had \$335,991 in current payables. Although we could probably settle debt to affiliates in the amount of \$14,439 for restricted common stock, it would still have approximately \$281,816 as a working capital deficit.

During the first quarter of 2004, we sold all of its remaining shares of Limelight Media, Inc. and received \$27,588 in cash which was used to pay outstanding payables.

Our receivable from Realty Capital Corporation increased to \$94,486 for various items that Silverado had paid on its behalf and we paid \$3,214 for a security deposit on a second lease space which will be used for the corporate headquarters.

We incurred \$6,382 of interest expense on its debt of \$311,000 of which \$275,000 was incurred for the software of FSI and \$36,000 were loans for cash in a private placement from accredited investors.

We believe that we have sufficient capital and resources to support operations through the remainder of 2004. However, we do not believe that we will be able to successfully implement our long term plans without raising additional capital. We anticipate that the capital requirements for the balance of the period ending December 31, 2004 will require that additional cash be raised from external sources. We believe that this requirement will be met by cash equity investments.

14

Liquidity and Capital Resources - Continued

On February 1, 2004, we began a private placement to accredited investors for \$200,000. Subscribers receive shares at a 50% discount to the closing price of SLVO common stock on the day preceding receipt of their subscription agreement and investment. This offering is open only to accredited investors. As of May 15, 2004, we had received \$78,500 under this private placement. We accrued \$7,850 in commissions in connection with the subscriptions, of which we have paid \$6,150 and \$1,700 remains unpaid, and we have received \$70,650 in net proceeds. However, there is no assurance that we will be able to fully subscribe this offering or generate capital sufficient to meet our long-term needs. If we can not meet these requirements, we may not be able to continue as a going concern.

SUBSEQUENT EVENTS

On April 15, 2004 we signed a lease on 2,512 sq. ft. located at 5976 W. Las Positas, Suite 112, Pleasanton, CA 94588. The monthly lease rate is \$4,396. The lease has a term of 36 months. Lease payments do not commence until June 15, 2004.

On April 20, 2004 and in connection with the lease, we acquired furniture, fixtures and equipment in exchange for \$12,000. The acquired furniture, fixtures and equipment consist primarily of a digital telephone system, office cubicles,

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

file cabinets, a copier, lamps, chairs and office kitchen appliances.

On May 5, 2004 we acquired of all of the issued and outstanding shares of Lendingtech.com, Inc., (Lendingtech), from Michael Petrullo, its sole owner and shareholder, for \$520,000 of debt with the following terms:

\$200,000 15% Promissory Note
\$144,000 8% Promissory Note
\$176,000 5% Convertible Promissory Note
\$520,000 Purchase Price

We did not tender any cash as consideration for the acquisition but were required to issue 2,000,000 of our shares as collateral for the debt. We acquired two computer servers, its web site, client base of approximately 24,000 persons and loans in a pipeline which were all valued at \$520,000.

The acquisition was determined at arms length between the owners of Lendingtech and the registrant.

Lendingtech.com was established in 1988 as a mortgage brokerage company called Calabasas Mortgage. It has had a history of providing California homeowners and investors with real estate financing options. Using Internet technology combined with customer service it has been able to offer competitive rates in its product line. Its technology enables loans to close quickly, at a low cost by combining the use of the Internet along with its processing software and automated underwriting systems.

Lendingtech generated unaudited year-end 2003 revenue of \$960,000, with an adjusted EBITDA of \$375,000 and generated unaudited year-end 2002 revenue of 961,000, with an adjusted EBITDA of \$379,000. We believe that it can increase Lendingtech's gross revenue to as much as \$3,000,000 and \$1,500,000 EBITDA within the next 12-months of operation.

As a result of this transaction, Lendingtech has become and shall continue to operate as a wholly-owned subsidiary of the Registrant

15

FORWARD LOOKING STATEMENTS

Certain statements made in this report on Form 10-QSB is "forward looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results implied by such forward looking statements. Although we believes that the expectations reflected in such forward looking statements are based upon reasonable assumptions, our actual results could differ materially from those set forth in the forward looking statements. Certain factors that might cause such a difference might include: the failure of the registrants efforts to secure additional equity capital, the inability to successfully execute the revised business plan, the success or failure to implement the management to operate possible acquisitions profitably, and the registrant's planned marketing, public relations and promotional campaigns.

RISK FACTORS

Stockholders and prospective purchasers of our common stock should carefully consider the risks described below before making a decision to buy our common stock. If any of the following risks actually occurs, our business could be harmed. In that case, the trading price of our common stock could decline, and

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

you may lose all or part of your investment. When determining whether to buy our common stock, stockholders and prospective purchasers should also refer to the other information in this Form 10-K, including our financial statements and the related notes.

A prolonged economic slowdown or a lengthy or severe recession could hurt our operations, particularly if it results in a decline in the real estate market.

The risks associated with our business are more acute during periods of economic slowdown or recession because these periods may be accompanied by decreased demand for consumer credit and declining real estate values. Declining real estate values reduce the ability of borrowers to use home equity to support borrowings because they negatively affect loan-to-value ratios of the home equity collateral. In addition, because we make a substantial number of loans to credit-impaired borrowers, the actual rates of delinquencies, foreclosures and losses on these loans could be higher during economic slowdowns. Any sustained period of increased delinquencies, foreclosures or losses could adversely affect our ability to sell loans, the prices we receive for our loans, the value of our mortgage loans held for investment or our residual interests in securitizations, which could have a material adverse effect on our results of operations, financial condition and business prospects.

Our earnings may decrease because of increases or decreases in interest rates. Our profitability may be directly affected by changes in interest rates. The following are some of the risks we face related to an increase in interest rates:

- o An interest rate increase may affect our earnings by reducing the spread between the interest we receive on our loans and our funding costs.
- o A substantial and sustained increase in interest rates could adversely affect our loan origination volume because refinancing an existing loan would be less attractive and qualifying for a purchase loan may be more difficult.

16

RISK FACTORS - Continued

- o During periods of rising interest rates, the value and profitability of our loans may be negatively affected between the date of origination or purchase and the date we sell or securitize the loan.
- o When and if we securitize loans, the value of residual interests we retain and the income we receive from the securitizations structured as financings are based primarily on the London Inter-Bank Offered Rate ("LIBOR"). This is because the interest on the underlying mortgage loans is based on fixed rates payable on the loans for the first two or three years while the bondholders are generally paid based on an adjustable LIBOR-based yield. An increase in LIBOR reduces the net income we would receive from, and the value of, these mortgage loans and residual interests.
- o Our adjustable-rate mortgage loans have periodic and lifetime interest rate caps above which the interest rate on the loans may not rise. In the event of general interest rate increases, the rate of interest on these mortgage loans could be limited, while the rate payable on the senior certificates representing interests in a securitization trust into which these loans are sold may be uncapped. This would reduce the amount of cash we receive over the life of the loans in

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

securitizations structured as financings and our residual interests, and could require us to reduce the carrying value of our residual interests.

We are also subject to risks from decreasing interest rates. For example, a significant decrease in interest rates could increase the rate at which loans are prepaid, which also could require us to reduce the carrying value of any residual interests. If prepayments are greater than expected, the cash we would receive over the life of our residual interests would be reduced. Higher-than-expected prepayments could also have a negative effect on the value of any servicing portfolio.

Any such changes in interest rates could have a material adverse effect on our results of operations, financial condition and business prospects.

An interruption or reduction in the securitization and whole loan markets could hurt our financial position.

As we implement our plan to become a full service mortgage banking company, we will become increasingly dependent on the securitization market for the sale of our loans because we intend to securitize loans directly in the future and many of the whole loan buyers who purchase loans do so with the intention to securitize them. The securitization market is dependent upon a number of factors, including general economic conditions, conditions in the securities market generally and conditions in the asset-backed securities market specifically. In addition, poor performance of previously securitized loans could harm our access to the securitization market. Accordingly, a decline in the securitization market or a change in the market's demand for loans could have a material adverse effect on our results of operations, financial condition and business prospects.

If we are unable to maintain adequate financing sources, our earnings and our financial position will suffer and jeopardize our ability to continue operations.

17

We require substantial cash to support our operating activities and growth plans. Our primary sources of cash are profits generated by sales of mortgage products and the sale of our capital stock; however, we intend to generate income from warehouse and aggregation credit facilities, asset-backed commercial paper and the proceeds from the sales and securitizations of loans. We also intend to finance residual interests in securitization transactions using Net Interest Margin, or NIM, structures. As of December 31, 2003, we had no short-term warehouse and aggregation credit facilities or asset-backed commercial paper providing us with any committed or uncommitted borrowing capacity to fund loan originations and purchases pending the pooling and sale of such loans. As of March 27, 2004, we are in negotiations to acquire a short term warehouse facility. If we cannot maintain or replace these facilities on comparable terms and conditions, we may incur substantially higher interest expense that would reduce our profitability.

During volatile times in the capital and secondary markets, access to warehouse, aggregation and residual financing as well as access to the securitization and secondary markets for the sale of loans has been severely constricted. If we are unable to maintain adequate financing or other sources of capital are not available, we would be forced to suspend or curtail our operations, which could have a material adverse effect on our results of operations, financial condition and business prospects.

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

New legislation could restrict our ability to make mortgage loans, which could adversely impact our earnings.

Several states and cities are considering or have passed laws, regulations or ordinances aimed at curbing predatory lending practices. The federal government is also considering legislative and regulatory proposals in this regard. In general, these proposals involve lowering the existing federal Homeownership and Equity Protection Act thresholds for defining a "high-cost" loan, and establishing enhanced protections and remedies for borrowers who receive such loans. However, many of these laws and rules extend beyond curbing predatory lending practices to restrict commonly accepted lending activities, including some of our planned activities. For example, some of these laws and rules prohibit any form of prepayment charge or severely restrict a borrower's ability to finance the points and fees charged in connection with his or her loan. In addition, some of these laws and regulations provide for extensive assignee liability for warehouse lenders, whole loan buyers and securitization trusts. Because of enhanced risk and for reputational reasons, many whole loan buyers elect not to purchase any loan labeled as a "high cost" loan under any local, state or federal law or regulation. Accordingly, these laws and rules could severely constrict the secondary market for a significant portion of our loan production. This would effectively preclude us from continuing to originate loans that fit within the newly defined thresholds. For example, after the October 1, 2002 effective date of the Georgia Fair Lending Act, many lenders and secondary market buyers refused to finance or purchase Georgia loans. As a result, many companies were forced to cease providing mortgages in Georgia until the law's amendment a few months later. Similar laws have gone into effect in New Jersey, as of November 27, 2003 ("New Jersey Home Ownership Act of 2002"), and in New Mexico, as of January 1, 2004 ("New Mexico Home Loan Protection Act"), that have impacted origination of loans in those states. The potential long term reduction in loans in New Jersey and in New Mexico could be quite severe. Moreover, some of our competitors who are national banks or federally chartered thrifts may not be subject to these laws and may as a consequence be able to capture market share from us and other lenders. For example, the Office of the Comptroller of the Currency recently issued regulations effective January 7, 2004 that preempt state and local laws that seek to regulate mortgage lending practices. Passage of such laws could increase compliance costs, reduce fee income and reduce origination volume, all of which would have a material adverse effect on our results of operations, financial condition and business prospects.

18

We are no longer able to rely on the Alternative Mortgage Transactions Parity Act to preempt certain state law restrictions on prepayment penalties, which could adversely impact our earnings.

The value of a mortgage loan depends, in part, upon the expected period of time that the mortgage loan will be outstanding. If a borrower pays off a mortgage loan in advance of this expected period, the holder of the mortgage loan does not realize the full value expected to be received from the loan. A prepayment penalty payable by a borrower who repays a loan earlier than expected helps offset the reduction in value resulting from the early payoff. Consequently, the value of a mortgage loan is enhanced to the extent the loan includes a prepayment penalty, and a mortgage lender can offer a lower interest rate and/or lower loan fees on a loan which has a prepayment penalty. Prepayment penalties are an important feature used to obtain value on loans.

Certain state laws restrict or prohibit prepayment penalties on mortgage loans, and until July 2003, lenders could rely on the federal Alternative Mortgage Transactions Parity Act (the "Parity Act") and related rules issued in the past by the Office of Thrift Supervision (the "OTS") to preempt state limitations on prepayment penalties. The Parity Act was enacted to extend to financial

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

institutions, other than federally chartered depository institutions, the federal preemption that federally chartered depository institutions enjoy. However, on September 25, 2002, the OTS released a new rule that reduced the scope of the Parity Act preemption and, as a result; we are not able to rely on the Parity Act to preempt state restrictions on prepayment penalties. The effective date of the new rule, originally January 1, 2003, was subsequently extended by the OTS until July 1, 2003 in response to concerns from interested parties about the burdens associated with compliance. The elimination of this federal preemption requires us to comply with state restrictions on prepayment penalties. These restrictions prohibit us from charging any prepayment penalty in eight states and limit the amount or other terms and conditions of our prepayment penalties in several other states. This may place us at a competitive disadvantage relative to financial institutions that continue to enjoy federal preemption of such state restrictions. Such institutions are able to charge prepayment penalties without regard to state restrictions and, as a result, may be able to offer loans with interest rate and loan fee structures that are more attractive than the interest rate and loan fee structures that we are able to offer.

The scope of our lending operations exposes us to risks of noncompliance with an increasing and inconsistent body of complex laws and regulations at the federal, state and local levels.

Currently, we are licensed to originate mortgage loans only in California, however we are in the process of applying for licenses to generate loans in all 50 states, and when licensed we will be forced to comply with the laws and regulations, as well as judicial and administrative decisions, for all of these jurisdictions, as well as an extensive body of federal law and regulations. The volume of new or modified laws and regulations has increased in recent years, and, individual cities and counties have begun to enact laws that restrict non-prime loan origination activities in those cities and counties. The laws and regulations of each of these jurisdictions are different, complex and, in some cases, in direct conflict with each other. As our operations continue to grow, it may be more difficult to comprehensively identify, to accurately interpret and to properly program our technology systems and effectively train our personnel with respect to all of these laws and regulations, thereby potentially increasing our exposure to the risks of noncompliance with these laws and regulations.

19

Our failure to comply with these laws can lead to:

- o civil and criminal liability;
- o loss of approved status;
- o demands for indemnification or loan repurchases from purchasers of our loans;
- o class action lawsuits; or
- o administrative enforcement actions.

Any of these results could have a material adverse effect on our results of operations, financial condition and business prospects.

If warehouse lenders and securitization underwriters face exposure stemming from legal violations committed by the companies to whom they provide financing or underwriting services, this could increase our borrowing costs and negatively affect the market for whole loans and mortgage-backed securities.

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

In June 2003, a California jury found a warehouse lender and securitization underwriter liable in part for fraud on consumers committed by a lender to whom it provided financing and underwriting services. The jury found that the investment bank was aware of the fraud and substantially assisted the lender in perpetrating the fraud by providing financing and underwriting services that allowed the lender to continue to operate, and held the bank liable for 10% of the plaintiff's damages. This is the first case we know of in which an investment bank was held partly responsible for violations committed by the bank's mortgage lender customer. If other courts or regulators adopt this theory, investment banks may face increased litigation as they are named as defendants in lawsuits and regulatory actions against the mortgage companies with which they do business. Some investment banks may exit the business, charge more for warehouse lending or reduce the prices they pay for whole loans in order to build in the costs of this potential litigation. This could, in turn, have a negative effect on our results of operations, financial condition and business prospects.

High delinquencies or losses on mortgage loans in securitizations may decrease cash flows or impair our ability to sell or securitize loans in the future.

Loans made to lower credit grade borrowers, including credit-impaired borrowers, entail a higher risk of delinquency and higher losses than loans made to borrowers with better credit. We plan to make a substantial portion of our loans to borrowers who do not qualify for loans from conventional mortgage lenders. No assurance can be given that our underwriting criteria or methods will afford adequate protection against the higher risks associated with loans made to lower credit grade borrowers. We will be subject to risks of default and foreclosure following the sale of loans through securitization. To the extent such losses are greater than expected; the cash flows received through residual interests and from securitizations structured as financings would be reduced. Increased delinquencies or losses may also reduce or eliminate our ability to sell or securitize loans in the future and could have a substantial, material adverse effect on our operations, financial condition and business prospects.

Our inability to realize cash proceeds from loan sales and securitizations in excess of the loan acquisition cost could adversely affect our financial position.

20

The net cash proceeds received from loan sales consist of the premiums received on sales of loans in excess of the outstanding principal balance, plus the cash proceeds received from securitizations, minus the discounts on any loans that are sold for less than the outstanding principal balance. If we are unable to originate loans at a cost lower than the cash proceeds realized from loan sales, our results of operations, financial condition and business prospects could be materially adversely affected.

Warehouse and aggregation financing is subject to margin calls based on the lender's opinion of the value of loan collateral. An unanticipated large margin call could adversely affect our liquidity.

The amount of financing we may receive under any warehouse and aggregation financing agreements depends in large part on the lender's valuation of the mortgage loans that secure the financings. Asset-backed commercial paper facilities have similar provisions. Each such facility provides the lender the right, under certain circumstances, to reevaluate the loan collateral that secures outstanding borrowings at any time. In the event the lender determines that the value of the loan collateral has decreased, it has the right to initiate a margin call. A margin call would require us to provide the lender

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

with additional collateral or to repay a portion of the outstanding borrowings. Any such margin call could have a material adverse effect on our results of operations, financial condition and business prospects.

We face intense competition that could adversely affect our market share and our revenues.

We face intense competition from finance and mortgage banking companies and from Internet-based lending companies. In addition, certain government-sponsored entities, such as Fannie Mae and Freddie Mac, are also expanding their participation in the non-prime mortgage industry. These government-sponsored entities have a size and cost-of-funds advantage that allows them to purchase loans with lower rates or fees than we are willing to offer. While the government-sponsored entities presently do not have the legal authority to originate mortgage loans, including non-prime loans, they do have the authority to buy loans. A material expansion of their involvement in the market to purchase non-prime loans could change the dynamics of the industry by virtue of their sheer size, pricing power and the inherent advantages of a government charter. In addition, if as a result of their purchasing practices, these government-sponsored entities experience significantly higher-than-expected losses, such experience could adversely affect the overall investor perception of the non-prime mortgage industry.

Competitors with lower costs of capital have a competitive advantage over us. In addition, establishing a lending operation such as ours requires a relatively small commitment of capital and human resources. This low barrier to entry permits new competitors to enter our markets quickly and compete with us. This could have a material adverse effect on our results of operations, financial condition and business prospects.

Some thrifts, national banks and their operating subsidiaries are also expanding their lending activities. By virtue of their charters, these institutions are exempt from complying with many of the state and local laws that affect our operations. For example, they can offer loans with prepayment charges in many jurisdictions where we cannot. If more of these federally chartered institutions are able to use their preemptive ability to provide more competitive pricing and terms than we can offer, it could have a material adverse effect on our results of operations, financial condition and business prospects.

21

The intense competition in the mortgage industry has also led to rapid technological developments, evolving industry standards and frequent releases of new products and enhancements. As mortgage products are offered more widely through alternative distribution channels, such as the Internet, we may be required to make significant changes to our information systems to compete effectively. Our inability to continue enhancing our current capabilities, or to adapt to other technological changes in the industry, could have a material adverse effect on our results of operations, financial condition and business prospects.

Our hedging strategies may not be successful in mitigating our risks associated with changes in interest rates.

We intend to use various derivative financial instruments to provide a level of protection against changes in interest rates, but no hedging strategy can protect us completely. When rates change we expect to record a gain or loss on derivatives which would be offset by an inverse change in the value of loans or residual interests. We cannot assure you, however, that our use of derivatives will offset the risks related to changes in interest rates. It is likely that there will be periods in the future, during which we will incur losses after

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

accounting for our derivative financial instruments. The derivative financial instruments we select may not have the effect of reducing our interest rate risk. In addition, the nature and timing of hedging transactions may influence the effectiveness of these strategies. Poorly designed strategies or improperly executed transactions could actually increase our risk and losses. In addition, hedging strategies involve transaction and other costs. We cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses.

The complex federal, state and municipal laws governing loan servicing activities could increase our exposure to the risk of noncompliance.

We intend to service the loan we originate on a nationwide basis. Therefore, we must comply with the laws and regulations, as well as judicial and administrative decisions, of all relevant jurisdictions pertaining to loan servicing, as well as an extensive body of federal laws and regulations. The volume of new or modified laws and regulations has increased in recent years, and, in addition, some individual municipalities have begun to enact laws that restrict loan servicing activities. The laws and regulations of each of these jurisdictions are different, complex and, in some cases, in direct conflict with each other. As our servicing operations continue to grow, it may be more difficult to comprehensively identify, to accurately interpret and to properly program our technology systems and effectively train our personnel with respect to all of these laws and regulations, thereby potentially increasing our exposure to the risks of noncompliance with the laws and regulations pertaining to loan servicing. Our failure to comply with these laws could lead to, among other things: (i) civil and criminal liability, including potential monetary penalties; (ii) legal defenses causing delaying or otherwise adversely affecting the servicer's ability to enforce loans, or giving the borrower the right to rescind or cancel the loan transaction; (iii) class action lawsuits; and (iv) administrative enforcement actions. This could result in a material adverse effect on our results of operations, financial condition and business prospects.

Any non-prime loans we originate will generally have higher delinquency and default rates, which could result in losses on loans that we are required to repurchase.

Non-prime mortgage loans generally have higher delinquency and default rates than prime mortgage loans. Delinquency interrupts the flow of projected interest

income from a mortgage loan, and default can ultimately lead to a loss if the net realizable value of the real property securing the mortgage loan is insufficient to cover the principal and interest due on the loan. Also, our cost of financing and servicing a delinquent or defaulted loan is generally higher than for a performing loan. We bear the risk of delinquency and default on loans beginning when we originate them. In whole loan sales our risk of delinquency typically only extends to the first payment, but when we securitize we continue to bear some exposure to delinquencies and losses through our residual interests and the loans underlying our on-balance sheet securitization transactions. We are required to establish reserves based on our anticipated delinquencies and losses. We also re-acquire the risks of delinquency and default for loans that we are obligated to repurchase. We attempt to manage these risks with risk-based loan pricing and appropriate underwriting policies and loan collection methods. However, if such policies and methods are insufficient to control our delinquency and default risks and do not result in appropriate loan pricing and appropriate loss reserves, our business, financial condition, liquidity and results of operations could be harmed.

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

We are subject to losses due to fraudulent and negligent acts on the part of loan applicants, mortgage brokers, other vendors and our employees.

When we originate mortgage loans, we rely heavily upon information supplied by third parties including the information contained in the loan application, property appraisal, title information and employment and income documentation. If any of this information is intentionally or negligently misrepresented and such misrepresentation is not detected prior to loan funding, the value of the loan may be significantly lower than expected. Whether a misrepresentation is made by the loan applicant, the mortgage broker, another third party or one of our employees, we generally bear the risk of loss associated with the misrepresentation. A loan subject to a material misrepresentation is typically unsaleable or subject to repurchase if it is sold prior to detection of the misrepresentation, and the persons and entities involved are often difficult to locate and it is often difficult to collect any monetary losses that we have suffered from them.

There are controls and processes designed to help us identify misrepresented information in our loan origination operations. We cannot assure you, however, that we have detected or will detect all misrepresented information in our loan originations.

We may be subject to fines or other penalties based upon the conduct of our independent brokers.

The mortgage brokers from which we obtain loans have parallel and separate legal obligations to which they are subject. While these laws may not explicitly hold the originating lenders responsible for the legal violations of mortgage brokers, increasingly federal and state agencies have sought to impose such assignee liability. Recently, for example, the United States Federal Trade Commission ("FTC") entered into a settlement agreement with a mortgage lender where the FTC characterized a broker that had placed all of its loan production with a single lender as the "agent" of the lender. The FTC imposed a fine on the lender in part because, as "principal," the lender was legally responsible for the mortgage broker's unfair and deceptive acts and practices. The United States Justice Department in the past has sought to hold a non-prime mortgage lender responsible for the pricing practices of its mortgage brokers, alleging that the mortgage lender was directly responsible for the total fees and charges paid by the borrower under the Fair Housing Act even if the lender neither dictated what the mortgage broker could charge nor kept the money for its own account. Accordingly, we may be subject to fines or other penalties based upon the conduct of our independent mortgage brokers.

23

Our business is dependent upon conditions in California where we conduct a significant amount of our business.

In 2003, 100% of the mortgage loans we originated were secured by property in California. An overall decline in the economy or the residential real estate market, or the occurrence of a natural disaster, such as an earthquake, or a major terrorist attack in California could adversely affect the value of the mortgaged properties in California and increase the risk of delinquency, foreclosure, bankruptcy, or loss on mortgage loans in our portfolio. This would negatively affect our ability to purchase, originate and securitize mortgage loans, which could have a material adverse effect on our business, financial condition and results of operations.

If many of our borrowers become subject to the Soldiers' and Sailors' Civil Relief Act of 1940, as amended our cash flows from our residual securities and

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

our securitizations structured as financings may be adversely affected.

Under the Soldiers' and Sailors' Civil Relief Act of 1940, a borrower who enters military service after the origination of his or her mortgage loan generally may not be charged interest above an annual rate of 6% during the period of the borrower's active duty status. The Act also applies to a borrower who was on reserve status and is called to active duty after origination of the mortgage loan. A prolonged, significant military mobilization as part of the war on terrorism or the war in Iraq could increase the number of the borrowers in our securitized pools who are subject to this Act and thereby reduce the interest payments collected from those borrowers. To the extent the number of borrowers who are subject to this Act is significant, the cash flows we receive from loans underlying our on-balance sheet securitizations and from our residual interests would be reduced, which could cause us to reduce the carrying value of our residual interests and would decrease our earnings. In addition, the Soldiers' and Sailors' Civil Relief Act of 1940, imposes limitations that would impair the ability of the servicer to foreclose on an affected mortgage loan during the borrower's period of active duty status, and under certain circumstances, during an additional three month period thereafter. Any such reduction in our cash flows or impairment in our performance could have a material adverse effect on our results of operations, financial condition and business prospects.

The inability to attract and retain qualified employees could significantly harm our business.

We are dependent on our account executives and retail loan officers to attract borrowers by, among other things, developing relationships with financial institutions, other mortgage companies and brokers, real estate agents, borrowers and others. We believe that these relationships lead to repeat and referral business. The market for skilled account executives and loan officers is highly competitive and historically has experienced a high rate of turnover. In addition, if a manager leaves New Century, there is an increased likelihood that other members of his or her team will follow. Competition for qualified account executives and loan officers may lead to increased hiring and retention costs. If we are unable to attract or retain a sufficient number of skilled account executives at manageable costs, we will be unable to continue to originate quality mortgage loans that we are able to sell for a profit, which would have a material adverse effect on our results of operations, financial condition and business prospects.

An interruption in or breach of our information systems may result in lost business.

We rely heavily upon communications and information systems to conduct our business. Any failure or interruption or breach in security of our information

systems or the third-party information systems on which we rely could cause underwriting or other delays and could result in fewer loan applications being received, slower processing of applications and reduced efficiency in loan servicing. We are required to comply with significant federal and state regulations with respect to the handling of customer information, and a failure, interruption or breach of our information systems could result in regulatory action and litigation against us. We cannot assure you that such failures or interruptions will not occur or if they do occur that they will be adequately addressed by us or the third parties on which we rely. The occurrence of any failures or interruptions could have a material adverse effect on our results of operations, financial condition and business prospects.

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

The success and growth of our business will depend upon our ability to adapt to and implement technological changes.

Our mortgage loan origination business is currently dependent upon our ability to effectively interface with our brokers, borrowers and other third parties and to efficiently process loan applications and closings. The origination process is becoming more dependent upon technological advancement, such as the ability to process applications over the Internet, accept electronic signatures, provide process status updates instantly and other customer-expected conveniences that are cost-efficient to our process. In addition, we are in the process of implementing a new loan origination system. Implementing and becoming proficient with the new loan origination system and other new technology will require significant financial and personnel resources. There is no guarantee that the implementation of our new loan origination system or other new technology will be successful. To the extent that we become reliant on any particular technology or technological solution, we may be adversely affected to the extent that such technology or technological solution (i) becomes non-compliant with existing industry standards, (ii) fails to meet or exceed the capabilities of our competitors' equivalent technologies or technological solutions, or (iii) becomes increasingly expensive to service, retain and update. Any failure to acquire technology or technology solutions when necessary could limit our ability to remain competitive in our industry and could also limit our ability to increase the cost-efficiencies of our operating model, which would have a material adverse effect on our results of operations, financial condition and business prospects.

We may be required to repurchase mortgage loans or indemnify investors if we breach representations and warranties, which could adversely impact our earnings.

When we sell loans, we are required to make customary representations and warranties about such loans to the loan purchaser. Our whole loan sale agreements require us to repurchase or substitute loans in the event we breach a representation or warranty given to the loan purchaser or make a misrepresentation during the mortgage loan origination process. In addition, we may be required to repurchase loans as a result of borrower fraud or in the event of early payment default on a mortgage loan. Likewise, we are required to repurchase or substitute loans if we breach a representation or warranty in connection with our securitizations. The remedies available to a purchaser of mortgage loans are generally broader than those available to us against the originating broker or correspondent. Further, if a purchaser enforces its remedies against us, we may not be able to enforce the remedies we have against the sellers. The repurchased loans typically can only be financed at a steep discount to their repurchase price, if at all. They are also typically sold at a significant discount to the unpaid principal balance. Significant repurchase activity could negatively affect our cash flow and results of operations.

25

We are exposed to risk of environmental liabilities with respect to properties to which we take title.

In the course of our business, we may foreclose and take title to residential properties, and could be subject to environmental liabilities with respect to these properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation, and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to investigate or clean up hazardous or toxic substances, or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, as the owner or former owner of a contaminated site, we may be subject to common law claims by third

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

parties based on damages and costs resulting from environmental contamination emanating from the property. If we ever become subject to significant environmental liabilities, our business, financial condition and results of operations could be materially and adversely affected.

Our charter and bylaws and Nevada law contain provisions that could discourage a takeover.

Our amended and restated certificate of incorporation and our amended and restated bylaws include various provisions that could delay, defer or prevent a takeover attempt that may be in the best interest of our stockholders. These provisions include the existence of a classified board of directors, the ability of our board of directors to issue shares of our preferred stock without any further stockholder approval and requirements that (i) our stockholders give advance notice with respect to certain proposals they may wish to present for a stockholder vote, (ii) our stockholders act only at annual or special meetings and (iii) two-thirds of all directors approve a change in the number of directors on our board of directors. Issuance of our preferred stock could discourage bids for the common stock at a premium as well as create a depressive effect on the market price of our common stock.

We are also subject to Nevada General Corporation Law which could discourage potential acquisition proposals, delay or prevent a change of control and prevent changes in our management.

If we do not manage our growth effectively, our financial performance could be harmed.

Rapid growth places, and will continue to place, certain pressures on our management, administrative, operational and financial infrastructure. As of December 31, 2003, we had no employees as all of our personnel were independent contractors; however, we have recently applied for licensure under the California Department of Corporations as a Consumer Finance Lender and will begin hiring loan executives as employees. Many of these employees have a limited understanding of our systems and controls. The increase in the size of our operations may make it more difficult for us to ensure that we originate quality loans and that we service them effectively. We will need to attract and hire additional sales and management personnel in an intensely competitive hiring environment in order to preserve and increase our market share. At the same time, we will need to continue to upgrade and expand our financial, operational and managerial systems and controls.

Various factors may cause the market price of our common stock to become volatile, which could adversely affect our ability to access the capital markets in the future.

The market price of our common stock may experience fluctuations that are unrelated to our operating performance. In particular, the price of our common

stock may be affected by general market price movements as well as developments specifically related to the consumer finance industry and the financial services sector. These could include, among other things, interest rate movements, quarterly variations or changes in financial estimates by securities analysts, or a significant reduction in the price of the stock of another participant in the consumer finance industry. This volatility may make it difficult for us to access the capital markets through additional secondary offerings of our common stock, regardless of our financial performance.

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

ITEM 3: CONTROLS AND PROCEDURES

a) Evaluation of disclosure controls and procedures. Our chief executive officer and principal financial officer, after evaluating the effectiveness of the our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this annual report (the "Evaluation Date"), has concluded that as of the Evaluation Date, our disclosure controls and procedures were adequate and designed to ensure that material information relating to the Company and our consolidated subsidiaries would be made known to him by others within those entities.

(b) Changes in internal control over financial reporting. There were no significant changes in the our internal control over financial reporting during the fourth fiscal quarter that materially affected, or are reasonably likely to materially affect, the our internal control over financial reporting.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On January 27, 2004 DL Pacific Center LP ("DL Pacific") filed a lawsuit for \$40,444 plus costs and attorney's fees against us in San Diego County Superior Court. The suit alleges that, after we purchased San Francisco Funding, Inc. ("SFF") in November 2003, we assumed SFF's obligations pursuant to DL Pacific's lease with SFF by accepting the benefits of such lease and by negotiating with DL Pacific for amendments to the lease. We are vigorously defending the lawsuit. It is managements opinion, that we have meritorious defenses based upon the facts that (1) we did not accept the benefits of the lease and/or (2) the alleged promise(s) made by us is (are) unenforceable under the California Statute of Frauds because the alleged lease was for more than one year and was not in writing, as required under the Statute.

On March 9, 2004 Robert E. Vener ("Vener") filed an amendment to his lawsuit for \$7,500 per month from November 2003 to March 2006 plus costs and attorney's fees against us in Marin County Superior Court. The suit alleges that, after we purchased San Francisco Funding, Inc. ("SFF") in November 2003, we assumed SFF's obligations pursuant to Vener's lease with SFF by stating and representing to Vener that we would be responsible for any amounts due from SFF pursuant to the lease, and that Vener relied on our representations by allowing SFF to remain on the premises following SFF's default in the payment of rent on the lease. We are vigorously defending the lawsuit. It is managements opinion, that we have meritorious defenses based upon the facts that (1) we did not state or represent that we would be responsible for any amounts due from SFF pursuant to the lease and/or (2) the alleged promise(s) made by us is (are) unenforceable under the California Statute of Frauds because the alleged lease was for more than one year and was not in writing, as required under the Statute.

27

In regard to the DL Pacific and/or Vener lawsuit(s), management intends to file a cross-complaint against the SFF and its major stockholder(s) MR. and Mrs. Daniel Selis, for indemnity for the cost of defending the actions and for breach of contract, fraud and/or interference with our advantageous business relationships because of : (1) SFF's material breaches of the SFF stock purchase agreement and SFF's material misrepresentations to us of their liabilities and obligations, (2) SFF's written false statements to its creditors that we had assumed their debts, and (3) SFF's forwarding of its phone calls tour offices and directing their creditors to call our offices concerning payment of their liabilities and obligations. We anticipate that SFF will file a non-meritorious cross-complaint against us for breach of the stock purchase agreement.

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

ITEM 2. CHANGES IN SECURITIES

On February 27, 2004 we issued 595,500 restricted common shares to the officers of the Company for accrued compensation of \$83,937 and \$45,036 of compensation through February 2004. The shares were issued under Section 4(2) of the 1933 Securities Act.

On January 13, 2004 we issued 144,147 unrestricted shares under its registered 2004 Officers, Directors, Employees and Consultants Stock Compensation Plan to two individuals at a fair value of \$24,505 for consulting services in connection with work on our web site, assistance with development of our acquisition plans and consulting services related to planning for advertising our mortgage business.

On March 11, 2004 we issued 20,000 unrestricted shares to one consultant under its registered 2004 Officers, Directors, Employees and Consultants Stock Compensation Plan for legal services at a fair value of \$3,400 for legal work.

During quarter ended March 31, 2004 we issued 615,000 restricted common shares to accredited investors for \$61,500 of cash. The shares were issued under Section 4(2) of the 1933 Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

None.

ITEM 5. OTHER INFORMATION

Not applicable.

28

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

23.1 Consent of The O'Neal Law Firm dated February 25, 2004 pertaining to the Year 2004 Officers, Directors, Employees and Consultants Stock Compensation as filed on Form S-8 Registration Statement under the Securities Act of 1933 filed February 27, 2004 incorporated herein by reference.

31.1 Chief Executive Officer QUARTERLY CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

31.2 Chief Financial Officer QUARTERLY CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

32.1 Certificate of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certificate of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

A Form 8-K was filed on March 19, 2004, reported in Items 4 pertaining to the Change in the Registrant's Certifying Accountants.

A Form 8-K/A was filed on April 7, 2004, reported in Items 4 pertaining to the Change in the Registrant's Certifying Accountants.

A Form 8-K was filed on May 20, 2004, reported in Items 2 and 7 pertaining to the acquisition of Lendingtech.com, Inc. We will file a Form 8-K/A with audited financials of Lendingtech.com, Inc.

SIGNATURES

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

SILVERADO FINANCIAL, INC.

/s/ John E. Hartman

Date: June 4, 2004
By: John E. Hartman
President and Chief Executive Officer

/s/ Albert A. Golusin

Date: June 4, 2004
By: Albert A. Golusin
Chief Financial Officer

29

Exhibit 31.1

QUARTERLY CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John E. Hartman., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Silverado Financial, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

- a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
- b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
- c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

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

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 1st day of June 2004.

/s/ John E. Hartman.

Chief Executive Officer

Exhibit 31.2

QUARTERLY CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Albert Golusin, certify that:

- 1. I have reviewed this quarterly report on Form 10-QSB of Silverado Financial, Inc.;
- 2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

- a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
- b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
- c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

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

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 1st day of June 2004.

/s/ Albert Golusin

Chief Financial Officer

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Silverado Financial, Inc. (the "Company") on Form 10-QSB for the period ending March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John E. Hartman., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 1st day of June 2004.

/s/ John E. Hartman.

Chief Executive Officer

32

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Silverado Financial, Inc. (the "Company") on Form 10-QSB for the period ending March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Albert Golusin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 1st day of June, 2004.

/s/ Albert Golusin

Chief Financial Officer

33