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ANZA CAPITAL INC
Form 10QSB
March 24, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED JANUARY 31, 2003

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

For the transition period from _____ to _____.

COMMISSION FILE NUMBER 0-24512

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

NEVADA
(State or other jurisdiction of
incorporation or organization)

88-1273503
(I.R.S. Employer
Identification No.)

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

92626
(Zip Code)

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

Check whether the issuer (1) filed all reports required to be filed by
Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12
months (or for such shorter period that the registrant was required to file such
reports), and (2) has been subject to such filing requirements for the past 90
days. Yes X No .

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of
common equity, as of the latest practicable date. As of March 20, 2003, there
were 96,597,900 shares of common stock issued and outstanding.

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT
(check one):

Yes _____ No X

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ANZA CAPITAL, INC.

TABLE OF CONTENTS

PART I		
ITEM 1	Financial Statements	3
ITEM 2	Management's Discussion and Analysis or Plan of Operation	19
ITEM 3	Controls and Procedures	28
PART II		
ITEM 1	Legal Proceedings	29
ITEM 2	Changes in Securities	29
ITEM 3	Defaults Upon Senior Securities	29
ITEM 4	Submission of Matters to a Vote of Security Holders	29
ITEM 5	Other Information	30
ITEM 6	Exhibits and Reports on Form 8-K	30

2

PART I

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

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

ITEM 1 FINANCIAL STATEMENTS

3

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ANZA CAPITAL, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET

	January 31, 2003
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,567,734
Commissions and accounts receivable	1,279,930
Loans held for sale	68,475
Advances to employees	287,049
Prepaid and other current assets	119,853
Total current assets	5,323,041
Property and equipment, net of accumulated depreciation of \$193,334 .	141,024
Goodwill, net of accumulated amortization and impairments of \$1,535,049	275,247
Other assets	5,819
Total assets	\$ 5,745,131
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current liabilities:	
Accounts payable	\$ 967,958
Warehouse line of credit	62,692
Commissions payable	2,182,304
Accrued liabilities	563,820
Total current liabilities	3,776,774
Convertible notes payable to related party	363,807
Interest payable on convertible notes due to related party	67,273
Other liabilities	2,059
Total liabilities	4,209,913
Stockholders' equity:	
Series A convertible preferred stock, no par value; liquidation value of \$0.50 per share; 500,000 shares authorized, 446,808 shares outstanding	223,404
Series C convertible preferred stock, no par value; liquidation value of \$100.00 per share; 16,400 shares issued and outstanding	1,640,000
Common stock, \$0.001 par value; 100,000,000 shares authorized; 57,097,904 issued and 54,347,904 outstanding . . .	57,097
Additional paid-in capital	12,511,475
Accumulated deficit	(12,896,758)
Total stockholders' equity	1,535,218
Total liabilities and stockholders' equity	\$ 5,745,131

See accompanying notes.

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4

ANZA CAPITAL, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended Jan 31, 2003	Three Months Ended Jan 31, 2002	Nine Months Ended Jan 31, 2003	Nine Months Ended Jan 31, 2002
Revenues:				
Broker commissions	\$ 14,926,234	\$ 6,502,348	\$ 40,752,034	\$ 17,566,500
Other	387,173	142,348	1,117,841	483,600
	15,313,407	6,644,696	41,869,875	18,050,100
Cost and expenses:				
Broker Commissions	9,825,448	4,750,209	28,829,652	12,221,900
Other	251,462	43,441	739,428	155,000
Gross profit	5,236,497	1,851,046	12,300,795	5,673,100
General and administrative	3,267,501	1,247,219	6,465,093	3,306,500
Salaries and wages	1,547,889	590,549	4,735,850	2,728,200
Non-recurring loss on settlements	-	-	-	282,400
Impairment of goodwill	-	-	150,000	-
Total costs and expenses	4,815,390	1,837,768	11,350,943	6,317,200
Operating income (loss)	421,107	13,278	949,852	(644,000)
Interest expense	(38,477)	(72,851)	(103,085)	(99,500)
Other income (expense), net	41,371	75,341	96,258	161,600
Net income (loss)	\$ 424,001	\$ 15,768	\$ 943,025	\$ (581,900)
Loss per common share:				
Basic:				
Weighted average number of common shares	55,048,830	38,985,955	46,722,260	34,622,200
Net income (loss) per common share	\$ 0.01	\$ 0.00	\$ 0.02	\$ (0.02)
Diluted:				
Weighted average number of common shares	160,540,665	38,985,955	152,214,095	34,622,200

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Net income (loss) per common					
share	\$	0.00	\$	0.00	\$ 0.01 \$ (0.
	=====		=====		=====

See accompanying notes.

5

ANZA CAPITAL, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended Jan 31, 2003

Cash flows from operating activities:	
Net income (loss)	\$ 943,025
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation and amortization	31,494
Non-recurring loss on settlements	-
Gain on settlement of obligations	(51,543)
Stock based compensation	173,234
Amortization of discounts on loans	30,726
Impairment of goodwill	150,000
Amortization of deferred stock compensation.	57,958
Provision for losses on brokered loans	350,000
Changes in operating assets and liabilities:	
Decrease (increase) in accounts receivable, net.	48,528
Decrease (increase) in loans held for sale	1,001,225
(Increase) decrease in other current assets.	(76,181)
Increase in due from employees	(200,116)
Increase (decrease) in accounts payable.	743,198
Increase in commissions payable.	972,865
Increase (decrease) in accrued liabilities	13,587
Decrease in other liabilities.	(30,272)

Net cash provided by (used in) operating activities.	4,157,728

Cash flows from investing activities:	
Decrease in other assets	(5,819)
Acquisitions of property and equipment	(49,004)

Net cash used in investing activities.	(54,823)

Cash flows from financing activities:	
Proceeds from issuance of bridge loan.	-
Payments on bridge loan.	(200,000)
Payments on notes to related parties	-
Payments on capital lease obligations.	(18,420)

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Net borrowings under warehouse line of credit.	(982,184)
Repurchase of Series A Preferred.	(20,423)
Dividends on Series A and C Preferred	(21,995)
Proceeds from private placement.	-

Net cash (used in) provided by financing activities.	(1,243,022)

(Continued)

See accompanying notes.

6

ANZA CAPITAL, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS CONTINUED

Net increase in cash.	2,859,883	
Cash at beginning of period	707,851	

Cash at end of period	\$ 3,567,734	\$
	=====	
Non-cash financing activities:		
Debt reduction through the issuance of stock.	-	\$
Warrants issued for bridge-loan issue costs	\$ -	\$
Conversion of Series C Preferred to common stock.	\$ 122,950	\$
Supplemental cash flow information:		
Cash paid for interest	\$ 27,937	\$

Income tax payments were not significant during the periods presented

See accompanying notes.

7

NOTES TO INTERIM FINANCIAL STATEMENTS

NOTE 1. UNAUDITED INTERIM FINANCIAL STATEMENTS

The interim financial data as of January 31, 2003, and for the three and nine months ended January 31, 2003 and 2002 are unaudited; however, in the opinion of management, the interim data includes all adjustments, consisting of normal recurring adjustments, necessary to present fairly the Company's consolidated financial position as of January 31, 2003, and the results of their operations and their cash flows for the three and nine months ended January 31, 2003 and 2002. The results of operations are not necessarily indicative of the operations, which may result for the year ending April 30, 2003. Also, in the opinion of management, all disclosures required on Form 10-QSB were fully furnished. The Company's Annual Report on Form 10-KSB for the year ended April

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30, 2002 should be read in connection with this quarterly report.

NOTE 2. RECLASSIFICATIONS

Certain prior year amounts have been reclassified for comparative purposes. The amounts reclassified are summarized in the table below.

	Three Months Ended January 31, 2002		
	As Originally Filed	As Reclassified	Differen
Broker Commissions	\$ 3,527,541	\$ 4,750,209	\$ 1,222,
Other.	-	43,441	43,
General and administrative expenses.	3,027,027	1,247,219	(1,779,
Salaries and wages	76,850	590,549	513,

	Nine Months Ended January 31, 2002		
	As Originally Filed	As Reclassified	Differen
Broker Commissions	\$10,458,042	\$12,221,981	\$ 1,763,
Other.	-	155,069	155,
General and administrative expenses.	7,349,788	3,306,500	(4,043,
Salaries and wages	603,996	2,728,276	2,124,

The amounts were reclassified to appropriately disclose costs and expenses directly related to revenue generating activities. Further, salaries and wages have been broken out of general and administrative expenses as this cost has become individually significant. In addition, all expenses relating to compensation, such as payroll taxes, have been reclassified into salaries and wages.

These reclassifications have no effect on previously reported net income (loss).

NOTE 3. SEGMENT DISCLOSURE

Segments were determined based on services provided by each segment. Performance of the segments is evaluated on operating income before income taxes, excluding reorganization and restructuring charges, and unusual gains and losses. For the three and nine months ended January 31, 2003 and 2002, management has provided the following information with respect to its operating segments (in thousands).

8

Three Months Ending January 31,	Revenues		Net Income		Assets	
	2003	2002	2003	2002	2003	2002
Loan Brokering.	14,786	6,498	721	24	5,472	2,031
Mortgage Banking.	140	7	128	(6)	68	1,498
Notary Services	256	83	57	-	197	37
Real Estate Brokerage	131	57	(4)	(64)	8	8

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	15,313	6,645	5,745	3,574
	=====	=====	-----	-----
Impairment of Goodwill.		-	-	
Compensatory Stock.		-	(27)	
Corporate		(478)	89	
		-----	-----	
Total		424	16	
		-----	-----	

Nine Months Ending January 31,	Revenues		Net Income		Assets	
	2003	2002	2003	2002	2003	2002
Loan Brokering.	40,547	17,536	1,424	447		
Mortgage Banking.	205	39	155	1		
Notary Services	646	256	126	17		
Real Estate Brokerage	472	219	(6)	(171)		
	-----	-----				
	41,870	18,050				
	=====	=====				
Impairment of Goodwill.			(150)	-		
Compensatory Stock.			(158)	(531)		
Corporate			(448)	(345)		
			-----	-----		
Total			943	(582)		
			-----	-----		

NOTE 4. IMPACT OF RECENTLY ISSUED ACCOUNTING STATEMENTS

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

In October 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This statement replaces SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. However it retains the fundamental provisions of SFAS No. 121 for recognition and measurement of the impairment of long-lived assets to be held and used and for measurement of long-lived assets to be disposed of by sale. This statement applies to all long-lived assets, including discontinued operations, and replaces the provisions of APB Opinion No. 30, Reporting Results

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of Operations-Reporting the Effects of Disposal of a Segment of a Business, for the disposal of segments of a business. This statement requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. The adoption of the provision of SFAS 144 did not have a material impact on the results of operations or the financial position of Anza.

In May 2002, the FASB issued SFAS No. 145, "Rescission of FASB No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" (SFAS 145). SFAS 145 updates, clarifies and simplifies certain existing accounting pronouncements. Currently, SFAS 145 impacts Anza only with respect to the rescission of SFAS 4. Prior to the issuance of SFAS 145, SFAS 4 required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. As a result of the rescission of SFAS 4, the criteria in APB No. 30 will now be used to classify those gains and losses. SFAS 145 is required to be adopted for fiscal years beginning after May 2002. The Company has elected to early adopt the provisions of SFAS 145, and as such reported all gains on settlements of debt as components of other income. For the nine months ended January 31, 2003, the Company had a gain from the settlement of certain bridge loan obligations in the amount of \$51,543 as discussed in Note 7.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. This statement is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. Management is currently assessing the impact of this statement on its result of operations, financial position and cash flows.

NOTE 5. GOODWILL

The net carrying amount of goodwill is \$275,247 (\$100,000 related to Titus and \$175,247 related to Expidoc) at January 31, 2003. Goodwill, during the periods presented, was not amortized in accordance with SFAS 142. During the nine months ended January 31, 2003, management assessed the carrying value of Titus, after a liquidation of assets held by the Titus REIT. Titus has no remaining assets or obligations as of January 31, 2003. Management has inquired as to the sale value of Titus, in its current state, and believes that an impairment of the carrying value of Titus is necessary to reduce the estimated proceeds to be received to \$100,000. Accordingly, management has recorded an impairment of goodwill in the amount of \$150,000 to operations during the nine months ended January 31, 2003.

10

NOTE 6. EARNINGS PER SHARE

Dilutive securities which are included in the calculation of dilutive EPS for the three and nine months ended January 31, 2003, include the assumed conversion of Series C Convertible Preferred Stock, and the Series A Convertible Preferred Stock into approximately 105,491,835 shares of common stock. If these securities had been converted as of January 31, 2003, the Company would have exceeded its authorized number of common shares. On February 28, 2003, the holders of Series A Convertible Preferred Stock and Series C Convertible Preferred Stock entered into agreements effective following Anza's pending shareholder meeting to exchange their securities for newly created Series E and Series D Convertible Preferred Stock, respectively, reducing the effects of

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dilution for future periods, and the risk that the authorized shares be exceeded.

NOTE 7. BRIDGE FINANCING

On June 27, 2001, the Company obtained a short-term bridge loan from Laguna Pacific Capital Partners in the amount of \$225,000, with a stated rate of interest at 7% per annum. Anza also executed a warrant agreement, which entitled Laguna Pacific to acquire up to \$225,000 worth of Anza common stock for the total purchase price of \$1.00, calculated at 70% of the closing stock price on the date immediately preceding the exercise date. For accounting purposes, Anza was required to allocate the proceeds received to the value of the warrant and the bridge loan using the relative fair value method and the resulting warrant value is reflected as an increase in additional paid-in capital and a corresponding reduction (discount) to the face value of the note. The relative value of the warrant amounted to \$132,341, and such amount was reflected as a discount to the note. The discount on the note was amortized over the term of the note of March 27, 2002, using the effective interest method. Anza paid \$25,000, plus interest, near the due date. Management of Anza sought relief, since the general partners of Laguna Pacific did not perform under certain terms of the agreement. On or about June 27, 2002, Anza entered into a settlement agreement and general mutual release with Laguna Pacific (the "Laguna Settlement"). As consideration under the Laguna Settlement, Anza repaid the \$200,000 note, plus \$9,000 in accrued interest, and the note was cancelled.

Subsequent to the Laguna Settlement, a dispute arose regarding whether or not the Laguna Settlement included and consequently canceled the warrants. On October 25, 2002, the board of directors authorized the issuance of 3,000,000 shares of the Company's common stock upon exercise of the Laguna warrant. The stock was valued at the fair market value on the date the settlement was executed of \$0.03 per share, less a 10% reduction based on the Rule 144 restriction. The value of the 3,000,000 shares issued to Laguna was determined to be \$81,000. The value of the warrant immediately prior to the settlement was determined to be equal to the original relative value of the warrant, since no economic changes impacted the value of the warrant since the date of issuance. During the nine months ended January 31, 2003, management recorded a gain on the settlement as other income in the amount of \$51,543.

NOTE 8. EMPLOYMENT AGREEMENTS

On June 1, 2001, Anza entered into an employment agreement with Vincent Rinehart, its chief executive officer. Under the terms of the agreement, Anza is to pay a salary equal to \$275,000 per year, subject to an annual increase of 10% commencing January 1, 2002, plus an automobile allowance of \$1,200 per month and other benefits, including life insurance. The agreement is for a term of five years and provides for a severance payment in the amount of \$500,000 and immediate vesting of all stock options in the event his employment is terminated for any reason, including cause. In addition, Anza granted Vincent Rinehart options to acquire 2,500,000 shares of Anza common stock at \$0.08 per share (the fair value on June 1, 2001), which vested monthly over a three-year period; as part of a recapitalization of the company, effective following Anza's pending shareholder meeting, these options will be terminated (see Note 11). Using the variable method in accordance with Accounting Principles Board Opinion No. 25, no expense was recognized from the issuance of the options.

On April 1, 2002, AMRES entered into an employment agreement with Jeff Hemm, president, for the term of three years. Under the terms of the agreement, AMRES is to pay a salary equal to \$168,000 per year, subject to an monthly increase or decrease based on the number of loans closed during the quarter, plus automobile

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allowance of \$800 per month and other benefits, including life insurance. In addition, he was granted options to acquire 1,000,000 shares of AMRES common stock at \$0.05 per share (the fair value on April 1, 2002), which vested over twelve months; these options were canceled in exchange for 1,000,000 shares of common stock on November 1, 2002 (see Note 9).

NOTE 9. STOCKHOLDERS' EQUITY

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

In May 10, 2002, the Company issued 30,000 shares of its restricted common stock to an employee as an incentive. The shares were valued at \$1,080 and recorded as compensation expense during the first quarter. On November 4, 2002, the Company issued 3,050,000 shares to consultants and legal counsel for services rendered prior to October 31, 2002, valued at \$82,350. The value of the shares were recorded in the accompanying financial statements as consulting expense for the quarter ended October 31, 2002.

Further, on November 4, 2002, the Company issued 3,950,000 shares to current employees and directors for services rendered prior to October 31, 2002. The shares were valued at \$106,650 and were recorded as compensation expense for the quarter ended October 31, 2002.

Also see Note 11, Subsequent Events.

SERIES A CONVERTIBLE PREFERRED STOCK

During the nine months ended January 31, 2003, Anza repurchased 48,977 shares of Series A Convertible Preferred Stock for \$20,423. Also during the period, the Company declared and distributed \$21,995 of dividends relating to the Series A Convertible Preferred Stock.

Please also see Note 11, Subsequent Events for certain recapitalization transactions related to the Series A Convertible Preferred Stock.

12

SERIES C CONVERTIBLE PREFERRED STOCK

On May 14, 2002 and again on November 17, 2002, holders of Series C Convertible Preferred Stock converted 1,059 shares of Series C Preferred Stock into 5,728,503 shares of Anza's restricted common stock. The number of shares received upon conversion was determined based on the conversion discount specified in the agreement of 17.5%, taking into account the dividends which were due on the Series C Preferred shares. The beneficial conversion feature embedded in the Series C Preferred was originally charged to Anza's accumulated deficit. No expense was associated with the transaction. Series C Convertible Preferred stock dividends totaling \$17,050 were charged to the Company's accumulated deficit during the nine months ended January 31, 2003.

Please also see Note 11. Subsequent Events for certain recapitalization transactions related to the Series C Convertible Preferred Stock.

NOTE 10. NOTIFICATION FROM THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

On December 9, 2002, the Company received notification from HUD requesting

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indemnification on up to 23 loans brokered by a former loan officer of the Company. We executed and provided an Indemnification Agreement to HUD as requested. On February 13, 2003, HUD notified us that (i) without the loans originated by this particular loan officer, AMRES' default and claim rate would be an acceptable level to HUD, and (ii) as a result of our termination of that loan officer, and the indemnification agreement, the matter was closed.

Further, on March 3, 2003, the company was served with a lawsuit from one of its lenders regarding potential irregularities with as many as six loans submitted to and closed through this lender. The Company is currently assessing losses, if any, associated with each of these loans. The Company carries errors and omissions insurance coverage, which may offset any potential losses, which may be incurred by the Company with respect to these loans. At the time of the filing of this quarterly report, it is too early to determine what, if any, loss the Company may ultimately incur with these loans. The Company has accrued \$350,000 (\$115,000 accrued in the second quarter and \$235,000 accrued in the third quarter) of expense as accrued liabilities to account for the potential deductible the Company could incur if all of these loans result in losses for the Company.

NOTE 11. SUBSEQUENT EVENTS

Proposed Reorganization and Acquisition

On October 7, 2002, Anza issued a press release announcing the execution of a reorganization agreement with Homelife, Inc. On February 27, 2003, due to a number of factors including but not limited to changing market conditions, the failure of Homelife to fulfill one or more of its obligations under the agreement, and the extended period of time it would take to complete the reorganization, Anza notified Homelife of its intent to terminate the Reorganization Agreement. On March 14, 2003, Anza terminated the Reorganization Agreement.

Amendment to Effectuate a 1-for-20 Reverse Stock Split

On February 28, 2003, the board of directors approved, subject to stockholder approval, an amendment to the Company's Articles of Incorporation to effectuate a one (1) for twenty (20) reverse stock split of the Company's issued and outstanding common stock. On March 5, 2003, the proposal was approved by written consent of a majority of the Company's stockholders; however; this proposal will not be effected until after the Company's annual shareholders meeting on April 11, 2003.

13

Amendment to Increase the Authorized Preferred Stock to 2,500,000 Shares

On February 28, 2003, the board of directors of the Company approved an amendment to the Company's Articles of Incorporation to increase the authorized preferred stock from 1,000,000 shares to 2,500,000 shares, par value \$0.001 per share, the rights, privileges, and preferences of which would be determined by the board of directors, in their sole discretion, from time to time. On March 5, 2003, the proposal was approved by written consent of a majority of the Company's stockholders; however; this proposal will not be effected until after the Company's annual shareholders meeting on April 11, 2003.

2003 Securities Plan

On February 28, 2003, the Board of directors of the Company approved, declared it advisable and in the Company's best interests, and directed that there be submitted to the holders of a majority of the Company's voting stock for action

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by written consent the Anza Capital, Inc. 2003 Omnibus Securities Plan (the "2003 Securities Plan"). On March 5, 2003, the proposal was approved by written consent of a majority of the Company's stockholders however; this proposal will not be effected until after the Company's annual shareholders meeting on April 11, 2003.

The 2003 Securities Plan authorizes the granting of the following types of stock-based awards (each, an "Award"):

- stock options (including incentive stock options and non-qualified stock options);
- restricted stock awards;
- unrestricted stock awards; and
- performance stock awards.

A total of 750,000 (post 1 for 20 stock split) shares of common stock (subject to adjustment as described below) are reserved for issuance under the 2003 Securities Plan. Shares of common stock issued under the 2003 Securities Plan may be authorized but unissued shares, or shares reacquired by the Company, including shares purchased on the open market. The unexercised, unearned or yet-to-be acquired portions of any award that expire, terminate or are canceled, and shares of common stock issued pursuant to awards under the 2003 Securities Plan that are reacquired by the Company pursuant to the terms under which such shares were issued, will again become available for the grant of further awards.

All shares will be proportionately adjusted for any increase or decrease in the number of issued shares of common stock resulting from an increase, decrease or exchange in the outstanding shares of common stock or if additional shares or new or different shares are distributed in respect of such shares of common stock, through merger, consolidation, sale or exchange of all or substantially all of the assets of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, spin-off or other distribution with respect to such shares. On May 1 of each year, the number of shares in the 2003 Securities Plan shall automatically be adjusted to an amount equal to ten percent (10%) of the outstanding stock of the Company on April 30 of the immediately preceding year.

Under the 2003 Securities Plan, the board of directors may grant either incentive stock options or nonqualified stock options. Incentive stock options and non-qualified stock options may be granted for such number of shares of common stock as the board of directors determines. No grants have been made under the 2003 Securities Plan.

14

The exercise price for each stock option is determined by the board of directors. Stock options must have an exercise price of at least 85% (100% in the case of incentive stock options, or at least 110% in the case of incentive stock options granted to certain employees owning more than 10% of the outstanding voting stock) of the fair market value of the common stock on the date the stock option is granted. Under the 2003 Securities Plan, fair market value of the common stock for a particular date is generally the average of the closing bid and asked prices per share for the stock as quoted on the OTC Bulletin Board on such date.

No stock option may be exercised after the expiration of ten years from the date of grant (or five years in the case of incentive stock options granted to certain employees owning more than 10% of the outstanding voting stock). Pursuant to the 2003 Securities Plan, the aggregate fair market value of the common stock for which one or more incentive stock options granted to any participant may for the first time become exercisable as incentive stock options

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under the federal tax laws during any one calendar year shall not exceed \$100,000.

Recapitalization Transactions Involving Preferred Stockholders and Debtholder

The board of directors has authorized and approved the following transactions, which were undertaken as part of a plan of restructuring the capitalization of the Company so as to better position it for growth and acquisitions. The Company seeks ratification of such approvals from the shareholders.

(a) On February 28, 2003, Anza Capital, Inc. and Keyway Investments, Ltd entered into an agreement, whereby Keyway agreed to exchange 4,006 shares of Series C Convertible Preferred Stock for (i) 8,181,491 shares of common stock, (ii) 2,003 shares of newly created Series D Convertible Preferred Stock, and (iii) warrants to acquire 183,168 (assuming the proposed 1 for 20 stock split effected) shares of common stock, exercisable for a period of five years, with each one-third at an exercise price of \$0.50, \$0.75, and \$0.90 per share, respectively. The exchange for common stock was completed on the date of the agreement, while the exchange for new preferred stock and the cancellation of the warrants will be effective after the pending Anza shareholder meeting. On the date of the agreement, the value of the Series C Preferred Stock, plus accrued dividends, was determined to be \$484,509. The 8,181,491 shares of common stock were valued at \$219,325 based on the fair market value of the shares as of February 28, 2003, less a 10% discount for transferability restrictions. The Series D Convertible Preferred Stock has a liquidation value of \$254,000 and the warrants were attributed a value of \$9,609 using the Black Scholes option pricing mode. The closing stock price and the date of grant of the warrants was \$0.03, and assuming the 1 for 20 stock split effect, the stock price used as fair value was \$0.60 per share. The option life assumed is 5 years, risk-free interest rate of 2.5%, and an expected volatility of 15%. Management determined the measurement date to be February 28, 2003, since consent of a majority of the shareholders was obtained on that date. As the value of the newly issued shares, Series D Convertible Preferred Stock and the warrants equate the value of the previously outstanding Series C Convertible Preferred Stock, the Company is not expected to incur any financial impact related to the exchange in future periods.

(b) On February 28, 2003, Anza Capital, Inc. and EURAM Cap Strat. "A" Fund Limited entered into an agreement, whereby EURAM agreed to exchange 4,051 shares of Series C Convertible Preferred Stock for (i) 8,273,395 shares of common stock, (ii) 2,025.5 shares of newly created Series D Convertible Preferred Stock, and (iii) warrants to acquire 185,226 (assuming the proposed 1

15

for 20 stock split effected) shares of common stock, exercisable for a period of five years, with each one-third at an exercise price of \$0.50, \$0.75, and \$0.90 per share, respectively. The exchange for common stock was completed on the date of the agreement, while the exchange for new preferred stock and the cancellation of the warrants will be effective after the pending Anza shareholder meeting. On the date of the agreement, the value of the Series C Preferred Stock, plus accrued dividends was determined to be \$488,359. The 8,273,395 shares of common stock were valued at \$221,789 based on the fair market value of the shares as of February 28, 2003, less a 10% discount for transferability restrictions. The Series D Convertible Preferred Stock has a liquidation value of \$256,854 and the warrants were attributed a value of \$9,717 using the Black Scholes option pricing mode. The closing stock price and the date of grant of the warrants was \$0.03, and assuming the 1 for 20 stock split effect, the stock price used as fair value was \$0.60 per share. The option life assumed is 5 years, risk-free interest rate of 2.5%, and an expected volatility of 15%. Management determined the measurement date to be February 28, 2003,

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since consent of a majority of the shareholders was obtained on that date. As the value of the newly issued shares, Series D Convertible Preferred Stock and the warrants equate the value of the previously outstanding Series C Convertible Preferred Stock, the Company is not expected to incur any financial impact related to the exchange in future periods.

(c) On February 28, 2003, Anza Capital, Inc. and The dotCom Fund, LLC, entered into an agreement, whereby dotCom Fund agreed to exchange 2,195 shares of Series C Convertible Preferred Stock for (i) 4,482,869 shares of Common Stock, (ii) 1,097.5 shares of newly created Series D Convertible Preferred Stock, and (iii) warrants to acquire 100,362 (assuming the proposed 1 for 20 stock split effected) shares of common stock, exercisable for a period of five years, with each one-third at an exercise price of \$0.50, \$0.75, and \$0.90 per share, respectively. The exchange for common stock was completed on the date of the agreement, while the exchange for new preferred stock and the cancellation of the warrants will be effective after the pending Anza shareholder meeting. On the date of the agreement, the value of the Series C Preferred Stock, plus accrued dividends was determined to be \$264,613. The 4,482,869 shares of common stock were valued at \$120,174 based on the fair market value of the shares as of February 28, 2003, less a 10% discount for transferability restrictions. The Series D Preferred has a liquidation value of \$139,174 and the warrants were attributed a value of \$5,265 using the Black Scholes option pricing mode. The closing stock price and the date of grant of the warrants was \$0.03, and assuming the 1 for 20 stock split effect, the stock price used as fair value was \$0.60 per share. The option life assumed is 5 years, risk-free interest rate of 2.5%, and an expected volatility of 15%. Management determined the measurement date to be February 28, 2003, since consent of a majority of the shareholders was obtained on that date. As the value of the newly issued shares, Series D Convertible Preferred Stock and the warrants equate the value of the previously outstanding Series C Convertible Preferred Stock, the Company is not expected to incur any financial impact related to the exchange in future periods.

(d) On February 28, 2003, Anza Capital, Inc. and Cranshire Capital, L.P., entered into an agreement, whereby Cranshire agreed to exchange 6,151 shares of Series C Convertible Preferred Stock for (i) 12,562,245 shares of common stock, (ii) 3,075.5 shares of newly created Series D Convertible Preferred Stock, and (iii) warrants to acquire 281,244 (assuming the proposed 1 for 20 stock split effected) shares of common stock, exercisable for a period of five years, with each one-third at an exercise price of \$0.50, \$0.75, and \$0.90 per share, respectively. The exchange for common stock was completed on the date of the agreement, while the exchange for new preferred stock and the cancellation of the warrants will be effective after the pending Anza shareholder meeting. On the date of the agreement, the value of the Series C Preferred Stock, plus accrued dividends was determined to be \$741,520. The 12,562,245 shares of common stock were valued at \$336,761 based on the fair market value of the shares as of February 28, 2003, less a 10% discount for transferability restrictions. The Series D Preferred Stock has a liquidation value of \$390,004 and the warrants were attributed a value of \$14,755 using the Black Scholes option pricing mode. The closing stock price and the date of grant of the warrants was \$0.03, and assuming the 1 for 20 stock split effect,

the stock price used as fair value was \$0.60 per share. The option life assumed is 5 years, risk-free interest rate of 2.5%, and an expected volatility of 15%. Management determined the measurement date to be February 28, 2003, since consent of a majority of the shareholders was obtained on that date. As the value of the newly issued shares, Series D Convertible Preferred Stock and the warrants equate the value of the previously outstanding Series C Convertible Preferred Stock, the Company is not expected to incur any financial impact

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related to the exchange in future periods.

(e) On February 28, 2003, Anza Capital, Inc. and Barbara Dunster entered into an agreement, whereby Dunster agreed to exchange 347,643 shares of Series A Convertible Preferred Stock for 173,822 shares of newly created Series E Convertible Preferred Stock. The effective date of the exchange will be after the pending shareholder meeting. The Series A Convertible Preferred Stock had a liquidation value of \$0.50 per share, or \$173,822 total, which equates to the liquidation value of the Series E Convertible Preferred Stock of \$1.00 per share, or \$173,822 total. As such, the Company is not expected to incur any financial impact related to the exchange in future periods.

(f) On dated February 28, 2003, Anza Capital, Inc. and the Staron Family Trust entered into an agreement, whereby Staron agreed to exchange 86,911 shares of Series A Convertible Preferred Stock for 43,456 shares of newly created Series E Convertible Preferred Stock. The effective date of the exchange will be after the pending shareholder meeting. The Series A Convertible Preferred Stock had a liquidation value of \$0.50 per share, or \$43,456 total, which equates to the liquidation value of the Series E Convertible Preferred Stock of \$1.00 per share, or \$43,456 total. As such, the Company is not expected to incur any financial impact related to the exchange in future periods.

(g) On February 28, 2003, Anza Capital, Inc. and Vincent Rinehart entered into an agreement, whereby Rinehart agreed to (i) cancel options to acquire 2,500,000 shares of common stock and (ii) convert an aggregate of \$433,489.06 in principal and interest under a promissory note into (y) 6,000,000 shares of common stock and (z) 18,800 shares of newly created Series F Convertible Preferred Stock. The exchange of principal and interest was effective as of the date of the agreement, while the cancellation of options and issuance of preferred stock will be effective after the pending shareholder meeting. The value attributed to the 6,000,000 shares of common stock was \$120,000, based on the fair market value of the stock as of the exchange date less a 20% discount (per the original terms of the promissory note). The value attributed to the Series F Convertible Preferred Stock is \$313,490 based on 18,800 shares at a liquidation value of \$16.675 per share. As such, the Company is not expected to incur any financial impact related to the exchange in future periods.

Preferred Stock

Each share of Series D Convertible Preferred Stock (assuming the 1-for-20 reverse stock split is effected) (i) has a liquidation preference equal to \$126.81 per share, (ii) is entitled to receive a quarterly non-cumulative dividend equal to 7% per annum, which may be paid in cash or in common stock at the discretion of the Company based on the average of the closing bid price for the last ten trading days of the applicable quarter, (iii) may be converted, after February 28, 2004, into 126.81 shares of Company common stock at the option of the holder, and (iv) is entitled to 126.81 votes on all matters submitted to the shareholders for approval.

17

Each share of Series E Convertible Preferred Stock (after giving effect to the 1-for-20 reverse stock split) (i) has a liquidation preference (after the Series D Convertible Preferred Stock) equal to \$1.00 per share, (ii) is entitled to a monthly, non-cumulative dividend equal to 12% per annum, payable in cash, and (iii) may be converted, only upon the mutual written consent of the holder and the Company, into common stock at the average of the closing bid price for the last ten days prior to the conversion date. The Series E Convertible Preferred Stock does not have any voting rights.

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Each share of Series F Convertible Preferred Stock (after giving effect to the 1-for-20 reverse stock split) (i) has a liquidation preference (after the Series D Convertible Preferred Stock and Series E Convertible Preferred Stock) equal to \$16.675 per share, (ii) is entitled to a quarterly, non-cumulative dividend of 1.75 shares of Company common stock, which may be paid in cash at the Company's discretion based on the average of the closing bid price for the last ten trading days of the applicable quarter, (iii) may be converted, after February 28, 2004, into 100 shares of Company common stock at the option of the holder, and (iv) is entitled to 100 votes on all matters submitted to the shareholders for approval.

18

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

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

OVERVIEW

The Company is an independent financial services company, whose primary source of revenue is through American Residential Funding "AMRES", a wholly owned subsidiary. AMRES offers loan originators a "branch network" opportunity, in which AMRES provides licensing, accounting and lender approvals in over 35 states. They maintain a web site, www.amres.net, which contains detailed information on AMRES, as well as provides Net Branches with various corporate services. AMRES currently has a 200 branch system in operation nationwide, in addition to four Corporate owned branches in 4 counties in Southern California. Further growth is anticipated, both from commissioned and corporate marketing staff. Loan processing, mortgage banking and acquisitions will provide additional revenues sources.

Expidoc.com has seen increased revenue over the last several quarters, completing over 900 loan document signings for the month of January 2003 through their network of notaries in all 50 states. Expidoc.com has achieved profitability the last three fiscal quarters. By adding staff, and implementing a new marketing initiative, Expidoc.com should continue to improve its operations and maintain near term profitability. Revenues at Expidoc.com are expected to continue to increase, as Expidoc.com has become a preferred signer for Ditech.com. This status with Ditech.com has resulted in a consistent increase in the number of orders received monthly.

Bravo Real Estate, Inc., a wholly owned subsidiary, has filed papers for obtaining a trademark ("Bravo Real Estate Network"), as well as the

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authorization to sell Bravo franchises. There are no revenues at this time, and no significant revenues expected until late 2003 or early 2004.

BravoRealty Inc., a 69% owned subsidiary, has established joint venture branches in four locations, and has incurred a small operating loss for the current quarter.

Titus Real Estate, LLC operates as the manager of Titus REIT, a real estate investment trust. Current shareholders of the REIT have requested the selling of assets in order to return their original investment. To date, all ten properties have been sold. It is the intent of the management of the Company to repay its initial investors, operate the REIT at minimal levels, and raise new capital for Titus REIT when the market permits, although no estimate can be made as to when that might be. The Company believes the long term benefits of a REIT compliment the Company's business plan. Titus Real Estate, LLC did not generate any revenue during the current quarter.

19

We have achieved a profit for the last four quarters. Our revenues continue to increase, and we have been successful through various strategies in reducing our outstanding debt. We have achieved profitability in recent quarters and as a result management believes that we may achieve profitability in the current fiscal year.

CRITICAL ACCOUNTING POLICIES

Anza's consolidated financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States ("GAAP"). GAAP requires the use of estimates, assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenue and expense amounts reported. These estimates can also affect supplemental information contained in the external disclosures of Anza including information regarding contingencies, risk and financial condition. Anza believes its use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. Valuations based on estimates are reviewed for reasonableness and conservatism on a consistent basis throughout Anza. Primary areas where financial information of Anza is subject to the use of estimates, assumptions and the application of judgment include accounts receivable allowances, and loan losses on loans held for sale, which have been historically and favorably low. These significant estimates also include our evaluation of impairments of intangible assets (see further discussion below). In addition, the recoverability of deferred tax assets must be assessed as to whether these assets are likely to be recovered by Anza through future operations. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

Loans Held for Sale

Mortgage loans held for sale represent mortgage loans originated and held by AMRES, pending sale, to interim and permanent investors. AMRES sells loans it originates, typically within 30 days of origination, rather than hold them for investment. AMRES sells loans to institutional loan buyers under an existing contract. AMRES sells the servicing rights to its loans at the time it sells those loans. At the time a loan is sold, AMRES has no continuing interest since servicing rights are transferred at the time of sale in accordance with paragraph 5 of SFAS 140. Recourse provisions generally relate to first payment

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defaults, or breach of representations and warranties, or fraud, with respect to the loans sold. The recourse provision, because of its very brief term (30 days), is not practical to value in accordance with paragraph 6 of SFAS 140, since the value is de minimus. In the event AMRES management becomes aware of a default, the financial asset and liability is reinstated and an assessment of the impact of losses is made. To date, AMRES has not repurchased a loan as a result of its origination practices.

Fair Value of Assets Acquired and Liabilities Assumed in Purchase Business Combinations and Review for Impairments

The purchase business combinations we evaluate and complete require us to estimate the fair value of the assets acquired and liabilities assumed in the combinations. These estimates of fair value may be based on independent appraisal or our business plan for the entities acquired including planned redundancies, restructuring, use of assets acquired and assumptions as to the ultimate resolution of obligations assumed for which no future benefit will be received. Should actual use of assets or resolution of obligations differ from our estimates, revisions to the estimated fair values would be required. If a change in estimate occurs after one year of the acquisition, the change would be recorded in our statement of operations.

20

Valuation Of Long-Lived And Intangible Assets

The recoverability of these assets requires considerable judgment and is evaluated on an annual basis or more frequently if events or circumstances indicate that the assets may be impaired. As it relates to goodwill and indefinite life intangible assets, we apply the impairment rules in accordance with SFAS No. 142. As required by SFAS No. 142, the recoverability of these assets is subject to a fair value assessment, which includes several significant judgments regarding financial projections and comparable market values. As it relates to definite life intangible assets, we apply the impairment rules as required by SFAS No. 144, "Accounting for the Impairment of Disposal of Long-Lived Assets" which also requires significant judgment and assumptions related to the expected future cash flows attributable to the intangible asset. The impact of modifying any of these assumptions can have a significant impact on the estimate of fair value and, thus, the recoverability of the asset. In fiscal 2001, our impairments were quite large due to the rescission of LoanNet and impairment of Titus. No impairments were recorded during the three months ended January 31, 2003. However, for the nine months ended January 31, 2003, the Company recorded an additional impairment related to Titus in the amount of \$150,000 (See Note 4).

Income Taxes

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities. We regularly review our deferred tax assets for recoverability and establish a valuation allowance based upon historical losses, projected future taxable income and the expected timing of the reversals of existing temporary differences. During 2002, we estimated the allowance on net deferred tax assets to be one-hundred percent of the net deferred tax assets.

RESULTS OF OPERATIONS, THREE MONTHS ENDED JANUARY 31, 2003 COMPARED TO THE THREE MONTHS ENDED JANUARY 31, 2003.

Revenues

Revenues increased by \$8,668,711, or 130.4%, to \$15,313,407 for the three months

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ended January 31, 2003, compared to \$6,644,696 for the three months ended January 31, 2002. The growth in revenues is primarily attributable to the expansion and growth of AMRES primarily through the brokering of loans. AMRES accounted for over 97% of consolidated revenues for both periods. AMRES, as did most of the mortgage industry, benefited greatly from the decline in interest rates over the last twelve months. Typically, as interest rates fall, the refinance market heats up expanding the market of interested borrowers beyond those borrowing for the purchase of their primary residence. AMRES benefited from this market upturn, as they had the capacity in terms of people and infrastructure to accommodate the additional business. Management believes that a significant increase in interest rates could slow the rapid growth the Company has experienced over the last two fiscal years.

21

More significantly, the growth of the branch network program at AMRES was the major contributor to the growth in revenue. AMRES' branch network program comprised approximately 407 branches as of January 31, 2003, compared to 93 branches as of January 31, 2002. For the three months ended January 31, 2003, the total revenue associated with the branches was approximately \$11.5 Million, compared to total revenue associated with the branches of \$4.6 Million for the three months ended January 31, 2002. The Net branch network program is expected to continue to be a primary growth vehicle for Anza in the future. In addition, the mortgage banking division of AMRES is expected to continue its expansion over the next several months.

Revenues for Expidoc.com also increased significantly, \$255,691 for the period ended January 31, 2003 compared to \$83,065 for the period ended January 31, 2002. The increase is primarily a result of Expidoc.com refocusing its market strategy to secure higher volume customers as compared to servicing many low-volume customers. This change in focus is evidenced by the securing of business with such customers as Ditech.com. Management believes this to be the best strategy to focus on, as it allows Expidoc.com to both benefit from economies of scale and provide the highest level of service to its customer base. Management realizes that the loss of any one significant customer could have a material negative impact on the growth and profitability of Expidoc.com.

Bravo Real Estate, Inc. has no revenues at this time, and no significant revenues are expected until late 2003 or early 2004 when franchise sales are projected to begin.

BravoRealty became operational in January of 2001. For the three months ended January 31, 2003, revenues amounted to \$131,482 compared with revenues of approximately \$56,922 for the period ending January 31, 2002.

There were no revenues from Titus during the three months ended January 31, 2003 and revenue from Titus for the three months ended January 31, 2002 were insignificant.

Costs and Expenses

Commissions are paid to loan agents on funded loans. Commissions and other increased by \$5,283,260 or 110.2%, for the three months ended January 31, 2003, to \$10,076,910 from \$4,793,650 for the three months ended January 31, 2002. This increase is primarily related to the increased revenues discussed above. As a percentage of revenue, the commissions decreased by 6.3%, to 65.8% compared to 72.1% for the three months ended January 31, 2003 and the three months ended January 31, 2002, respectively. The Company earns a flat percentage of revenues associated with the net branches, as compared to revenues associated with the corporate branches in which the Company earns a higher commission split once certain revenue targets are achieved. Gross profit increased by \$3,385,451 or

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182.9% for the three months ended January 31, 2003 to \$5,236,497 from \$1,851,046 for the three months ended January 31, 2002.

General and Administrative Expenses

General and administrative expenses totaled \$3,267,501 for the three months ended January 31, 2003, compared to \$1,247,219 for the three months ended January 31, 2002. This increase of \$2,020,282 can be attributed primarily to the business growth of the operating subsidiaries, namely AMRES, as additional personnel, office space and other administrative costs are required to handle the expansion.

22

Salaries and Wages

Salaries and wages totaled \$1,547,889 for the three months ended January 31, 2003, compared to \$590,549 for the three months ended January 31, 2002. The increase of \$957,340 is directly related to the expansion of AMRES operations. As of January 31, 2003, the Company employed approximately 743 employees compared to 411 employees as of January 31, 2002.

Consulting Expense

In the previous fiscal year, the Company funded a portion of its operating costs through the use of its common stock paid to outside consultants. During the three months ended January 31, 2002, costs paid in the form of stock to outside consultants totaled approximately \$26,850 representing approximately 250,000 shares of stock. There was no stock issued to outside consultants for the three months ended January 31, 2003.

Interest Expense

Interest expense was \$38,477 as of January 31, 2003, compared to \$72,851 as of January 31, 2002. This decrease is associated with a reduction in the total balance of notes payable during the period, and due to lower average balances on the Company's warehouse line of credit. The reduction in notes payable is primarily a result of a global settlement executed on June 26, 2001 and due to re-payments made on all other outstanding notes over the last twelve months.

Other Income Expense, net

During the three months ended January 31, 2002, the Company repurchased a note payable totaling \$109,695 (representing principal and interest) for \$40,000. The difference was recorded as other income in the amount \$69,695. For the three months ended January 31, 2003, other income was \$41,371, relating primarily to interest earned on the company's surplus cash balances.

Net Income

The Company generated a net profit for the three months ended January 31, 2003 of \$424,001, or \$0.01 per share, compared to a net profit for the three months ended January 31, 2002 of \$15,768 or \$0.00 per share. The increased level of profit is directly related to the significant increase in revenues between the periods.

RESULTS OF OPERATIONS, NINE MONTHS ENDED JANUARY 31, 2003 COMPARED TO THE NINE MONTHS ENDED JANUARY 31, 2002.

Revenues

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Revenues increased by \$23,819,627, or 132.0%, to \$41,869,875 for the nine months ended January 31, 2003, compared to \$18,050,248 for the nine months ended January 31, 2002. The growth in revenues is primarily attributable to the expansion and growth of AMRES primarily through the brokering of loans. AMRES accounted for over 97% of consolidated revenues for both periods. AMRES, as did most of the mortgage industry, benefited greatly from the decline in interest rates over the last twelve months. Typically, as interest rates fall, the refinance market heats up expanding the market of interested borrowers beyond those borrowing for the purchase of their primary residence. AMRES benefited from this market upturn, as they had the capacity in terms of people and infrastructure to accommodate the additional business. Management believes that a significant increase in interest rates could slow the rapid growth the Company has experienced over the last two fiscal years.

23

More significantly, the growth of the branch networking program at AMRES was the major contributor to the growth in revenue. AMRES' branch program comprised approximately 407 branches as of January 31, 2003, compared to 93 branches as of January 31, 2002. For the nine months ended January 31, 2003, the total revenue associated with the Net branches was approximately \$31.2 million, compared to total revenue associated with the Net branches of \$12.0 million for the nine months ended January 31, 2002. The Net branch networking program is expected to continue to be a primary growth vehicle for Anza in the future. In addition, the mortgage banking division of AMRES is expected to continue its expansion over the next several months, including applying to FannieMae as a seller/servicer.

Revenues for Expidoc.com also increased significantly, to \$645,851 for the nine month period ended January 31, 2003 compared to \$255,992 for the nine month period ended January 31, 2002. The increase is primarily a result of Expidoc.com refocusing its market strategy to secure higher volume customers as compared to servicing many low-volume customers. This change in focus is evidenced by the securing of business with such customers as Ditech.com. Management believes this to be the best strategy to focus on, as it allows Expidoc.com to both benefit from economies of scale and provide the highest level of service to its customer base. Management realizes that the loss of any one significant customer could have a material negative impact on the growth and profitability of Expidoc.com.

BravoRealty became operational in January of 2001. For the nine months ended January 31, 2003, revenues amounted to \$471,990 compared with revenues of approximately \$219,070 for the period ending January 31, 2002.

There were no revenues from Titus during the nine months ended January 31, 2003 and revenue from Titus for the nine months ended January 31, 2002 were insignificant.

Costs and Expenses

Commissions are paid to loan agents on funded loans. Commissions increased by \$17,192,030 or 138.9%, for the nine months ended January 31, 2003, to \$29,569,080 from \$12,377,050 for the nine months ended January 31, 2002. This increase is primarily related to the increased revenues discussed above. As a percentage of revenue, the commissions increased by 2.1%, to 70.6% compared to 68.6% for the nine months ended January 31, 2003 and the nine months ended January 31, 2002, respectively. This increase is directly associated with the proportional increase in the branch networking program revenue as a percentage of total revenue as the Company earns a flat percentage of revenues associated with the branch networking program, as compared to revenues associated with the corporate branches in which the Company earns a higher commission split once

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certain revenue targets are achieved. Gross profit increased by \$6,627,597 or 116.8% for the nine months ended January 31, 2003 to \$12,300,795 from \$ 5,673,198 for the nine months ended January 31, 2002.

24

General and Administrative Expenses

General and administrative expenses totaled \$6,465,093 for the nine months ended January 31, 2003, compared to \$3,306,500 for the nine months ended January 31, 2002. This increase of \$3,158,593 can be attributed primarily to the business growth of the operating subsidiaries, namely AMRES, as additional personnel, office space and other administrative costs are required to handle the expansion.

The Company elected early adoption of Statement 142 and as such, did not record any goodwill amortization for the nine months ended January 31, 2003 or January 31, 2002.

Salaries and Wages

Salaries and wages expense totaled \$4,735,850 for the nine months ended January 31, 2003, compared to \$2,728,276 for the nine months ended January 31, 2002. The increase of \$2,007,574 is directly related to the expansion of AMRES operations. As of January 31, 2003, the Company employed approximately 743 individuals compared to 411 individuals as of January 31, 2002.

Consulting Expense

In the previous fiscal year, the Company funded a portion of its operating costs through the use of its common stock paid to outside consultants. During the nine months ended January 31, 2002, costs paid in the form of stock to outside consultants totaled approximately \$531,200 representing approximately 3,750,000 shares of stock. In addition, the Company recorded an additional \$45,945 in cash compensation to outside consultants for the nine months ended January 31, 2002. During the nine months ended January 31, 2003 costs paid in the form of stock to outside consultants and to employees amounted to \$82,350 representing 3,050,000 shares. Consulting expenses recorded for the nine months ended January 31, 2003 also included amortization of deferred compensation in the amount of \$16,666, plus cash paid for outside services in the amount of \$47,189.

Non-Recurring Settlement Expense

During the nine months ended January 31, 2002, the company recorded settlement expense of \$61,494 relating to the excess value of shares issued as part of the global settlement compared to the net reduction in debt and interest relief received in the settlement. Further, the Company issued common stock to an investment banker as a final settlement of a dispute arising from former officers of the Company in fiscal 2000. The Company did not value these shares since they believed that the value of the services was in excess of \$330,000 which was reported in 2001. Upon further review, management determined it was appropriate to record a charge to operations totaling \$221,000 for the period ending January 31, 2002.

There were no non-recurring settlement expenses incurred for the nine months ended January 31, 2003.

Impairment of Goodwill

During the nine months ended January 31, 2003, management assessed the carrying value of Titus, after a liquidation of assets held by the Titus REIT. Titus has

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no significant remaining assets or obligations as of January 31, 2003. Management has inquired as to the sale value of Titus, in its current state, and believes that an impairment of the carrying value of Titus is necessary to reduce the estimated proceeds to be received to \$100,000. Accordingly, management has recorded an impairment of goodwill in the amount of \$150,000 to operations during the nine months ended January 31, 2003.

25

Interest Expense

Interest expense was \$103,085 as of January 31, 2003, compared to \$99,522 as of January 31, 2002. there are two primary items which impact the amount of interest expense incurred by the Company. First is interest related to the Company's notes payable. Interest incurred on notes payable has decreased between the periods primarily due to a reduction in the total balance of notes payable during the current year. The reduction in notes payable is primarily a result of the Global Settlement executed on June 26, 2001 and due to re-payments made on all other outstanding notes over the last twelve months. The Company also incurs interest on advances under its warehouse line of credit. Although the balance is minimal as of January 31, 2003, the average monthly balance of borrowings under the warehouse line of credit has been significantly higher for the nine months ending January 31, 2003 compared to the nine months ending January 31, 2002, thus resulting in increased interest expense.

Other Income Expense, net

During the nine months ended January 31, 2003, the Company recorded other income in the amount \$51,543 relating to the difference of the value of the 3,000,000 shares issued to Laguna per the settlement agreement compared to the original value ascribed to the warrants held by Laguna. The warrants were canceled as part of the final settlement agreement. The Company also benefited from significant cash balances generating increased levels of interest earned on those balances. Other income in prior periods was primarily related to gain recognized on the settlement of capital lease obligations and interest earned on excess cash balances.

Net Income

The Company generated a net profit for the nine months ended January 31, 2003 of \$943,025, or \$0.02 per share. For the nine months ended January 31, 2002, the Company recorded a net loss of (\$581,979) or (\$0.02) per share. In the prior period, the Company incurred significant non-cash expenses associated with, among other things, stock issued to outside consultants and costs incurred with the Global Settlement. Management believes that these non-cash charges should be minimal in future periods affording the Company the ability to produce net income in the future.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Net cash provided by operating activities was \$4,157,728 for the nine months ending January 31, 2003 compared to net cash used by operating activities of (\$776,520) for the nine months ending January 31, 2002. The Company generated a net profit of \$943,025 for the nine months ended January 31, 2003, compared to a net loss of \$581,979 for the nine month period ended January 31, 2002. Non-cash expenses relating to the issuance of stock for services, depreciation and amortization, amortization of debt discounts, impairment of goodwill, and provisions for gain and losses on settlements and obligations totaled \$391,869 and \$830,990 for the nine months ended January 31, 2003 and 2002, respectively.

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Decrease in loans held for sale of \$1,001,225 was also a significant contributor to the cash provided by operating activities for the nine months ending January 31, 2003.

26

Our mortgage loans held for sale represent mortgage loans originated and held by AMRES, pending sale, to interim and permanent investors. We sell loans AMRES originates, typically within 30 days of origination, rather than hold them for investment. We sell loans to institutional loan buyers under existing contracts. AMRES sells the servicing rights to its loans at the time it sells those loans. Typically, AMRES sells the loans with limited recourse to it. This means that, with some exceptions, we reduce our exposure to default risk at the time we sell the loan, except that we may be required to repurchase the loan if AMRES breaches the representations or warranties that it makes in connection with the sale of the loan, in the event of an early payment default, or if the loan does not comply with the underwriting standards or other requirements of the ultimate investor. In the event AMRES is required to repurchase a loan, we will assess the impact of losses, which result from a repurchased loan. To date, AMRES has not repurchased a loan as a result of its origination practices (see below regarding HUD for recent events).

On December 9, 2002, AMRES received notification from HUD requesting indemnification on up to 23 loans brokered by a former loan officer of AMRES. This loan officer was terminated as a result of violation of AMRES policies and procedures. Further on March 3, 2003, we were notified by one of our lenders regarding potential irregularities with up to six loans submitted to and closed with the lender. We are currently assessing losses, if any, associated with each of these loans. AMRES carries errors and omissions insurance coverage, which may offset any potential losses which may be incurred by AMRES with respect to these loans. At the time of the filing of this quarterly report, it is too early to determine what, if any, loss AMRES may ultimately incur with these loans. AMRES has accrued \$350,000 of expense as accrued liabilities to account for the potential deductible that it could incur if all of these loans result in losses. In the event we are required to purchase a significant amount of loans during a short period of time, our financial condition, results of operations and cash flows could be adversely affected. During the past 12 months we have increased our awareness of the need to implement sound internal controls.

Net cash used in investing activities was \$54,823 and \$11,650 for the nine months ended January 31, 2003 and 2001, respectively. There were no individually material transactions for either period presented.

Net cash used by financing activities was \$1,243,022 for the nine months ending January 31, 2003, relating primarily to payments on the Company's warehouse line of credit and to the repayment of the bridge loan.

Net cash provided by financing activities for the nine months ending January 31, 2002 was \$1,328,939 and relates primarily to advances on the Company's warehouse line of credit and proceeds received from the bridge loan.

The Company is current in servicing its obligations as they become due. In the previous fiscal years, the Company used its common stock to provide compensation for outside services that were required. It is the belief of management, that beginning in the current fiscal year, little or no common stock will be issued for services.

The Company has generated a net income over the last twelve months. Management plans to continue its growth plans to generate revenues sufficient to meet its cost structure. Management believes that these actions will afford the Company

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the ability to fund its daily operations and service its remaining debt obligations primarily through the cash generated by operations; however, there are no assurances that management's plans will be successful. Our independent auditors modified their report, with an explanatory paragraph, stating that the audited financial statements of Anza Capital, Inc. for the period ending April 30, 2002 have been prepared assuming the company will continue as a going concern. They note that the Company's continued existence is dependent upon its ability to generate sufficient cash flows from operations to support its daily operations as well as provide sufficient resources to retire existing liabilities and obligations on a timely basis. No adjustments have been made to the carrying value of assets or liabilities as a result of these uncertainties.

27

ITEM 3 CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer (or those persons performing similar functions), after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended) as of a date within 90 days of the filing of this quarterly report (the "Evaluation Date"), have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective to ensure the timely collection, evaluation and disclosure of information relating to the Company that would potentially be subject to disclosure under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder. There were no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls subsequent to the Evaluation Date.

28

PART II

ITEM 1 LEGAL PROCEEDINGS

In March 2003, our wholly-owned subsidiary, American Residential Funding, was served with a lawsuit brought by Oaktree Funding Corporation, in the Superior Court of the State of California, County of San Bernardino, case number RCV 070427. The defendants in the action are AMRES, the appraiser, escrow company, notary public, and borrowers involved in six (6) different loan transactions brokered by AMRES and funded by Oaktree.

The Complaint alleges, among other things, that the defendants committed fraud, breach of contract, negligent misrepresentation, RICO violations, and unfair business practices. The Complaint requests damages in excess of \$1,500,000, plus attorneys' fees, interest, penalties, and punitive damages.

The Company is vigorously defending this lawsuit although the Company believes that the action lacks merit. The Company has not yet filed an Answer to the Complaint. The case is at a stage where no discovery has been taken and no prediction can be made as to the outcome of this case.

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

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ITEM 2 CHANGES IN SECURITIES

On November 4, 2002, we issued an aggregate of 7,000,000 shares of common stock, restricted in accordance with Rule 144, to eleven individuals for services rendered. The issuances were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, and the shareholders were all either accredited or sophisticated individuals.

On December 10, 2002, we issued 2,269,286 shares of common stock to each of Cranshire Capital, L.P. and EURAM Cap Strat "A" Fund Ltd upon the conversion of Series C Convertible Preferred Stock. The shares were issued without restrictive legend pursuant to Rule 144(k).

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

There have been no events which are required to be reported under this Item.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There have been no events which are required to be reported under this Item.

29

ITEM 5 OTHER INFORMATION

Termination of Homelife, Inc. Merger

On October 7, 2002, we issued a press release announcing the execution of a Reorganization Agreement with Homelife, Inc.

On February 27, 2003, due to a number of factors including but not limited to changing market conditions, the failure of Homelife to fulfill one or more of its obligations under the agreement, and the extended period of time it would take to complete the reorganization, we notified Homelife of our intent to terminate the Reorganization Agreement. On March 14, 2003, Anza terminated the Reorganization Agreement.

Closing of Matter with The Department of Housing and Urban Development

On December 9, 2002, we received notification from HUD requesting indemnification on up to 23 loans brokered by a former loan officer of AMRES. We executed and provided an Indemnification Agreement to HUD as requested. On February 13, 2003, HUD notified us that (i) without the loans originated by this particular loan officer, AMRES' default and claim rate would be at an acceptable level to HUD, and (ii) as a result of our termination of that loan officer, and the indemnification agreement, the matter was closed. We carry errors and omissions insurance coverage, which may offset any potential losses that may be incurred by us, including under the indemnification agreement, with respect to these loans.

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None.

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(b) Reports on Form 8-K

On November 4, 2002, the Company filed a Current Report on Form 8-K regarding the Homelife, Inc. proposed merger.

30

SIGNATURES

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

Dated: March 21, 2003

/s/ Vince Rinehart

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

Dated: March 21, 2003

/s/ Scott A. Presta

By: Scott A. Presta
Its: Director

31

CERTIFICATION OF CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

I, Vincent Rinehart, Chief Executive Officer and Chief Financial Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Anza Capital, 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 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

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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 officers 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 fulfilling the equivalent functions):
- (i) 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
 - (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: March 21, 2003

/s/ Vince Rinehart

Vincent Rinehart
Chief Executive Officer and
Chief Financial Officer