FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **1996-12-30** | Period of Report: **1996-03-31**
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FILER

FINET HOLDINGS CORP

CIK:**852450**| IRS No.: **943115180** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **000-18108** | Film No.: **96687644**
SIC: **6163** Loan brokers

Mailing Address
235 MONTGOMERY STREET 750
SAN FRANCISCO CA 94104

Business Address
235 MONTGOMERY STREET 750
SAN FRANCISCO CA 94104
4156584150

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1996

OR

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

Commission File Number: 0-18108

FINET HOLDINGS CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State or jurisdiction of
incorporation or organization)

235 MONTGOMERY STREET, SUITE 750
SAN FRANCISCO, CA 94104
(Address of principal executive office)

94-3115180
(IRS Employer Identification Number)

(415) 658-4150
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant has (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to filing requirements within the past 90 days.

Yes 'X' No___

The number of shares outstanding of each of the issuer's classes of common stock was 17,161,902 shares of common stock, par value $.01, as of March 31, 1996.

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FINANCIAL STATEMENTS

<TABLE>

FINET HOLDINGS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

<CAPTION>

<S>	March 31, 1996 (UNAUDITED) <C>	December 31, 1995 <C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,200	$ -
Accounts receivable	41,200	89,100
Prepaid expenses and deposits	104,600	33,700
Notes receivable	72,000	72,000
Other receivables	69,000	
Total current assets	301,000	194,800
Furniture, fixtures and equipment, net of accumulated depreciation of $447,900 and $445,400	49,300	51,700
Intangible assets, net of accumulated amortization of $909,600 and $856,500	142,300	195,400
Total assets	$ 492,600	$ 441,900
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Note payable	$ 150,000	$ 25,000
Accounts payable	929,300	996,600
Accrued liabilities	195,300	175,200
Convertible debenture	800,000	800,000
Liabilities of discontinued operations	2,500	2,500

Total current liabilities	2,077,100	1,999,300
Total liabilities	2,077,100	1,999,300
Stockholders' equity (deficit):		
Common stock, par value $.01 issued 17,161,902 shares in 1996 and 12,930,479 shares in 1995	171,600	129,300
Additional paid-in capital	19,839,600	19,759,600
Accumulated deficit	(21,595,700)	(21,446,300)
Total stockholders' equity (deficit)	(1,584,500)	(1,557,400)
Totals	$ 492,600	$ 441,900

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FINET HOLDINGS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

<CAPTION>

	THREE MONTHS ENDED March 31, (UNAUDITED)	
	1996	1995
<S>	<C>	<C>
Revenues	$ 30,900	$ 267,900
Operating expenses:		
Compensation and benefits	93,500	561,000
Occupancy and equipment	5,200	73,800
Communications	21,000	51,600
Loan related fees and costs	4,200	25,000
Amortization & depreciation	55,600	139,800
General & administrative	18,900	276,500
Total operating expense	198,400	1,127,700
(Loss) from operations	(167,500)	(859,800)
Interest	21,900	4,100
(Loss) from continuing operations	(189,400)	(863,900)

Other income/(expense)	40,000	(190,500)
Net income/(loss)	$ (149,400)	$(1,054,400)
Net income/(loss) per share	$(.01)	$(.14)

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FINET HOLDINGS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF ACCUMULATED DEFICIT

<CAPTION>

<S>	THREE MONTHS ENDED March 31, 1996 (UNAUDITED) <C>
Accumulated deficit at beginning of period	$(21,446,300)
Net loss	(149,400)
Accumulated deficit at end of period	$(21,595,700)

</TABLE>

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<CAPTION>

	THREE MONTHS ENDED March 31, (UNAUDITED)	
	1996	1995
<S>	<C>	<C>
Cash flows from operating activities:		
Net (loss)	$ (149,400)	$ (875,300)
Adjustments to reconcile loss to cash used in operating activities	13,600	116,300
Net cash used by operating activities	(135,800)	(759,000)
Cash flows from financing activities:		
Proceeds of bridge loans	150,000	-
Proceeds from sale of common stock	-	75,000
Proceeds from sale of convertible debenture	-	800,000
Net cash provided by financing activities	150,000	875,000

Cash flows from investing activities:		
Organization expense	-	-
Acquisition of equipment	-	(19,700)
Net cash used by investing activities	-	(19,700)
Increase/(decrease)in cash and equivalents	14,200	96,300

</TABLE>

FINET HOLDINGS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Due to the Company's inability to complete an audit of its operations for the fiscal year ended December 31, 1995 until December, 1996, it was unable to file its Form 10-K Annual Report for that period and the subsequent Form 10-Q Quarterly Reports until the actual signature dates thereon. During the first quarter of 1996, the Company was in a period of near operational dormancy while executing a voluntary recapitalization plan. To the best of the Company's ability, the narrative information in this report has been prepared and expressed as it would have been if prepared and submitted on time.

NOTE 2. The financial information included herein as of March 31, 1996 and for the three months ended March 31, 1996 is unaudited and, in the opinion of the Company, reflects all adjustments necessary for a fair presentation of the financial position as of those dates and the results of operations for that period. The information in the Condensed Consolidated Balance Sheet as of December 31, 1995 was derived from the Company's Form 10-K Annual Report for 1995.

NOTE 3. The accompanying condensed consolidated financial statements have been prepared on the basis that the Company will complete its reorganization plan successfully and continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying condensed consolidated financial statements, the Company has incurred losses and negative cash flow from continuing operations, as of March 31, 1996. Such conditions raise substantial doubt about the Company's ability to continue as a going concern. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 4. Net loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. The weighted average number of shares was 15,704,054 shares (three months) in 1996 and 6,256,245 shares (three months) in 1995. Common stock equivalents are not included because their effect would have been non-dilutive in all periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

The Company is in a weak financial position with little liquidity. In December, 1995 the Company reported at its annual shareholder meeting that although considerable progress had been achieved in 1995 in reducing the Company's losses from operating activities, the Company's continuing losses, lack of working capital, and additional pending financial obligations required additional capital if operations were to be continued. The shareholders and the Board of Directors authorized management to develop a voluntary recapitalization plan (the "Plan"), which was then created and recommended by the Company and approved by shareholders on January 30, 1996.

The Plan calls for negotiated settlements with unsecured creditors, a private placement to raise $2 million additional equity capital, material concessions from the Company's majority shareholder and secured creditor, licensing of Finet Corporation's mortgage operations to an affiliate office and a revised growth strategy and business plan. The Company has begun to implement the Plan, which also calls for the Company to be sustained by bridge loans until completion of an equity offering.

The Company has continued to incur losses and negative cash flow through March 31, 1995. In the event that the Company is unable to fully implement the Plan, the ability of the Company continue to operate appears doubtful. Upon successful completion of the Plan, the Company will have materially reduced its liabilities and believes it will have liquidity and working capital adequate to achieve its objectives.

INFLATION

Inflation has not had any material impact on the Company's operations.

RESULTS OF OPERATIONS

Historically, all mortgage brokerage activities have been conducted by Finet Corporation, a wholly owned subsidiary. As part of the Plan, these activities, including all mortgage related revenues and expenses, were temporarily licensed to the owner of a Finet affiliate office. As a result, both Finet Corporation and the Company entered a period of near operational dormancy. Personnel were minimized, compensation was materially reduced and the Company's activities were focused almost exclusively on completing the Plan.

QUARTER ENDED MARCH 31, 1996 COMPARED TO QUARTER ENDED MARCH 31, 1995

The Company incurred a net loss in the first quarter of 1996 of $149,400. $167,500 of the loss was from continuing operations as compared with $863,900 for the first quarter of 1995. There is little basis for comparison of these two periods. The Company's operations in the first quarter of 1995 were comprised primarily of the mortgage brokerage activities of the Finet Corporation branch offices, whereas during most of the first quarter of 1996 all mortgage brokerage activity was licensed to another entity.

ACCORDINGLY, IN MANAGEMENT'S OPINION, BECAUSE OF CHANGES IN THE COMPANY'S STRUCTURE AND OPERATIONS, COMPARISON OF VARIOUS REVENUE AND OPERATING EXPENSE CATEGORIES DURING PRIOR PERIODS AS DISCUSSED HEREIN IS IRRELEVANT AND POTENTIALLY MISLEADING. READERS ARE THEREFORE CAUTIONED IN INTERPRETING ANY PERIOD TO PERIOD COMPARISONS.

The primary operating expense is compensation and benefits, consisting in 1995 of: commissions to brokerage agents; payments to service providers; and compensation of processing and management personnel and in 1996 of: payments to service providers and compensation of management personnel. Such expenses were $93,500 in the first quarter of 1996 and $561,000 in the first quarter of 1995.

Occupancy and equipment expenses were $15,200 in the first quarter of 1996 and $73,800 in the first quarter of 1995. The reductions were due primarily to significantly reduced corporate office rental expense, offset by associated moving and storage expenses.

Communications expense was $21,000 in the first quarter of 1996 and $51,600 in the in the first quarter of 1995. The decrease was related primarily to office consolidations and staff reductions.

Loan related fees and costs were $4,200 in the first quarter of 1996 and $25,000 in the first quarter of 1995. The decrease was due primarily to the change in operating structure and the licensing of mortgage activities to an affiliate office.

Amortization and depreciation expenses were $55,600 in the first quarter of 1996 and $139,800 in the second quarter of 1995. The decrease was related primarily to the 1995 write-off of intangible assets.

General and administrative expenses include office expenses, and other miscellaneous expenses incurred in connection with the development and management of the business, including travel, legal, entertainment and corporate printing. Such expenses were $74,500 in the first quarter of 1996 and $416,300 in the first quarter of 1995. The decrease is primarily due to cost control measures.

Interest expense increased from $4,100 in the first quarter of 1995 to $21,900 in the first quarter of 1996, primarily due to interest on the convertible debenture.

The effective overall tax rate remained at 0%.

As a result of the foregoing, net income was $(149,400), a decrease of 86%.

PART II

ITEM 1. LEGAL PROCEEDINGS

As a result of the Company's financial position, the Company has substantial past due accounts payable and is a defendant in several legal actions brought by unsecured trade creditors for claims totaling approximately $500,000. As part of its recapitalization plan, the Company expects to reach settlements with these creditors for approximately 40% of this amount with the consideration in the form of shares of the Company's common stock valued at the private placement offering price per share.

The Company is a defendant in three legal actions brought by individuals who were formerly employees or independent contractors of one of the Company's subsidiaries. The total of these claims is not material and the Company expects either to prevail or to settle these actions as part of its recapitalization plan.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

As reported in the Company's Form 10-K Annual Report for the year ended December 31, 1995, the Company's voluntary recapitalization plan was approved by shareholders on January 30, 1996.

SIGNATURE

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.

FINET HOLDINGS CORPORATION

<TABLE>

<S>	<C>
Date: December 27, 1996	L. DANIEL RAWITCH

L. DANIEL RAWITCH
(CEO AND PRINCIPAL EXECUTIVE OFFICER)

Date: December 27, 1996

JAN C. HOEFFEL

JAN C. HOEFFEL
(PRESIDENT AND
PRINCIPAL FINANCIAL OFFICER)

</TABLE>