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: **1996-06-30**
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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.: **96687654**
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 June 30, 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 17,593,152 shares of common stock, par value $.01, as of June 30, 1996.

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FINANCIAL STATEMENTS

<TABLE>

FINET HOLDINGS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

<CAPTION>

<S>	June 30, 1996 (UNAUDITED) <C>	December 31, 1995 <C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,800	$ -
Accounts receivable	39,800	89,100
Prepaid expenses and deposits	59,100	33,700
Notes receivable	72,000	72,000
Other receivables	62,000	-
Total current assets	237,700	194,800
Furniture, fixtures and equipment, net of accumulated depreciation of $450,300 and $445,400	46,800	51,700
Intangible assets, net of accumulated amortization of $1,051,900 and $856,500	89,200	195,400
Total assets	$ 373,700	$ 441,900
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Note payable	$ 150,000	$ 25,000
Accounts payable	929,300	996,600
Accrued liabilities	222,200	175,200
Convertible debenture	800,000	800,000

Liabilities of discontinued operations......	2,500	2,500
Total current liabilities................	2,104,000	1,999,300
Total liabilities........................	2,104,000	1,999,300
Stockholders' equity (deficit):		
Common stock, par value $.01 issued 17,593,152 shares in 1996 and 12,930,479 shares in 1995............................	175,900	129,300
Additional paid-in capital.................	19,848,200	19,759,600
Accumulated deficit........................	(21,754,400)	(21,446,300)
Total stockholders' equity (deficit)......	(1,730,300	(1,557,400)
Totals..................................	$ 373,700	$ 441,900

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FINET HOLDINGS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

<CAPTION>

	THREE MONTHS ENDED June 30, (UNAUDITED)	
	1996	1995
<S>	<C>	<C>
Revenues..	$ 900	$ 79,800
Operating expenses:		
Compensation and benefits....................	76,900	172,400
Occupancy and equipment......................	1,500	25,700
Communications...............................	3,900	12,700
Loan related fees and costs..................	1,200	1,500
Amortization & Depreciation..................	55,600	167,100
General & administrative.....................	400	105,100
	139,500	484,500
(Loss) from operations........................	(138,600)	(404,700)
Interest......................................	20,100	20,600
(Loss) from continuing operations.............	(158,700)	(425,300)

Other expense	-	15,900
Net income/(loss)	$((158,700)	$ (441,200)
Net income/(loss) per share	$(.01)	$(.06)

</TABLE>

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FINET HOLDINGS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

<CAPTION>

	SIX MONTHS ENDED June 30, (UNAUDITED)	
	1996	1995
<S>	<C>	<C>
Revenues	$ 31,800	$ 347,700
Operating expenses:		
Compensation and benefits	170,400	733,400
Occupancy and equipment	6,700	99,500
Communications	25,300	60,600
Loan related fees and costs	5,500	26,500
Amortization & Depreciation	111,200	342,500
General & administrative	18,800	349,700
Total operating expense	337,900	1,612,200
(Loss) from operations	(306,100)	(1,265,200)
Interest	42,000	24,700
(Loss) from continuing operations	(348,100)	(1,289,900)
Other income/(expense)	40,000	206,400
Net income/(loss)	$ (308,100)	(1,496,300)
Net income/(loss) per share	$(.02)	$(.21)

</TABLE>

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FINET HOLDINGS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF ACCUMULATED DEFICIT

<CAPTION>

<S>	SIX MONTHS ENDED June 30, 1996 (UNAUDITED) <C>
Accumulated deficit at beginning of period......	$(21,446,300)
Net loss..	((308,100)
Accumulated deficit at end of period...........	$(21,754,400)

</TABLE>

<TABLE>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<CAPTION>

<S>	THREE MONTHS ENDED June 30, (UNAUDITED) 1996 <C>	1995 <C>
Cash flows from operating activities:		
Net (loss)......................................	$ (158,700)	$(1,277,800)
Adjustments to reconcile loss to cash used in operating activities..........	149,300	,XXX
65,300		
Net cash used by operating activities........	(9,400)	(1,218,500)
Cash flows from financing activities:		
Proceeds from sale of common stock...........	-	75,000
Proceeds from sale of convertible debenture..	-	800,000
Net cash provided by financing activities....	-	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.....	(9,400)	(323,800)

</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 second 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 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 June 30, 1996 and for the six months ended June 30, 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 June 30, 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 16,333,013 shares (six months) in 1996 and 6,705,152 shares (six 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. During

1996 to date, the Company's operations have been sustained primarily by bridge loans provided by individual shareholders in anticipation of completing the Company's previously reported voluntary recapitalization plan (the "Plan").

The Plan called 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 business plan.

The Company has continued to incur losses and negative cash flow through June 30, 1995. Absent successful completion of the Plan, the ability of the Company continue operations 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

As previously reported, the Company's activities during the quarter were focused primarily on completing the Plan. Based on discussions with its private placement agent in January, 1996, the Company anticipated completing its $2 million equity offering by May 15, 1996 and, based on a 50% reduction in executive compensation levels, receiving approximately $200,000 of bridge loans to sustain its operations until then. Of $150,000 in bridge loans arranged by the placement agent, after its expenses the Company received a net total of $103,000. Accordingly, the Company's staff was reduced to two executive officers and a part-time administrative assistant. After April 30, 1996, due to the lack of cash, all executive compensation has been deferred.

During the second quarter, the plan for settlement with unsecured creditors was developed in detail and distributed to creditors with a request for their approval. Expressions of interest obtained by the placement agent have been insufficient to proceed with the private placement.

The mortgage brokerage activities conducted by Finet Corporation, a wholly owned subsidiary were licensed to the owner of a Finet affiliate office. On May 15, 1996, the license expired and mortgage operations reverted to Finet Corporation. These activities consisted primarily of collecting monthly affiliation fees from remaining affiliate offices and providing various marketing and lender support services to affiliates. A percentage of fees received was used to compensate the individual who provided these services and coordinated execution of the creditor settlement plan.

During the second quarter, the Company was approached by a local mortgage banking firm interested in some form of cooperative alliance. After considerable discussion and negotiation, as previously reported on Form 8-K, on May 22, 1996 the Company entered into a binding Term Sheet Agreement (the "Agreement") with Monument Mortgage, Inc. ("MMI"), a California corporation, and Preference America Mortgage Network ("PAMN"), a California corporation, to acquire 100% of the issued and outstanding stock of both corporations. MMI is a mortgage banking firm operating in 15 states. PAMN is a mortgage broker operating primarily in Florida. Two individuals are the sole shareholders of MMI and, together with a third individual, are the shareholders of PAMN.

Pursuant to the Agreement, MMI and PAMN will become subsidiaries of the Company and continue operations under their current names. It is contemplated that the acquisition of MMI will be a pooling of interests involving an exchange of shares for a total consideration to be determined upon completion of MMI's audit for the year ending April 30, 1996. The Registrant will purchase PAMN from its three shareholders for $250,000.

The purchase price and terms for these acquisitions were arrived at only after arms-length negotiations between the principals of the three corporations. The underlying principles used in determining the consideration for the two acquisitions involved an unscientific analysis of the past performance and existing value of the two companies, and the future potential of the combined entity. The Agreement further provides for the Company to enter into employment agreements with the MMI owners upon terms outlined in the Agreement.

As a result of this event, the Company reviewed and revised its business development plan to incorporate the expanded opportunities resulting from these acquisitions. Completion of these acquisitions is contingent upon the Company raising a minimum of $2 million in its private placement, the size of which the Company and placement agent have agreed to increase to $3 million and open to subscription in the third quarter of 1996.

QUARTER ENDED JUNE 30, 1996 COMPARED TO QUARTER ENDED JUNE 30, 1995

The Company incurred a net loss in the second quarter of 1996 of $158,700. $138,600 of the loss was from continuing operations as compared with $425,300 for the second quarter of 1995. There is little basis for comparison of these two periods. The Company's operations in the second quarter of 1995 were comprised primarily of the mortgage brokerage activities of Finet Corporation supporting affiliate offices, whereas in the second quarter of 1996 through May 15, 1996 all mortgage brokerage activity was licensed to another entity, and thereafter the number of affiliates was reduced further for non-payment of affiliate fees.

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 of payments to service providers and compensation of management personnel. Such expenses were $76,900 the second quarter of 1996 and $172,400 in the second quarter of 1995.

Occupancy and equipment expenses were $1,500 in the second quarter of 1996 and $25,700 in the second quarter of 1995. The reductions were due primarily to significantly reduced corporate office rental expense.

Communications expense was $3,900 in the second quarter of 1996 and $12,700 in the in the second quarter of 1995. The decrease was related primarily to office consolidations and staff reductions.

Loan related fees and costs were $1,200 in the second quarter of 1996 and $1,500 in the second quarter of 1995. The decrease was due primarily to the licensing of mortgage activities to an affiliate office.

Amortization and depreciation expenses were $55,600 in the second quarter of 1996 and $167,100 in the second quarter of 1995. The decrease was related primarily to 1995 write-off of intangible assets.

Other 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 $400 in the second quarter of 1996 and $105,100 in the second quarter of 1995. The decrease is primarily due to cost control measures.

Interest expense decreased from $20,600 in the second quarter of 1995 to $21,100 in the second quarter of 1996, and is related to the convertible debenture.

The effective overall tax rate remained at 0%.

As a result of the foregoing, net income was $(158,700), a decrease of 64%.

SIX MONTHS ENDED JUNE 301, 1996 COMPARED TO SIX MONTHS ENDED JUNE 30, 1995

The Company incurred a net loss in the first six months of 1996 of $308,100. $306,100 of the loss was from continuing operations as compared with $1,265,200 for the first six months of 1995. As previously discussed herein, there is little basis for comparison of these two periods.

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 management personnel. Such expenses were $170,400 the first six months of 1996 and $733,400 in the first six months of 1995.

Occupancy and equipment expenses were $6,700 in the first six months of 1996 and $99,500 in the first six months of 1995. The reductions were due primarily to significantly reduced corporate office rental expense.

Communications expense was $25,300 in the first six months of 1996 and $60,600 in the in the first six months of 1995. The decrease was related primarily to office consolidations and staff reductions.

Loan related fees and costs were $5,500 in the first six months of 1996 and $26,500 in the first six months of 1995. The decrease was due primarily to the licensing of mortgage activities to an affiliate office.

Amortization and depreciation expenses were $111,200 in the first six months of 1996 and $342,500 first six months of 1995. The decrease was related primarily to the 1995 write-off of intangible assets.

Other 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 $18,800 in the first six months of 1996 and $349,700 in the first six months of 1995. The decrease is primarily due to cost control measures.

Interest expense increased from $24,700 in the first six months of 1995 to $42,000 in the first six months 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 $(308,100), a decrease of 80%.

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 $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.

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.

<TABLE>

<S>	<C>
	FINET HOLDINGS CORPORATION
Date: December 23, 1996	L. DANIEL RAWITCH -------------------------------------- L. DANIEL RAWITCH (CEO AND PRINCIPAL EXECUTIVE OFFICER)
Date: December 23, 1996	JAN C. HOEFFEL -------------------------------------- JAN C. HOEFFEL (PRESIDENT AND PRINCIPAL FINANCIAL OFFICER)

</TABLE>