

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

SILVERADO FINANCIAL INC
Form 10QSB
August 19, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2003

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

For the transition period from _____ to _____

Commission file number: 0-29049

Silverado Financial, Inc.

(formerly Rhombic Corporation)

(Exact name of Registrant as specified in its charter)

Nevada

86-0824125

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

1475 S. Bascom Avenue, Suite 210
Campbell, CA

95008

(Address of principal executive offices)

(Zip Code)

(408) 371-2301

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange 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 such filing requirements for the past 90 days. Yes No

As of June 30, 2003, 12,720,884 shares of the registrant's common stock, \$0.01 par value per share, were issued and outstanding.

1

SILVERADO FINANCIAL, INC.
INDEX TO FORM 10-Q

Page

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

Consolidated Balance Sheet as of June 30, 2003	3
Consolidated Statements of Operation for the six months and three months ended June 30, 2003 and 2002	4
Consolidated Statements of Changes in Stockholders' Equity for the six months and three months ended June 30, 2003 and 2002	5
Consolidated Statements of Cash Flow for the six months and three months ended June 30, 2003 and 2002	6 - 7
Notes to Financial Statements	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Item 3. Controls and Procedures	13
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	14
Item 2. Changes in Securities	14
Item 3. Defaults Upon Senior Securities	15
Item 4. Submissions of Matters to a Vote of Security Holders	15
Item 5. Other Information	15
Item 6. Exhibits and Reports on Form 8-K	15
Signatures	15

2

PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SILVERADO FINANCIAL, INC.
(formerly Rhombic Corporation)
(A Development Stage Company)

CONSOLIDATED BALANCE SHEET
AT JUNE 30, 2003
(unaudited)

ASSETS

CURRENT ASSETS

Cash	\$ 1,529
Receivables	14,377
Marketable securities held for sale	17,775

Total Current Assets	33,681

OTHER ASSETS

Intellectual property	1,398,020
Furniture, fixtures & equipment-net	131,446
Other	6,900

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

Total assets		\$1,570,047
		=====
	LIABILITIES	

CURRENT		
Accounts Payable		\$ 141,115
Accrued interest		14,583
Due to affiliates		45,000

		200,698
OTHER LIABILITIES		
Convertible notes payable		26,000
Note payable		278,500

Total liabilities		505,198
STOCKHOLDERS' EQUITY		
Preferred stock, \$.001 par value, 5,000,000 shares authorized, none issued		12,721
Common stock, \$.001 par value, 20,000,000 shares authorized, 12,720,884 issued and outstanding		10,097,246
Additional paid-in capital		(9,045,118)
(Deficit) accumulated during the development stage		-----
Total stockholders' equity		1,064,849

Total liabilities and stockholders' equity		\$1,570,047
		=====

See accompanying notes to these consolidated financial statements.

3

SILVERADO FINANCIAL, INC.
(formerly Rhombic Corporation)
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATION
(unaudited)

	For the 6 months ended		For the 3 months ended	
	June 30,2003	June 30,2002	June 30,2003	June 30,2002
	-----		-----	
Revenues				
Commission & processing revenue	\$17,825	\$0	\$17,825	
Cost of sales	(9,181)	0	(9,181)	
	-----		-----	
Gross profit	8,644	0	8,644	
	-----		-----	
Operating expenses				
Research and development	0	(9,183)	0	

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

Impairment on intellectual property	0	0	0
Consulting	171,418	0	50,118
General and administrative	236,648	39,080	169,987
Depreciation	4,729	0	4,570
Total operating expenses	412,795	29,897	224,675
Other Income and Expense			
Interest income	9		9
Interest (expense)	(12,294)	(120)	(6,226)
Total non-operating income	(12,285)	(120)	(6,217)
Net (Loss) from operations	(416,436)	(30,017)	(222,248)
Other revenues and expenses			
(Loss) gain on sale of investments	(6,201)	0	153
Licensing revenue from intellectual property	0	0	0
Net (Loss)	(\$422,637)	(\$30,017)	(\$222,095)
Net (Loss) per share: Basic and Diluted	(\$0.04)	(\$0.00)	(\$0.02)
WEIGHTED AVERAGE SHARES OUTSTANDING:			
Basic & Diluted	11,178,875	28,704,241	11,356,524

See accompanying notes to these consolidated financial statements.

4

SILVERADO FINANCIAL, INC.
(formerly Rhombic Corporation)
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
June 30, 2003
(Unaudited)

	Common Stock		Additional Paid-In Capital	(Defi Accumu Duri Develo Sta
	Shares	Amount		
Balance at December 31, 2001	28,697,042	\$28,697	\$8,452,629	(\$8,2
Shares issued for services	1,302,958	1,303	53,895	
Net loss for quarter ended June 30, 2002				(

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

	30,000,000	\$30,000	\$8,506,524	(\$8,2
Balance at December 31, 2002	10,400,000	\$10,400	\$9,616,027	(\$8,6
Shares issued for services	364,785	365	86,135	
Net unrealized holding (loss) on securities available held for sale				
Shares issued for payables	335,004	\$335	\$124,640	
Shares issued for services	725,216	725	111,294	
Shares issued for Realty Capital	729,452	730	126,924	
Shares issued for debt	228,372	228	48,848	
Shares issued for rounding	55			
Cancellation of shares from sale of intellectual property	(62,000)	(62)	(16,622)	
Net unrealized holding (loss) on securities available held for sale				
Net loss for quarter ended June 30, 2003				(4
	\$ 12,720,884	\$ 12,721	\$10,097,246	\$ (9,0

See accompanying notes to these consolidated financial statements.

5

SILVERADO FINANCIAL, INC.
(formerly Rhombic Corporation)
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOW
June 30, 2003
(Unaudited)

	For the six months ended June 30,		For the th
	2003	2002	2003
OPERATING ACTIVITIES			
Net (loss) income for the period	(\$422,637)	\$ (30,017)	(\$222,0
Adjustments to reconcile net cash used by operations:			
Depreciation expense	4,729		4,5
Write down on intellectual property and patents	0		
Loss (gain) on sale of marketable securities	6,201		(1
Rockford shares issued for services	0		
Common stock issued for services	198,519	55,198	112,0
Common stock issued for payables and debt	174,051		174,0
Common stock issued for Financial Software Inc.	0		
Common stock issued for Realty Capital Corporation	127,654		127,6
Fair value of options granted	0		

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

(Increase)/decrease in accounts receivable	(1,750)		17,4
(Increase)/decrease in prepaid expenses	0	300	
(Increase)/decrease in furniture, fixtures & equipment	(134,271)		(134,2
(Increase)/decrease in other assets	0		
Increase/(decrease) in accounts payable	33,206	3,784	(93,4
Increase/(decrease) in accrued interest	11,491		5,4
Increase/(decrease) in due to affiliates	(10,000)	(21,263)	3,0
Increase/(decrease) in convertible notes payable	0		
Increase/(decrease) in note payable	3,500		3,5
Net Cash (Used) by Operating Activities	(9,307)	8,002	(2,2

FINANCING ACTIVITIES

Proceeds from private placements			
Proceeds from exercise of stock options			
Proceeds from conversion of debenture			
Cash provided from financing activities	0	0	

6

CONSOLIDATED STATEMENTS OF CASH FLOW - Continued

INVESTING ACTIVITIES

Cost of patents			
Proceeds from sale of marketable securities	10,275		2,8
Acquisition of software system			
Investment in Rockford Technologies			
Investment in marketable securities			
Cash (used) in investment activities	10,275	0	2,8
Increase (decrease) in cash	968	8,002	5
Cash at beginning of period	561	9,100	9
Cash at end of period	\$ 1,529	\$ 17,102	\$1,5

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES

Cancellation of 62,000 common shares in sale of intellectual property and Rockford shares	\$(16,684)	\$0	
Issuance of common stock for licensing agreements and intellectual property	\$0	\$0	

See accompanying notes to these consolidated financial statements.

7

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

SILVERADO FINANCIAL, INC.
(formerly Rhombic Corporation)
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED JUNE 30, 2003

The unaudited financial statements included herein were prepared from the records of the Company in accordance with Generally Accepted Accounting Principles. These financial statements reflect all adjustments which are, in the opinion of management, necessary to provide a fair statement of the results of operations and financial position for the interim periods. Such financial statements generally conform to the presentation reflected in the Company's Forms 10-QSB and 10-KSB filed under its previous name of Rhombic Corporation with the Securities and Exchange Commission for the year ended December 31, 2002. The current interim period reported herein should be read in conjunction with the Company's Form 10-KSB subject to independent audit at the end of the year.

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

At the beginning of business on April 29, 2003 the Company changed its trading name and trading symbol to "SLVO" on the OTCBB and decreased the number of issued and outstanding shares of common stock by issuing one new share for each five shares held. This action was done in conjunction with the shareholder approval of February 10, 2003 to amend the Articles of Incorporation.

On May 9, 2003, in a non-arms length transaction with John E. Hartman, the company's president, the company issued 729,452 shares of restricted common stock at a purchase price of \$0.175 per share, which was based on the prior five days average trading price, in exchange for all of the outstanding shares of Realty Capital Corporation. The purchase price of Realty Capital Corporation was \$127,654 and was the net asset value of Realty Capital Corporation, as determined by an independent, third party valuation. The shares were issued under Section 4(2) of the 1933 Securities Act.

As shown in the accompanying financial statements, the Company had a net loss of \$222,095 for the three months ended June 30, 2003. It has incurred an accumulated deficit of \$9,045,118 and has a deficit in working capital of approximately \$167,017 as of June 30, 2003. The ability of the Company to continue as a going concern is dependent on obtaining additional capital and financing and operating at a profitable level. The Company intends to seek additional capital either through debt or equity offerings, or a combination thereof, and to seek acquisitions which will generate sales volume with operating margins sufficient to achieve profitability. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. The independent auditor's report on the financial statements for the year ended December 31, 2002 expressed substantial doubt about the ability of the Company to continue as a going-concern. The results of operations for the period ended June 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

MARKETABLE SECURITIES AVAILALE FOR SALE

The Company has the following investments at June 30, 2003:

	June 30, 2003	
	Cost	Estimated Fair Value
AVAILABLE FOR SALE SECURITIES		
Showintel Networks, Inc.	\$17,775	\$17,775
Totals	\$17,775	\$17,775

Statements of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities, ("SFAS 115") requires that all applicable investments be classified as trading securities, available for sale securities or held to maturity securities. The Company did not have any investments classified as trading securities or held-to-maturity securities. The statement further requires that available for sale securities be reported at fair value, with unrealized gains and losses excluded from earnings but reported in a separate component of shareholders' equity (net of the effect of income taxes) until they are sold. At the time of sale, any gains or losses will be recognized as a component of operating results.

During the second quarter of 2003, the Company sold 30,000 shares of Showintel Networks, Inc. and all Rockford Technologies, Inc. shares and recorded a net gain of \$153.

At June 30, 2003, the estimated fair value of the 197,500 shares of Showintel Networks, Inc. held by the Company was estimated based on the quoted trading price of the security at June 30, 2003. The value of the Showintel Networks, Inc. common stock is recorded at its fair market value as of June 30, 2003.

STOCKHOLDERS' EQUITY

During the prior quarter ended March 31, 2003 the company issued 364,785 for services.

On May 9, 2003, in a non-arms length transaction with John E. Hartman, the company's president, the company issued 729,452 shares of restricted common stock at a purchase price of \$0.175 per share, which was based on the prior five days average trading price, in exchange for all of the outstanding shares of Realty Capital Corporation. The purchase price of Realty Capital Corporation was \$127,654 and was the net asset value of Realty Capital Corporation, as determined by an independent, third party valuation. The shares were issued under Section 4(2) of the 1933 Securities Act.

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

During the quarter ended June 30, 2003, in a non-arms length transaction with Ilya "Sean" Radetich, a director of the company, the company issued 228,372

shares of restricted common stock in cancellation of outstanding debt in the amount of \$49,076 at \$0.215 per share which was based on the prior five days average trading price at the time of issuance. The shares were issued under Section 4(2) of the 1933 Securities Act.

During the quarter ended June 30, 2003, the Company issued 111,577 restricted common shares to the officers of the Company for accrued compensation of \$30,000. The shares were issued under Section 4(2) of the 1933 Securities Act.

During the quarter ended June 30, 2003, the Company issued 4,444 restricted common shares to two directors of the Company at a deemed value of \$3,000 as compensation for the attendance of six board meetings held during the quarter. The shares were issued under Section 4(2) of the 1933 Securities Act.

During the quarter ended June 30, 2003, the Company issued 300,000 restricted common shares to an individual for investor relations services valued at \$60,000. The shares were issued under Section 4(2) of the 1933 Securities Act.

During the quarter ended June 30, 2003, the Company issued 223,427 unrestricted shares under its S-8 2003 Employees and Compensation Plan to various individuals at a deemed value of \$94,975 for various consulting services rendered during the prior quarter ended March 31, 2003 relating to matters of corporate governance, software consulting, legal and other services.

During the quarter ended June 30, 2003, the Company issued 420,772 unrestricted shares to two consultants under its S-8 2003 Employees and Compensation Plan at a deemed value of \$49,019 for various consulting services rendered during the current quarter ended June, 2003 relating to matters of corporate governance, software consulting, legal and other services.

During the quarter ended June 30, 2003, the company issued 55 shares for purposes of fractional share adjustments.

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

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

GENERAL:

Since its inception during 1994 as Rhombic Corporation, the Company has been in the development stage and its efforts have been primarily focused on the acquisition of the rights to innovative technologies that could ultimately be developed into numerous applications. During the years of 1999 through 2001 it began to focus on the research and development of its portfolio of acquired technologies and to develop specific applications in order to make them commercially marketable. The business strategy of the Company was to develop a specific application from a technology, then commence or contract for a marketing effort for the developed application that would generate sales.

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

On November 11, 2002, the board of directors of the Registrant approved the issuance of 22,000,000 restricted shares of its common stock for the acquisition of all of the issued and outstanding shares of Financial Software, Inc. ("FSI"). The transaction was closed on November 19, 2002. The value of the consideration in the exchange was determined at arms length by FSI and the registrant. FSI was in the financial services technology and publishing industry.

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

It is the intention of Silverado Financial, Inc. "Silverado" to become a multifaceted technology and real estate services company. To achieve its new business plan, Rhombic will acquire or modify its current software technology to target the real estate lending markets and to serve as a parent to companies that would provide financial publishing, mortgage brokerage and mortgage banking real estate services to customers through a developed software application.

Silverado is currently considering the acquisition of firms or the establishment of business lines in the mortgage brokerage, investment advisory, insurance brokerage and commercial and residential mortgage banking sectors.

On May 9, 2003, in a non-arms length transaction with John E. Hartman, the company's president, the company issued 729,452 shares of restricted common stock at a purchase price of \$0.175 per share, which was based on the prior five days average trading price, in exchange for all of the outstanding shares of Realty Capital Corporation. The purchase price of Realty Capital Corporation was \$127,654 and was the net asset value of Realty Capital Corporation, as determined by an independent, third party valuation. The shares were issued under Section 4(2) of the 1933 Securities Act.

The competition in the technology proliferation and transfer market is highly intense and is based on product and technology recognition and acceptance, novelty and marketability of an invention, price, and sales expertise. The new

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

management of the Company is reviewing its intellectual property and patents and considering seeing potential buyers.

11

The Company does not have any employees and uses consultants for matters pertaining to coordinating technology development and administration. The Company may hire employees during the next twelve months depending upon its success in developing prototype applications for sale and financing more development.

RESULTS OF OPERATIONS:

Comparison of Quarter Ended June 30, 2003 and 2002

The Company generated revenues of \$17,825 from operations during the second quarter of 2003. This marks the first time the company has generated any revenues since inception. Management's objective during the second quarter of 2003 was to acquire an operating company, to begin generating revenue and to continue to reform its capital structure to attract investment capital and attract potential acquisitions.

During the second quarter of 2003 the Company incurred \$169,987 in general and administrative expenses which was comprised of accrued compensation expense of \$40,000 to its officers and \$129,987 of office expenses and out of pocket costs involved with the restating the Company's capital structure.

The Company incurred \$50,118 in consulting fees.

During the second quarter of 2003, the Company sold 30,000 shares of Showintel Networks, Inc. and all of its shares of Rockford Technologies, Inc and recorded a net gain of \$153.

LIQUIDITY AND CAPITAL RESOURCES:

At June 30, 2002 the Company had \$17,102 in cash and \$31,612 in current payables. At June 30, 2003 the Company had approximately \$1,529 in cash, \$14,377 in receivables, \$and \$17,775 in marketable securities and approximately \$200,698 in current payables.

During the second quarter of 2003, the Company sold shares of Showintel Networks, Inc. and Rockford Technologies, Inc. and received \$2,854 in cash which was used added to its general funds.

The Company decreased its accounts payable by \$93,403 due to accrued compensation expense of \$40,000 to its officers and approximately \$53,403 in consulting fees.

The Company incurred \$6,226 of interest expense on its debt of \$304,500 of which \$5,425 was incurred for the software of FSI and \$801 was related to loans for cash in a private placement from accredited investors.

On October 11, 2002, the Company began a private placement to accredited investors for \$250,000. The terms of the offering are a 10% annual interest bearing note that can be converted by the holder into restricted common shares at \$.40 with a warrant to buy an equal amount of shares at \$.45. The term of the note is one-year from the subscription date and the registrant has the right to extend the note for an additional year. The term of the warrant is for three years from the subscription date. As August 1, 2003 the company has subscribed \$26,000 under this private placement. The company has paid \$1,600 in commissions

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

in connection with the subscriptions and has received \$24,400 in net proceeds. However, there is no assurance that it will be able to generate capital sufficient to meet these long-term needs. If it can't meet these requirements, it may not be able to continue as a going concern.

12

The Company believes that it has sufficient capital and resources to support operations for the next twelve months. It anticipates that the capital requirements for the balance of the period ending December 31, 2003 will require that additional cash be raised from external sources. It believes that this requirement will be met by cash equity investments.

SUBSEQUENT EVENTS:

None.

FORWARD LOOKING STATEMENTS:

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

RISK FACTORS:

The Company continues to be subject to a number of risk factors, including the uncertainty of developing a commercial application for its intellectual property, the ability of management to successfully acquire and manage revenue generating operating companies profitably, the need for additional funds, competition, technological obsolescence and the difficulties faced by development stage companies in general.

ITEM 3: CONTROLS AND PROCEDURES

- a) Disclosure controls and procedures. Within 90 days before filing this report, an evaluation was performed under the supervision and with the participation of the Company's management, including the CEO and CFO, of the effectiveness of the design and operation of its disclosure controls and procedures. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of the date of the evaluation.
- (b) Internal controls. Since the date of the evaluation described above, there have not been any significant changes in the Company's internal accounting controls or in other factors that could significantly affect those controls.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no legal proceedings against the Company. The Company is unaware of any proceedings contemplated against it.

ITEM 2. CHANGES IN SECURITIES

During the prior quarter ended March 31, 2003 the company issued 364,785 for services.

On May 9, 2003, in a non-arms length transaction with John E. Hartman, the company's president, the company issued 729,452 shares of restricted common stock at a purchase price of \$0.175 per share, which was based on the prior five days average trading price, in exchange for all of the outstanding shares of Realty Capital Corporation. The purchase price of Realty Capital Corporation was \$127,654 and was the net asset value of Realty Capital Corporation, as determined by an independent, third party valuation. The shares were issued under Section 4(2) of the 1933 Securities Act.

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

During the quarter ended June 30, 2003, in a non-arms length transaction with Ilya "Sean" Radetich, a director of the company, the company issued 228,372 shares of restricted common stock in cancellation of outstanding debt in the amount of \$49,076 at \$0.215 per share which was based on the prior five days average trading price at the time of issuance. The shares were issued under Section 4(2) of the 1933 Securities Act.

During the quarter ended June 30, 2003, the Company issued 111,577 restricted common shares to the officers of the Company for accrued compensation of \$30,000. The shares were issued under Section 4(2) of the 1933 Securities Act.

During the quarter ended June 30, 2003, the Company issued 4,444 restricted common shares to two directors of the Company at a deemed value of \$3,000 as compensation for the attendance of six board meetings held during the quarter. The shares were issued under Section 4(2) of the 1933 Securities Act.

During the quarter ended June 30, 2003, the Company issued 300,000 restricted common shares to an individual for investor relations services valued at \$60,000. The shares were issued under Section 4(2) of the 1933 Securities Act.

During the quarter ended June 30, 2003, the Company issued 223,427 unrestricted shares under its S-8 2003 Employees and Compensation Plan to various individuals at a deemed value of \$94,975 for various consulting services rendered during the prior quarter ended March 31, 2003 relating to matters of corporate governance, software consulting, legal and other services.

During the quarter ended June 30, 2003, the Company issued 420,772 unrestricted shares to two consultants under its S-8 2003 Employees and Compensation Plan at a deemed value of \$49,019 for various consulting services rendered during the current quarter ended June, 2003 relating to matters of corporate governance,

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

software consulting, legal and other services.

14

During the quarter ended June 30, 2003, the company issued 55 shares for purposes of fractional share adjustments.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

31.1 Quarterly Certification of Chief Executive Officer pursuant to Section 302, of the Sarbanes-Oxley Act of 2002.

31.2 Quarterly Certification of Chief Financial Officer pursuant to Section 302, of the Sarbanes-Oxley Act of 2002.

32.1 Certification pursuant to the 18 U.S.C section 1353, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification pursuant to the 18 U.S.C section 1353, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

None

SIGNATURES

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

SILVERADO FINANCIAL, INC.

/s/ John E. Hartman

Date: August 19, 2003

By: John E. Hartman
President and Chief Executive Officer

/s/ Albert A. Golusin

Date: August 19, 2003

By: Albert A. Golusin
Chief Financial Officer

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

15

Exhibit 31.1

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

I, John Hartman, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Silverado Financial, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 19th day of August, 2003.

/s/ John Hartman

Chief Executive Officer

16

Exhibit 31.2

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

I, Albert Golusin, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Silverado Financial, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

- b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

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

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 19th day of August, 2003.

/s/ Albert Golusin

Chief Financial Officer

17

Exhibit 32.1

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

In connection with the Quarterly Report of Rhombic Corporation (the "Company") on Form 10-QSB for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Hartman, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 19th day of August, 2003.

/s/ John Hartman

Chief Executive Officer

18

Exhibit 32.2

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

In connection with the Quarterly Report of Silverado Financial, Inc. (the "Company") on Form 10-QSB for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Albert

Edgar Filing: SILVERADO FINANCIAL INC - Form 10QSB

Golusin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 19th day of August 2003.

/s/ Albert Golusin

Chief Financial Office