SILVERADO FINANCIAL INC
Form 10QSB
November 20, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended September 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.
(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 [X] No [ ]

As of September 30, 2003, 14,077,066 shares of the registrant's common stock, $0.01 par value per share, were issued and outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SILVERADO FINANCIAL, INC.
CONSOLIDATED BALANCE SHEET
(A Development Stage Company)
SEPTEMBER 30, 2003
(unaudited)

ASSETS

CURRENT ASSETS	
Cash	$ 3,277
Receivables	11,405
Marketable securities held for sale	17,775
Total Current Assets	32,457
OTHER ASSETS	
Intellectual property	1,398,020
Furniture, fixtures & equipment-net	124,637
Other	6,900

Total assets	$ 1,562,014

LIABILITIES

CURRENT	
Accounts Payable	$ 149,954
Accrued interest	21,500
Convertible notes payable	36,000
Due to affiliates	15,000
	222,454
OTHER LIABILITIES	
Note payable	275,000
Total liabilities	497,454
STOCKHOLDERS' EQUITY	
Preferred stock, $.001 par value, 1,000,000 shares authorized, none issued	
Common stock, $.001 par value, 20,000,000 shares authorized, 14,077,066 issued and outstanding	14,077
Additional paid-in capital	10,332,590
(Deficit) accumulated during the development stage	(9,282,107)
Total stockholders' equity	1,064,560
Total liabilities and stockholders' equity	$ 1,562,014

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SILVERADO FINANCIAL, INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF OPERATION
(unaudited)

	For the nine months ended September 30,		For the three months ended September 30,	
	2003	2002	2003	2002
Revenues				
Commission & processing revenue	$43,823	$0	$25,998	$0
Cost of sales	(30,152)	0	(20,971)	0
Gross profit	13,671	0	5,027	0
Operating expenses				
Research and development	0	(9,183)	0	0
Impairment on intellectual property	0	0	0	0
Consulting	394,397	0	222,979	0

General and administrative	241,959	51,293	5,311	12,214
Depreciation	11,538	0	6,809	0
Total operating expenses	647,894	42,110	235,099	12,214
Other Income and Expense				
Interest income	9		0	
Interest (expense)	(19,211)	(120)	(6,917)	0
Total non-operating expense	(19,202)	(120)	(6,917)	0
Net (Loss) from operations	(653,425)	(42,230)	(236,989)	(12,214)
Other revenues and expenses				
(Loss) gain on sale of investments	(6,201)	0	0	0
Licensing revenue from intellectual property	0	0	0	0
Net (Loss)	$(659,626)	$(42,230)	$(236,989)	$(12,214)
Net (Loss) per share:				
Basic and Diluted	$(0.06)	$(0.01)	$(0.02)	$(0.00)
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic & Diluted	11,934,667	5,828,181	13,421,606	6,000,000

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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SILVERADO FINANCIAL, INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(unaudited)

	Common Stock		Additional	(Defici Accumula Durin Developm Stage
	Shares	Amount	Paid-In Capital	
Balance at December 31, 2001	5,739,408	$5,739	$8,475,587	$(8,219
Shares issued for services	260,592	261	54,937	
Net loss for quarter ended Sept. 30, 2002				42
	6,000,000	$6,000	$8,530,524	$(8,261

Balance at December 31, 2002	10,400,000	$10,400	$9,616,027	$(8,622
Net unrealized holding (loss) on securities available held for sale				
Shares issued for payables	566,365	$566	$170,109	
Shares issued for services	2,214,822	2,215	388,304	
Shares issued for Realty Capital	729,452	730	126,924	
Shares issued for debt	228,372	228	48,848	
Finders fees			(1,000)	
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 September 30, 2003				(659
	14,077,066	$14,077	$10,332,590	$(9,282

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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SILVERADO FINANCIAL, INC.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOW
(unaudited)

	For the nine months ended September 30,		For the three months September
	2003	2002	2003
OPERATING ACTIVITIES			
Net (loss) income for the period	$(659,626)	$ (42,230)	$(236,989)
Adjustments to reconcile net cash used by operations:			
Depreciation expense	11,538		6,809
Write down on intellectual property and patents			
Loss (gain) on sale of marketable securities	6,201		
Rockford shares issued for services			
Common stock issued for services	390,519	26,766	
Common stock issued for payables and debt	218,751	28,432	236,700
Common stock issued for Financial Software Inc.			
Common stock issued for Realty Capital Corporation	127,654		
Fair value of options granted			
(Increase)/decrease in accounts receivable	1,222		2,972
(Increase)/decrease in prepaid expenses		300	

(Increase)/decrease in furniture, fixtures & equipment	(134,271)		
(Increase)/decrease in other assets			
Increase/(decrease) in accounts payable	42,045	11,434	5,339
Increase/(decrease) in accrued interest	18,408		6,917
Increase/(decrease) in due to affiliates	(40,000)	(28,432)	(30,000)
Increase/(decrease) in convertible notes payable	10,000		10,000
Increase/(decrease) in note payable	0		
Net Cash (Used) by Operating Activities	(7,559)	(3,730)	1,748
FINANCING ACTIVITIES			
Proceeds from private placements			
Proceeds from exercise of stock options			
Proceeds from conversion of debenture			
Cash provided from financing activities	0	0	0

CONSOLIDATED STATEMENTS OF CASH FLOW - continued

INVESTING ACTIVITIES			
Cost of patents			
Proceeds from sale of marketable securities	10,275		
Acquisition of sotware system			
Investment in Rockford Technologies			
Investment in marketable securities			
Cash (used) in investment activities	10,275	0	0
Increase (decrease) in cash	2,716	(3,730)	1,748
Cash at beginning of period	561	9,100	1,529
Cash at end of period	$ 3,277	$ 5,370	$ 3,277
Interest expense	$ 19,211	$ 120	$ 6,917
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Cancellation of 62,000 common shares in sale of intellectual property and Rockford shares	$ 0	$ 0	$ 0
Issuance of common stock for licensing agreements and intellectual property	$ 0	$ 0	$ 0

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SILVERADO FINANCIAL, INC.
(A Development Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS ENDED SEPTEMBER 30, 2003 and 2002

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.

Note 1 - ORGANIZATION AND BASIS OF PRESENTATION

On November 19th, 2002, the Company acquired all of the issued and outstanding shares of Financial Software, Inc., (FSI) a New Jersey corporation engaged in the development of Internet and Intranet financial software in edition to operating several Financial Industry publishing web-sites. This acquisition was completed on a share for share exchange basis for 22,000,000 pre reverse split shares (5,500,000 post reverse split shares) of the Company's common stock. FSI was acquired in order to gain access to certain proprietary software products owned by FSI which the Company intends to further develop and extend into comprehensive mortgage platforms called MortgageCenter and FinanCenter.

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 20,000,000 and the authorized preferred shares to 1,000,000 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.

Effective 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 of the Registrant to change the name of the Company to Silverado Financial, Inc. and to change the authorized common shares to 20,000,000 and the authorized preferred shares to 1,000,000.

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.

GOING CONCERN AND PLAN OF OPERATION

As shown in the accompanying financial statements, the Company had a net loss of

$659,626 and $236,989 for the nine months and three months ended September 30,

GOING CONCERN AND PLAN OF OPERATION - continued

2003. It has incurred an accumulated deficit of $9,282,107 and has a deficit in working capital of $189,997 as of September 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 September 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

The consolidated financial statements include the results of operations, account balances and cash flows of the Company and its wholly owned subsidiaries after elimination of inter-company transactions

CASH AND EQUIVALENTS

The Company considers cash to be all short-term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less.

FINANCIAL INSTRUMENTS

Financial instruments consist primarily of cash, investments in marketable securities and obligations under accounts payable and accrued expenses. The carrying amounts of cash, accounts receivable, accounts payable, notes payable and accrued expenses approximate fair value because of the short term maturity of those instruments.

INVESTMENTS

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.

At September 30, 2003 and 2002, respectively, the Company's investments were held for sale.

INTELLECTUAL PROPERTY

The Company's intellectual property is comprised of a software platform acquired with the acquisition of Financial Services Inc. in 2002.

The Company periodically evaluates the recoverability of intangible assets and takes into account events or circumstances that warrant revised estimates of useful lives or that indicate that an impairment exists. The Company's intangible assets will be subject to amortization when put into productive use.

IMPAIRMENT OF LONG-LIVED ASSETS

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

In August 2001, the FASB issued SFAS No. 144 ("SFAS 144") "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS 144 became effective on January 1, 2002 and supersedes SFAS No. 121 ("SFAS 121"), Accounting for the Impairment of Long-Lived Assets and for accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business. The new standard establishes a single accounting model based on the framework established in SFAS 121 for long-lived assets classified as held for sale be presented separately in the consolidated Balance Sheet and eliminates the requirement to allocate goodwill to long-lived assets to be tested for impairment.

Effective January 1, 2002, impairment of goodwill and intangible assets with indefinite lives will be determined under SFAS 142 as discussed above.

STOCK-BASED COMPENSATION

Statement of Financial Accounting Standard (SFAS) No. 123, "Accounting for Stock-Based Compensation", ("SFAS 123") as amended by SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure", established accounting and disclosure requirements using a fair-value based method of accounting for stock-based employee compensation. The Company periodically issues options to consultants and members of the Board of Directors. The estimated value of these options is determined in accordance with SFAS No. 123 and expensed as the granted options vest to the grantees.

INCOME TAXES

The Company accounts for income taxes under the liability method pursuant to the Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, ("SFAS 109"). Deferred taxes arise from temporary differences, due to differences between accounting methods for tax and financial statement purposes.

LOSS PER SHARE

Net loss per share is calculated using the weighted average number of shares of common stock outstanding during the year.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and

USE OF ESTIMATES - continued

the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW TECHNICAL PRONOUNCEMENTS

In May 2003, SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", was issued. This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. Generally, a financial instrument, whether in the form of shares or otherwise, that is mandatorily redeemable, i.e. that embodies an unconditional obligation requiring the issuer to redeem it by transferring its shares or assets at a specified or determinable date (or dates) or upon an event that is certain to occur, must be classified as a liability (or asset in some circumstances). In some cases, a financial instrument that is conditionally redeemable may also be subject to the same treatment. This Statement does not apply to features that are embedded in a financial instrument that is not a derivative (as defined) in its entirety. For public entities, this Statement is effective for financial instruments entered into or modified after May 31, 2003. The adoption of SFAS 150 did not effect the Company's financial position or results of operations.

Note 3 - INTELLECTUAL PROPERTY

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

During the quarter ended June 30, 2003, in a non-arms length transaction with Robert George Krushnisky, a director of the company, 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.

The Company periodically analyzes its investment in intellectual property for impairment. The stages of development in which the intellectual property is in make estimation of value or determination of impairment a difficult task. There has been no substantive revenues generated or value derived from the technology since its acquisition. The Company has determined that there is no evidence that the book value of the intellectual property is impaired until it has been determined that there is no likely commercial application or one that will produce adequate cash flow to support those values.

On November 19, 2002, in connection with the acquisition of Financial Software, Inc., the Company acquired certain software, web sites and intellectual property which can aggregate financial information from a large number of data sources on an individual basis, amalgamate the data and provide accurate and detailed insight into an individual's personal financial picture on a real time basis. This software can manage a host of disparate objectives as they relate to a persons financial goals, be they investment or debt related or any combination. This software suite, together with mortgage generation capabilities can create a variety of new and different mortgage, investment or insurance products. The Company recorded the software on its books at the seller's basis of $1,398,020.

At September 30, 2003, the Company owned the software platform acquired with Financial Services Inc. during 2002.

Note 4 - INVESTMENTS

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

	September 30, 2003	
	Cost	Estimated Fair Value
AVAILABLE FOR SALE SECURITIES		
Limelight Media Group Inc., fka Showintel Networks, Inc.	$17,775	$17,775
Totals	$17,775	$17,775

The Company did not acquire or sell any marketable securities during the third quarter of 2003.

The estimated fair value of the 197,500 shares of Limelight Media Group Inc. held by the Company was estimated based on the quoted trading price of the security at September 30, 2003. The security began trading under its new name of Limelight Media Group Inc. on November 10, 2003.

Note 5 - INCOME TAXES

The Company does not provide any current or deferred income tax provision or benefit for any period presented because it has experienced operating losses since inception. At September 30, 2003 and 2002, the Company has approximately $9,282,107 and $8,254,339 of net operating losses available to offset future federal income tax liability and $3,647,487 and $2,920,532 of net operating losses available to offset future state income tax liability. The Company has provided a full valuation allowance because of the uncertainty regarding the utilization of the net operating loss carry forwards.

	For the nine months ended September 30,	
	2003	2002
Tax effects of carryforward benefits:		
Net operating loss carryforwards	$ 3,478,531	$ 3,171,316
Total current and deferred income tax benefit	3,478,531	3,171,316

Valuation allowance	(3,478,531)	(3,171,316)
Benefit of income taxes	$ -0-	$ -0-

Income tax components for the nine months ended September 30, 2003 and 2003 are as follows:

Note 5 - INCOME TAXES- continued

	For the nine months ended September 30,	
	2003	2002
Income tax benefit:		
Federal	$ 224,273	$ 14,358
State	29,155	1,867
Total current and deferred income tax benefit	253,428	16,225
Valuation allowance	(253,428)	(16,225)
Benefit of income taxes	$-0-	$-0-

Income tax expense does not differ from amounts computed by applying the U.S. Federal income tax rate of 34% and the state rate of 7% at December 31, 2002 and 2001, except for the valuation allowance.

At September 30, 2003, the Company's realized net operating losses expire over the next 20 years for federal and five years for state income tax purposes. Future realization of the net deferred tax assets is dependent on generating sufficient taxable income prior to their expiration. The realized net operating losses expire, as follows:

Expiration	Federal	State
2004		$ 301,975
2005		1,835,135
2006		289,298
2007		63,361
2008		1,159,718
2009	$ 44,994	
2010	379,485	
2011	461,101	
2012	236,028	
2018	861,526	
2019	603,950	
2020	3,670,269	
2021	578,596	
2022	126,723	
2023	2,319,435	
Total net operating loss available	$ 9,282,107	3,649,487

Note 6 - NOTES PAYABLE

Note Payable

As part of the acquisition of Financial Services Software, the Company became obligated under a note for $275,000 at 8% per annum, payable monthly, in arrears and amortized over eighteen equal installments of $16,258. Principal and interest payments due under the note will not be paid until the Company has raised sufficient capital through the sale of stock and /or notes to raise a minimum of four times the monthly payment due. Further, additional monthly payments are abated until the Company is able to maintain sufficient capital to

Note Payable - continued

allow it to remain cash flow positive and continue making the payments. There was $18,986 of accrued unpaid interest at September 30, 2003.

Convertible Notes payable

The Company has three convertible notes payable totaling $36,000 at 10% per annum maturing during the third quarter of 2004 as a result of the Company's extensions of two convertible notes that were originated during 2002. There was $1,989 of accrued unpaid interest at September 30, 2003.

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

Year	$ Amount
2003	$ 48,774
2004	226,296
2005	48,774
Total	$323,844

Note 7 - COMMITMENTS

During May 2003, the Company became responsible for a lease entered into by its subsidiary, Realty Capital Corporation, during October 2002 for 3,179 square feet in an office building in Campbell, California. The lease is for a period of two years ending on October 31, 2004. The base rental under the lease is $80,111 per annum ($6,675.90 per month) during the first twelve month period and $82,514 ($6,876.17 per month) during the second twelve month period. The lease provides for the Company to pay its proportionate share of the landlord's common costs during second twelve month period.

Rent expenses totaled $40,003 and $2,400 for the nine months ended September 2003 and 2002, respectively and $19,975 and $0 for the three months ended September 2003 and 2002, respectively.

Minimum future commitments under all operating leases are as follows:

Years Ending December 31,	Amount
2003	$20,428
2004	68,762

$89,190

Note 8 - STOCKHOLDERS' EQUITY

During the first two quarters of 2003 the company issued a total of 2,382,884 common shares at a deemed value of $500,224. A total of 1,090,001 shares were issued for services at a deemed value of $198,519, 563,376 common shares were issued for debt and payables at a deemed value of $174,051, 729,452 common shares were issued to the Company's president John E. Hartman for all of the outstanding shares of Realty Capital Corporation at a deemed value of $127,654

Note 8 - STOCKHOLDERS' EQUITY - continued

and 62,000 common shares were returned to the treasury and cancelled in a transaction involving the sale of the scientific intellectual property to a director of the Company at a deemed value of $16,684.

During the quarter ended September 30, 2003, the Company issued 300,000 restricted common shares to an individual for investor relations services valued at $48,000. The shares were issued under Section 4(2) of the 1933 Securities Act. The Company also issued 226,363 restricted common shares to the officers of the Company for accrued compensation of $45,000. The shares were issued under Section 4(2) of the 1933 Securities Act. The Company also issued 300,000 restricted common shares to a public relations firm at a deemed value of $65,000 for investor relations services and issued 206,200 restricted common shares to officers of the Company for services rendered during the quarter at a deemed value of $30,000. All of the shares were issued under Section 4(2) of the 1933 Securities Act.

During the quarter ended September 30, 2003, the Company issued 5,000 unrestricted shares under its S-8 2003 Employees and Compensation Plan to an individual at a deemed value of $700 for legal services rendered during the prior quarter ended June 30, 2003.

During the quarter ended September 30, 2003, the Company issued 284,591 unrestricted shares to two consultants under its S-8 2003 Employees and Compensation Plan at a deemed value of $49,000 for various consulting services rendered during the current quarter ended September 30, 2003 relating to matters of corporate governance, software consulting, legal and other services.

Note 9 - STOCK OPTIONS

The Company issues stock options periodically to consultants and members of the Board of Directors. The Company has adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation". For options granted in the period ended September 30, 2003, that were granted to individuals other than employees, the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", does not apply. Accordingly, compensation cost has been recognized for the stock options granted to other than employees.

Under the provisions of SFAS No. 123, the number of fully vested options granted of 0 and 100,000 options for the periods ended September 30, 2003 and 2002, respectively, were used to determine compensation cost. There was no charge to expense for the value of options during the periods ended September 30, 2003 and

2002.

The Board of Directors authorized the granting of no options during the periods ended September 30, 2003 and 2002, respectively. The price of any options granted pursuant to these grants is not to be less than 100 percent of the fair market value of the shares on the date of grant. The options expire one year from date of grant and are immediately vested.

Note 10 - COMMON STOCK

At September 30, 2003 and 2002, the Company had 14,077,066 and 6,000,000 shares outstanding, respectively. The Company has 20,000,000 shares of $0.001 par value authorized.

Note 11 - LOSS PER SHARE

Loss per share of common stock has been computed based on the weighted average number of shares outstanding. As of September 30, 2003 and 2002, the weighted average number of shares outstanding for the nine months then ended was 11,934,667 and 5,828,181, respectively. There were no dilutive items outstanding; therefore, basic and diluted losses per share are the same.

Note 12 - CREDIT RISK AND OTHER CONCENTRATIONS

The Company has historically relied upon cash raised in private placements of the Company's common stock for working capital. At times, the Company maintains cash balances at banks that exceed insured limits. At September 30, 2003 and 2002 the Company did not have funds on deposit that exceeded the insured limits.

Note 13 -SUBSEQUENT EVENTS

On November 17, 2003 the Company acquired all of the outstanding common shares of San Francisco Funding Inc. in exchange for One Hundred, Fifty Thousand (150,000) shares of the Company's restricted common stock and Twenty Five Thousand (25,000) shares of the Company's Restricted Series A Secured Convertible Preferred Stock.

On November 17, 2003, the board of directors of the Company approved the issuance of 25,000 shares of restricted Series A Convertible Preferred Stock with a face value of $250,000 and bearing cumulative dividends at six percent (6%) per year. The Preferred shares shall have a right to convert to ten restricted common shares, at the option of the holder, per each Preferred share converted by the holder. The preferred shares may be redeemed by the Company at its option at any time after their issuance for an amount equal to the face value of each share plus any unpaid accrued dividends. The Preferred shares have no right to vote in any shareholder meetings unless converted to Common by the holder. The Preferred shares are secured against all of the shares of San Francisco Funding purchased by the Company.

The Company intends to allow San Francisco Funding to continue to operate its mortgage banking operation with its same management and directors as a wholly owned subsidiary.

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 pre reverse split restricted shares (5,500,000 post reverese split 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 20,000,000 and the authorized preferred shares to 1,000,000 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, Silverado 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 management of the Company is reviewing its intellectual property and patents and considering seeing potential buyers.

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 September 30, 2003 and 2002

The Company generated revenues of $25,998 against $20,971 in cost of sales resulting in a gross profit of $5,027 from operations during the third quarter of 2003. The Company did not have a revenue generating operation during the third quarter of 2002 and was seeking investment capital for its scientific intellectual property along with acquisition candidates.

During the third quarter of 2003 the Company incurred $5,311 in general and administrative expenses compared to $12,214 during the third quarter ended 2002. These expenses were comprised of travel, office expenses and transfer agent and shareholder expenses.

Consulting fees during the third quarter 2003 were $222,979 compared to none during the third quarter of 2002.

On July 3, 2003, the Company issued 300,000 restricted common shares to an individual for investor relations services valued at $48,000. The shares were issued under Section 4(2) of the 1933 Securities Act.

On September 11, 2003, the Company issued 300,000 restricted common shares to a public relations firm at a deemed value of $65,000 for investor relations services and issued 206,200 restricted common shares to officers of the Company for services rendered during the quarter at a deemed value of $30,000. All of the shares were issued under Section 4(2) of the 1933 Securities Act.

During the quarter ended September 30, 2003, the Company issued 284,591 unrestricted shares to two consultants under its S-8 2003 Employees and Compensation Plan at a deemed value of $49,000 for various consulting services rendered during the current quarter ended September 30, 2003 relating to matters of corporate governance, software consulting, legal and other services.

Additional consulting fees during the third quarter of 2003 of approximately $30,000 was incurred for consulting fees pertaining to increasing the sales force of Realty Capital Corporation and evaluating potential acquisitions.

LIQUIDITY AND CAPITAL RESOURCES:

Management's objective during the third quarter of 2003 was to acquire an operating mortgage brokerage company to increase its revenues; thereby enabling the acquisition of warehouse lines to commence mortgage banking operations.

At September 30, 2002 the Company had $5,370 in cash and $32,094 in current payables. At September 30, 2003 the Company had approximately $3,277 in cash, $11,405 in receivables, $17,775 in marketable securities and approximately $218,954 in current payables.

During the quarter ended September 30, 2003 the Company issued 1,356,182 common shares valued at $237,000 of which $45,700 was for payables and $191,300 for services during the period. During the quarter ended September 30, 2002 the Company issued 50,000 restricted common shares valued at $31,500 for services during that period.

The Company has warrants outstanding to purchase 65,000 shares of common stock in the Company for $29,250 expiring October 1, 2005.

The Company believes that it has sufficient capital and resources to support operations through the remainder of 2003. 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:

On November 17, 2003 the Company acquired all of the outstanding common shares of San Francisco Funding Inc. in exchange for One Hundred, Fifty Thousand (150,000) shares of the Company's restricted common stock and Twenty Five Thousand (25,000) shares of the Company's Restricted Series A Secured Convertible Preferred Stock.

On November 17, 2003, the board of directors of the Company approved the issuance of 25,000 shares of restricted Series A Convertible Preferred Stock with a face value of $250,000 and bearing cumulative dividends at six percent (6%) per year. The Preferred shares shall have a right to convert to ten restricted common shares, at the option of the holder, per each Preferred share converted by the holder. The preferred shares may be redeemed by the Company at its option at any time after their issuance for an amount equal to the face value of each share plus any unpaid accrued dividends. The Preferred shares have no right to vote in any shareholder meetings unless converted to Common by the holder. The Preferred shares are secured against all of the shares of San Francisco Funding purchased by the Company.

The Company intends to allow San Francisco Funding to continue to operate its mortgage banking operation with its same management and directors as a wholly owned subsidiary.

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.

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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

On July 3, 2003, the Company issued 300,000 restricted common shares to an individual for investor relations services valued at $48,000. The shares were issued under Section 4(2) of the 1933 Securities Act.

On July 15, 2003, the Company issued 226,363 restricted common shares to the officers of the Company for accrued compensation of $45,000. The shares were issued under Section 4(2) of the 1933 Securities Act.

On September 11, 2003, the Company issued 300,000 restricted common shares to a public relations firm at a deemed value of $65,000 for investor relations services and issued 206,200 restricted common shares to officers of the Company for services rendered during the quarter at a deemed value of $30,000. All of the shares were issued under Section 4(2) of the 1933 Securities Act.

During the quarter ended September 30, 2003, the Company issued 5,000 unrestricted shares under its S-8 2003 Employees and Compensation Plan to an individual at a deemed value of $700 for legal services rendered during the prior quarter ended June 30, 2003.

During the quarter ended September 30, 2003, the Company issued 284,591 unrestricted shares to two consultants under its S-8 2003 Employees and Compensation Plan at a deemed value of $49,000 for various consulting services rendered during the current quarter ended September 30, 2003 relating to matters of corporate governance, software consulting, legal and other services.

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.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 3.01 Stock Purchase Agreement to purchase San Francisco Funding, Inc. dated November 17, 2003.
- 31.1 QUARTERLY CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
- 31.2 QUARTERLY CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
- 32.1 Certificate of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certificate of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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: November 18, 2003 By: John E. Hartman
President and Chief Executive Officer

/s/ Albert A. Golusin

Date: November 18, 2003 By: Albert A. Golusin
Chief Financial Officer

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