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PRE SETTLEMENT FUNDING CORP
Form 10QSB
May 21, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH
31, 2003

OR

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: 333-56848

PRE-SETTLEMENT FUNDING CORPORATION
(Exact name of Company as specified in its charter)

Delaware 54-1965220
(State or jurisdiction of incorporation) (I.R.S. Employer or
organization Identification No.)

600 Cameron Street, Alexandria, VA 22314
(Address of principal executive offices) (Zip Code)

Company's telephone number: (703) 340-1629

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common
Stock, \$0.001 Par Value

Indicate by check mark whether the Company (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 Company was required to file such reports),
and (2) been subject to such filing requirements for the past 90
days. Yes X No___

Indicate the number of shares outstanding of each of the issuer's
class of common stock. The Registrant had 5,368,000 shares of its
common stock outstanding as of May 10, 2003.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED).

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PRE-SETTLEMENT FUNDING CORPORATION
(A Development Stage Company)
CONDENSED BALANCE SHEETS
March 31, 2003 AND December 31, 2002

March 31

December 31

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| | 2003 UNAUDITED | 2002 AUDITED |
|--|-------------------|-----------------|
| ASSETS | | |
| Current Assets: | | |
| Cash | \$ 15 | \$ 18 |
| Loans Receivable | 3,228 | 3,228 |
| Claims Advances | 6,500 | 8,000 |
| Prepaid expenses and other | 43 | 43 |
| Total current assets | 9,786 | 11,289 |
| LIABILITIES AND DEFICIENCY IN STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | 912,536 | 866,914 |
| Advances from shareholder | 30,289 | 28,889 |
| Total current liabilities | 942,825 | 895,803 |
| Commitments and contingencies | - | - |
| DEFICIENCY IN STOCKHOLDERS' EQUITY (NOTE C) | | |
| Preferred Stock, \$.001 par value per share; 100,000 shares authorized, none outstanding | - | - |
| Common Stock, \$.001 par value per share, 19,900,000 shares authorized, 5,368,000 shares issued and outstanding at March 31, 2003 | 5,368 | 5,368 |
| Additional paid in capital | 183,652 | 183,652 |
| Deficit accumulated during development stage | (1,122,059) | (1,073,534) |
| Deficiency in stockholder's equity | (933,039) | (884,514) |
| | 9,786 | 11,289 |

PRE-SETTLEMENT FUNDING CORPORATION
(A Development Stage Company)
CONDENSED STATEMENT OF LOSSES
(UNAUDITED)

| | For the three months ended March 31 2003 | For the three months ended March 31 2002 | For the October (Date of to March |
|--|--|--|--|
| Revenues: | \$ 1,125 | \$ 2,975 | \$ 16 |
| Costs and expenses: | | | |
| General and administrative | 49,650 | 118,843 | 1,140 |
| Total costs and expenses | 49,650 | 118,843 | 1,124 |
| Other income and (expenses): | | | |
| Interest and Other | - | 12 | 2 |
| Loss from operations | (48,525) | (115,856) | (1,122) |
| Income (taxes) benefit | - | - | - |
| Net loss | (48,525) | (115,856) | (1,122) |
| Loss per common share (basic and assuming dilution) | (0.01) | (0.02) | |

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Weighted average shares outstanding 5,368,000 5,368,000

PRE-SETTLEMENT FUNDING CORPORATION
 (A Development Stage Company)
 CONDENSED STATEMENT OF DEFICIENCY IN STOCKHOLDERS' EQUITY
 FOR THE PERIOD OCTOBER 14, 1999 (Date of Inception) TO MARCH 31, 2003
 (UNAUDITED)

| | Common Shares | Stock Amount | Additional Paid In Capital | Deficit Accumulated During Development Stage |
|---|------------------|-----------------|----------------------------------|--|
| Net loss | - | - | \$ - | \$ (1,291) |
| Balance at December 31, 1999 | - | - | - | (1,291) |
| Common stock issued on September 30, 2000 in exchange for convertible debt at \$.50 per share | 78,000 | 78 | 38,922 | - |
| Common stock issued on November 27, 2000 in exchange for convertible debt at \$.50 per share | 26,000 | 26 | 12,974 | - |
| Net loss at December 31, 2000 | - | - | - | (157,734) |
| Balance at December 31, 2000 | 104,000 | 104 | 51,896 | (159,025) |
| Common stock issued on January 1, 2001 in exchange for convertible debt at \$.50 per share | 174,000 | 174 | 86,826 | - |
| Common stock issued on January 2, 2001 to founders in exchange for services valued at \$.001 per share | 5,000,000 | 5,000 | 20 | - |
| Common stock issued on January 2, 2001 in exchange for services at \$.50 per share | 90,000 | 90 | 44,910 | - |
| Net Loss at December 31, 2001 | - | - | - | (556,921) |
| Balance at December 31, 2001 | 5,368,000 | 5,368 | 183,652 | (715,946) |
| Net Loss at December 31,2002 | - | - | - | (357,588) |
| Balance at December 31, 2002 | 5,368,000 | 5,368 | 183,652 | (1,073,534) |
| Net loss for the three months ended March 31, 2003 | - | - | - | (48,525) |
| Balance at March 31, 2003 | 5,368,000 | 5,368 | 183,652 | (1,122,059) |

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PRE-SETTLEMENT FUNDING CORPORATION
(A Development Stage Company)
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | For the three months ended March 31 2003 | For the three months ended March 31 2002 | For the October (Date of to March |
|--|--|--|--|
| Cash flows from operating activities | | | |
| Net Loss | \$ (48,525) | \$ (115,856) | \$ (1,1 |
| Common stock issued to founders | - | - | |
| Common stock issued in exchange for Services | - | - | |
| Changes in assets and liabilities | | | |
| Loans Receivable | - | 10,877 | |
| Claims Advances | - | (6,750) | |
| Advances to Plaintiffs, and Other Assets | 1,500 | 1,038 | |
| Accounts Payable and accrued expenses, net | 45,622 | 107,201 | 9 |
| Net cash used in operating activities | (1,403) | (3,490) | (1 |
| Cash Provided (Used) by Financing Activities | | | |
| Proceeds from Issuance of Capital Notes, net | - | - | 1 |
| Shareholder advances (repayments) | 1,400 | 4,462 | |
| Net cash provided in financing activities | 1,400 | 4,462 | 1 |
| Increase (decrease) in cash and cash equivalents | (3) | 972 | |
| Cash and cash equivalents, beginning of year / period | 18 | 1,003 | |
| Cash and cash equivalents, end of the year / period | 15 | 1,975 | |
| Supplemental Information: | | | |
| Cash paid during the period for interest | - | - | |
| Cash paid during the period for taxes | - | - | |
| Non cash disclosures : | | | |
| common Stock issued in exchange for Capital Notes | - | - | 1 |
| Common Stock issued to founders in exchange for services | - | - | |
| Common Stock issued in exchange for services | - | - | |

NOTE A-SUMMARY OF ACCOUNTING POLICIES

General

The accompanying unaudited condensed financial statements have been

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prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Accordingly, the results from operations for the three months period ended March 31, 2003, are not necessarily indicative of the results that may expected for the year ending December 31, 2003. The unaudited condensed financial statements should be read in conjunction with the December 31, 2002 financial statements and footnotes thereto included in the Company's SEC Form 10 QSB.

Business and Basis of Presentation

Pre-Settlement Funding Corporation ("Company") was formed on October 14, 1999 under the laws of the state of Delaware. The Company is a development stage enterprise, as defined by Statement of Financial Accounting Standards No. 7 ("SFAS No. 7") and is seeking to provide financing to plaintiffs who are involved in personal injury claims. From its inception through the date of these financial statements the Company has recognized limited revenues and has incurred significant operating expenses. Consequently, its operations are subject to all risks inherent in the establishment of a new business enterprise. For the period from inception through March 31, 2003, the Company has accumulated losses of \$ 1,122,059.

New Accounting Pronouncements

Effective January 1, 2002, the Company adopted SFAS No.142. Under the new rules, the Company will no longer amortize goodwill and other intangible assets with definitive lives, but such assets will be subject to periodic testing for impairment. On an annual basis, and when there is reason to suspect that their values have been diminished or impaired, these assets must be tested for impairment, and write downs to be included in results from operations may be necessary. SFAS No.142 also requires the Company to complete a transitional goodwill impairment test six months from the date of adoption. Any goodwill impairment loss recognized as a result of the transitional goodwill impairment test is recorded as a cumulative effect of a change in accounting principle. The adoption of SFAS 142 had no material impact on the Company's condensed financial statements.

SFAS No. 143 establishes accounting standards for the recognition and measurement of an asset retirement obligation and its associated asset retirement cost. It also provides accounting guidance for legal obligations associated with the retirement of tangible long-lived assets. SFAS No. 143 is effective in fiscal years beginning after June 15, 2002, with early adoption permitted. The Company expects that the provisions of SFAS No. 143 will not have a material impact on its consolidated results of operations and financial position upon adoption. The Company plans to adopt SFAS No. 143 effective January 1, 2003.

SFAS No. 144 establishes a single accounting model for the impairment or disposal of long-lived assets, including discontinued operations. SFAS No. 144 superseded Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS No. 121), and APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and

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Infrequently Occurring Events and Transactions". The Company adopted SFAS No. 144 effective January 1, 2002. The adoption of SFAS No. 144 had no material impact on Company's consolidated financial statements.

In April 2002, the FASB issued Statement No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This Statement rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt", and an amendment of that Statement, FASB Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements" and FASB Statement No. 44, "Accounting for Intangible Assets of Motor Carriers". This Statement amends FASB Statement No. 13, "Accounting for Leases", to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that a similar to sale-leaseback transactions. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

In June 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

In October 2002, the FASB issued Statement No. 147, "Acquisitions of Certain Financial Institutions—an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9", which removes acquisitions of financial institutions from the scope of both Statement 72 and Interpretation 9 and requires that those transactions be accounted for in accordance with Statements No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets. In addition, this Statement amends SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, to include in its scope long-term customer relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets and credit cardholder intangible assets. The requirements relating to acquisitions of financial institutions are effective for acquisitions for which the date of acquisition is on or after October 1, 2002. The provisions related to accounting for the impairment or disposal of certain long-term customer-relationship intangible assets are effective on October 1, 2002. The adoption of this Statement did not have a material impact to the Company's financial position or results of operations as the Company has not engaged in either of these activities.

In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure", which amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition guidance and annual disclosure provisions of Statement 148 are effective for fiscal years

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ending after December 15, 2002, with earlier application permitted in certain circumstances. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. The adoption of this statement did not have a material impact on the Company's financial position or results of operations as the Company has not elected to change to the fair value based method of accounting for stock-based employee compensation.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities." Interpretation 46 changes the criteria by which one company includes another entity in its consolidated financial statements. Previously, the criteria were based on control through voting interest. Interpretation 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. A company that consolidates a variable interest entity is called the primary beneficiary of that entity. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company does not expect the adoption to have a material impact to the Company's financial position or results of operations.

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

When used in this Form 10-QSB and in our future filings with the Securities and Exchange Commission, the words or phrases will likely result, management expects, or we expect, will continue, is anticipated, estimated or similar expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on any such forward-looking statements, each of which speak only as of the date made. These statements are subject to risks and uncertainties, some of which are described below. Actual results may differ materially from historical earnings and those presently anticipated or projected. We have no obligation to publicly release the result of any revisions that may be made to any forward-looking statements to reflect anticipated events or circumstances occurring after the date of such statements.

The following discussion contains forward-looking statements that are subject to significant risks and uncertainties about us, our current and planned products, our current and proposed marketing and sales, and our projected results of operations. There are several important factors that could cause actual results to differ materially from historical results and percentages and results anticipated by the forward-looking statements. We have sought to identify the most significant risks to its business, but cannot predict whether or to what extent any of such risks may be realized nor can there be any assurance that we have identified all possible risks that might arise. Investors should carefully consider all of such risks before making an investment decision with respect to our stock. The following discussion and analysis should be read in conjunction with the financial statements of our Company and notes thereto. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that

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any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment from our Management.

Plan of Operation

Pre-settlement Funding Corp is still in the development stage and has earned only a small amount of revenue, approximately \$16,000, from operations. We have funded approximately 40 cases to date and we anticipate that after receiving an equity infusion, we can substantially increase the number of cases we fund. At this point in time we are not aggressively seeking outside financing due to the downturn in the financial markets. During the next twelve months, to the extent it is feasible and profitable, we intend to develop our business of advancing cash to plaintiffs involved in personal injury claims, as well as to plaintiffs involved in other types of claims such as divorce cases. We also intend to search for other investment opportunities and business activities for Pre Settlement Funding Corp, which may or may not be related to the existing line of business. The further development of the litigation business or other businesses may include, but may not be limited to, developing marketing materials, renting additional office space, and interviewing and hiring administrative, marketing and claims personnel.

We may experience fluctuations in operating results in future periods due to a variety of factors including, but not limited to, market acceptance of our services, incomplete or inadequate underwriting of our cases, Our ability to obtain additional financing in a timely manner and on terms favorable to us, our ability to successfully integrate prospective asset acquisitions to its existing business operation, delays or errors in our ability to upgrade and develop our systems and infrastructure in a timely and effective manner, technical difficulties, system downtime or utility brownouts, our ability to attract customers at a steady rate and maintain customer satisfaction, seasonality of advertising sales, the amount and timing of operating costs and capital expenditures relating to the expansion of our business, operations and infrastructure and the implementation of marketing programs, key agreements and strategic alliances, the number of products offered by Pre-settlement Funding, and general economic conditions specific to the personal injury lawsuit industry.

For the period from our inception through March 31, 2003, we have:

- Formed our company and established our initial structure
- Researched the market for litigation funding services and the activities of our competitors
- Researched potential legal barriers to implementing our business plan
- Ran print ads in a local advertisement circular
- Developed our website which was completed in 2001
- Entered into consulting agreements with various service providers
- Reviewed and analyzed the cases of several potential clients
- Issued cash advances to 40 clients
- Settled and received proceeds with respect to 29 cases

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Our website has generated minimum potential business activity to date. Our activities will continue to be limited unless and until we receive further financing, either through equity or debt financing. Without these proceeds, we will not have the capital resources or liquidity to:

- Implement the business plan;
- Commence operations through the advancement of cash to qualified customers; or
- Hire any additional employees.

Operating Data

The table below provides a summary of the key operating metrics we use to assess our operational performance

| | Quarter Ending March 31 | | | Year End |
|-------------------------------------|-------------------------|--------|--------|-----------------|
| | 2003 | 2002 | % | Dec. 31 2002 |
| | | | Change | |
| Operating data | | | | |
| Cases outstanding | 12 | 15 | (20)% | 14 |
| Cases settled in period | 3 | 8 | (63)% | 17 |
| Advances in period | 0 | 13 | - | 21 |
| Value of advances | 0 | 10,500 | - | 14,500 |
| Value of settlements | 2,625 | 6,725 | (61)% | 20,976 |
| Value of advances for cases settled | 1,500 | 3,750 | (60)% | 11,750 |
| Margin on cases settled (a) | 1,125 | 2,975 | (62)% | 9,226 |
| % Margin on cases settled | 42.8% | 44.2% | (3)% | 44% |
| Average revenue per customer (b) | 375 | 372 | 0% | 543 |
| Employees | 2 | 2 | 0% | 2 |

We define certain business metrics used above as follows:

(a) Margin on cases settled is equivalent to the revenue reported on the income statement

(b) Average revenue per customer is defined as net revenue per income statement divided by the number of cases settled in period

Comparison of Financial Results

Three Months Ended March 31, 2003 versus Three Months Ended March 31, 2002

Revenues

Revenue represents the net proceeds to Pre-settlement Funding from the settlement of cases. We have generated modest revenues from operations from inception of our business. During the quarter ended March 31, 2003, we have generated in \$1,125 revenues from monetary settlements, as compared to \$2,975 revenues for the quarter ended March 31, 2002. We began advancing funds to personal injury plaintiffs in February 2001. We began recognizing revenues from the realization and receipt of monetary settlements related to the settlement of these specific

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litigation claims during the last six months of 2001. In the quarter ended March 31, 2003 no advances were made, but 3 cases were settled with a value of \$2,625. In the quarter ended March 31, 2002 we made advances totaling \$10,500 with regard to 13 new cases and settled 8 cases with a value of \$6,725. The margin achieved on net settlements has remained relatively constant.

Our ability to increase the rate of advances in future periods, and hence the growth in our revenue may be limited by the availability of funding. If we are funded with a private equity infusion, we believe Pre-settlement Funding will begin earning additional revenues from operations and will be able to transition from a development stage company to that of an active growth stage company. However, there has been a downturn in the market and we do not anticipate success in finding equity investors at the current point in time.

Costs and Expenses

From our inception through March 31, 2003, we have incurred expenses of \$1,140,955 during this period. These expenses were associated principally with stock issuances to our founders, legal, consulting and accounting fees and costs in connection with the development of our business plan, market research, and the preparation of our registration statement. Expenses in the quarter ended March 31, 2003 were \$49,650 compared to \$118,843, in March 31, 2002. Based on our review of costs, 29% of the costs incurred in the quarter ended March 31, 2002 were related to our registration statement, funding and development of business plan expenses.

Liquidity and Capital Resources

As of March 31, 2003, we had a working capital deficit of \$ 933,039 .. As a result of our operating losses from our inception through March 31, 2002, we generated a cash flow deficit of \$169,274 from operating activities. We met our cash requirements during the quarter ended March 31, 2003 through \$1,400 in advances from our principal shareholder. Our accounts payable, which is composed predominantly of liabilities to our accountants and lawyers in connection with our registration statement, stands at \$ 151,988 at March 31, 2003. Accrued payroll, representing liabilities to our two employees, stands at \$ 674,998 at March 31, 2003.

While we have raised the capital necessary to meet our working capital and financing needs in the past, additional financing is required in order to meet our current and projected cash flow deficits from operations and development. We are seeking financing in the form of equity in order to provide the necessary working capital. Current market conditions, however, make it more difficult to raise equity through a public offering. The current focus of our efforts is to seek an equity infusion from a private investor that will meet our requirements. We currently do not have any commitments for financing. There are no assurances we will be successful in raising the funds required. We are also reviewing alternative lines of business and investment.

We believe that it may be necessary to raise up to one million dollars to implement our business plan over the course of the next twelve months, though we plan to use our existing capital resources and these resources may be sufficient to fund our current level of operating activities, capital expenditures, debt and other obligations through the next 12 months.

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If during that period or thereafter, we are not successful in generating sufficient liquidity from operations or in raising sufficient capital resources, on terms acceptable to us, this could have a material adverse effect on our business, results of operations liquidity and financial condition.

We believe that if the minimum proceeds are raised from a private equity or debt source, sufficient capital will exist to fund our operations, capital expenditures, debt, and other obligations for the next twelve months. Operations will be adjusted to this level of capitalization. Although we are dependent upon our success in securing a private investor to carry out our business plan, if we are unsuccessful, we will seek to obtain financing through other sources.

Our independent certified public accountants have stated in their report included in our December 31, 2002 Form 10-KSB, that we have incurred operating losses since its inception, and that we are dependent upon management's ability to develop profitable operations. These factors among others may raise substantial doubt about our ability to continue as a going concern.

Product Research and Development

We do anticipate reviewing other lines of investment and business that could add to or ultimately replace the existing line of business.

Acquisition or Disposition of Plant and Equipment

We do not anticipate the sale of any significant property, plant or equipment during the next twelve months. We do not anticipate the acquisition of any significant property, plant or equipment during the next 12 months, other than computer equipment and peripherals used in our day-to-day operations. We believe we have sufficient resources available to meet these acquisition needs.

Number of Employees

As of March 31, 2003, we have two employees. In order for us to attract and retain quality personnel, we anticipate we will have to offer competitive salaries to future employees. We anticipate increasing our employment base to four (4) to six (6) full and/or part-time employees during the next 12 months. This projected increase in personnel is dependent upon the generating revenues and obtaining sources of financing. As we continue to expand, we will incur additional costs for personnel. There are no assurances we will be successful in raising the funds required or generating revenues sufficient to fund the projected increase in the number of employees.

Trends, Risks and Uncertainties

We have sought to identify what we believe to be the most significant risks to its business as discussed in "Risk Factors" above, but cannot predict whether or to what extent any of such risks may be realized nor can there be any assurances that we have identified all possible risks that might arise. Investors should carefully consider all of such risk factors before making an investment decision with respect to our stock.

Limited operating history; anticipated losses; uncertainly of future results

We have only a limited operating history upon which an evaluation of our business and its prospects can be based. Our prospects must be

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evaluated with a view to the risks encountered by a company in an early stage of development, particularly in light of the uncertainties relating to the litigation funding which we intend to market and the acceptance of our business model. We will be incurring costs to develop, introduce and enhance our litigation funding services and products, to develop and market an interactive website, to establish marketing relationships, to acquire and develop products that will complement each other, and to build an administrative organization. To the extent that such expenses are not subsequently followed by commensurate revenues, our business, results of operations and financial condition will be materially adversely affected. There can be no assurance that we will be able to generate sufficient revenues from the sale of our services and other product candidates. We expect negative cash flow from operations to continue for the next 12 months as we continue to develop and market our products. If cash generated by operations is insufficient to satisfy our liquidity requirements, we may be required to sell additional equity or debt securities. The sale of additional equity or convertible debt securities would result in additional dilution to our shareholders.

Potential fluctuations in quarterly operating results

Our quarterly operating results may fluctuate significantly in the future as a result of a variety of factors, most of which are outside our control, including: the level of public acceptance of our litigation support services and products, the demand for our litigation support services and products; seasonal trends in demand; the amount and timing of capital expenditures and other costs relating to the expansion of our operations; the introduction of new services and products by Pre-settlement Funding or its competitors; price competition or pricing changes in the industry; technical difficulties; general economic conditions, and economic conditions specific to the litigation funding market. Our quarterly results may also be significantly affected by the impact of the accounting treatment of acquisitions, financing transactions or other matters. Particularly at our early stage of development, such accounting treatment can have a material impact on the results for any quarter. Due to the foregoing factors, among others, it is likely that our operating results will fall below our expectations or investors' expectations in some future quarter.

Management of Growth

We expect to experience significant growth in the number of employees relative to its current levels of employment and the scope of its operations. In particular, we intend to hire claims adjustors, sales, marketing, and administrative personnel. Additionally, acquisitions could result in an increase in employee headcount and business activity. Such activities could result in increased responsibilities for management. We believe that our ability to increase our customer support capability and to attract, train, and retain qualified technical, sales, marketing, and management personnel, will be a critical factor to our future success. In particular, the availability of qualified sales, insurance claims, and management personnel is quite limited, and competition among companies to attract and retain such personnel is intense. During strong business cycles, we expects to experience difficulty in filling its needs for qualified sales, claims adjustors, and other personnel.

Our future success will be highly dependent upon our ability to successfully manage the expansion of our operations. Our ability to manage and support our growth effectively will be substantially

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dependent on our ability to implement adequate financial and management controls, reporting systems, and other procedures and hire sufficient numbers of financial, accounting, administrative, and management personnel. We are in the process of establishing and upgrading its financial accounting and procedures. There can be no assurance that we will be able to identify, attract, and retain experienced accounting and financial personnel. Our future operating results will depend on the ability of our management and other key employees to implement and improve our systems for operations, financial control, and information management, and to recruit, train, and manage its employee base. There can be no assurance that we will be able to achieve or manage any such growth successfully or to implement and maintain adequate financial and management controls and procedures, and any inability to do so would have a material adverse effect on our business, results of operations, and financial condition.

Our future success depends upon our ability to address potential market opportunities while managing our expenses to match our ability to finance our operations. This need to manage our expenses will place a significant strain on our management and operational resources. If we are unable to manage our expenses effectively, our business, results of operations, and financial condition will be materially adversely affected.

Risks associated with acquisitions

Although we do not presently intend to do so, as part of our business strategy in the future, we could acquire assets and businesses relating to or complementary to our operations. Any acquisitions by Pre-settlement Funding would involve risks commonly encountered in acquisitions of companies. These risks would include, among other things, the following: we could be exposed to unknown liabilities of the acquired companies; we could incur acquisition costs and expenses higher than it anticipated; fluctuations in our quarterly and annual operating results could occur due to the costs and expenses of acquiring and integrating new businesses or technologies; we could experience difficulties and expenses in assimilating the operations and personnel of the acquired businesses; our ongoing business could be disrupted and its management's time and attention diverted; we could be unable to integrate successfully.

The foregoing Management's Discussion and Analysis of Financial Condition and Results of Operations "forward looking statements" within the meaning of Rule 175 under the Securities Act of 1933, as amended, and Rule 3b-6 under the Securities Act of 1934, as amended, including statements regarding, among other items, the Company's business strategies, continued growth in the Company's markets, projections, and anticipated trends in the Company's business and the industry in which it operates. The words "believe," "expect," "anticipate," "intends," "forecast," "project," and similar expressions identify forward-looking statements. These forward-looking statements are based largely on the Company's expectations and are subject to a number of risks and uncertainties, including but not limited to, those risks associated with economic conditions generally and the economy in those areas where the Company has or expects to have assets and operations; competitive and other factors affecting the Company's operations, markets, products and services; those risks associated with the Company's ability to successfully negotiate with certain customers, risks relating to estimated contract costs, estimated losses on uncompleted contracts and estimates regarding the percentage of completion of contracts, associated costs arising out of the Company's activities and the matters discussed in this report;

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risks relating to changes in interest rates and in the availability, cost and terms of financing; risks related to the performance of financial markets; risks related to changes in domestic laws, regulations and taxes; risks related to changes in business strategy or development plans; risks associated with future profitability; and other factors discussed elsewhere in this report and in documents filed by the Company with the Securities and Exchange Commission. Many of these factors are beyond the Company's control. Actual results could differ materially from these forward-looking statements. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this Form 10-QSB will, in fact, occur. The Company does not undertake any obligation to revise these forward-looking statements to reflect future events or circumstances and other factors discussed elsewhere in this report and the documents filed or to be filed by the Company with the Securities and Exchange Commission.

ITEM 3. CONTROLS AND PROCEDURES

The Company's management including the President and Treasurer, have evaluated, within 90 days prior to the filing of this quarterly report, the effectiveness of the design, maintenance and operation of the Company's disclosure controls and procedures. Management determined that the Company's disclosure controls and procedures were effective in ensuring that the information required to be disclosed by the Company in the reports that it files under the Exchange Act is accurate and is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and regulations.

Disclosure controls and procedures, no matter how well designed and implemented, can provide only reasonable assurance of achieving an entity's disclosure objectives. The likelihood of achieving such objectives is affected by limitations inherent in disclosure controls and procedures. These include the fact that human judgment in decision making can be fully faulty and that breakdowns in internal control can occur because of human failures such as errors or mistakes or intentional circumvention of the established process.

There have been no significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation thereof, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II.

ITEM 1. LEGAL PROCEEDINGS.

Other than as set forth below, the Company is not a party to any material pending legal proceedings and, to the best of its knowledge, no such action by or against the Company has been threatened.

The Company is subject to other legal proceedings and claims that arise in the ordinary course of its business. Although occasional adverse decisions or settlements may occur, the Company believes that the final disposition of such matters will not have material adverse effect on its financial position, results of operations or liquidity.

ITEM 2. CHANGES IN SECURITIES.

Sales of Unregistered Securities.

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The Registrant had no sales of unregistered securities during the three-month period ending March 31, 2003.

Use of Proceeds.

Not Applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not Applicable.

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

There were not any matters submitted requiring a vote of security holders during the three-month period ending March 31, 2002.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Reports on Form 8-K. No reports on Form 8-K were filed during the three-month period covered in this Form 10-QSB.

(b) Exhibits. There have not been any documents that are to be attached as Exhibits entered into during the three-month period covered in this Form 10-QSB other than those as provided below and therefore, all Exhibits have been previously filed by the Company.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Pre-Settlement Funding Corp.

Dated: By: /s/ Darryl Reed
Darryl Reed, President

Exhibit

- 99.1 Certification pursuant of President to 18 U.S.C. Section 1350, as adopted to Section 906 of the Sarbanes Oxley Act of 2002.
- 99.2 Certification pursuant of Treasurer to 18 U.S.C. Section 1350, as adopted to Section 906 of the Sarbanes Oxley Act of 2002.

CERTIFICATIONS

I, Darryl Reed, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Pre-Settlement Funding Corporation;

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;

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3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act 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 officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the 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 officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions, with regard to significant deficiencies and material weaknesses.

Date: May 19, 2003

/s/ Darryl Reed
Darryl Reed, President

CERTIFICATIONS

I, Joel Sens, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Pre-Settlement Funding Corporation;

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

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necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act 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 officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the 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 officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions, with regard to significant deficiencies and material weaknesses.

Date: May 19, 2003

/s/ Joel Sens
Joel Sens, Treasurer

Exhibit 99.1

In connection with the Quarterly Report of Pre-Settlement Funding Corporation (the "Company") on Form 10-QSB for the period ending March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Darryl Reed, President, certify,

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pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act, that:

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

(2) The Information contained in the Report fairly represents, in all material aspects, the financial condition and result of operations on the Company.

By: /s/ Darryl Reed
Darryl Reed, President

Exhibit 99.2

In connection with the Quarterly Report of Pre-Settlement Funding Corporation (the "Company") on Form 10-QSB for the period ending March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joel Sens, Treasurer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act, that:

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

(2) The Information contained in the Report fairly represents, in all material aspects, the financial condition and result of operations on the Company.

By: /s/ Joel Sens
Joel Sens, Treasurer