EMB CORP
Form 10QSB
August 19, 2002

U.S. Securities and Exchange Commission
Washington, D.C. 20549

Form 10-QSB

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

For the quarterly period ended June 30, 2002

[_] 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: 1-11883

EMB CORPORATION
(Name of small business issuer as specified in its charter)

Hawaii	95-3811580
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5075 Warner Avenue, Suite B, Huntington Beach, California 92649
(Address of principal executive offices)

(714) 377-2118
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 _____

Applicable only to issuers involved in bankruptcy proceedings during the preceding five years:

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by court. Yes ____ No _____

Applicable only to Corporate Issuers:

State the number of shares outstanding of each of the issuer's classes of common equity, as of the last practicable date: 23,372,569 as of August 15, 2002.

Transitional Small Business Disclosure Format (Check One): Yes ____ No X

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

EMB CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
JUNE 30, 2002
(UNAUDITED)

ASSETS

Current assets:	
Cash and cash equivalents	$ 320,735
Accounts receivable	386,933
Loans held for sale	32,602,810
Note receivable	435,988
Other current assets	155,981
Total current assets	33,902,447
Property and equipment, net	85,004
Other assets:	
Restricted cash	--
Note receivable	66,584
Deposits and other assets	100,000
Total other assets	166,584
	$ 34,154,035

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:	
Accounts payable	$ 485,739
Accrued expenses	2,916,161
Net liabilities of discontinued operations	1,510,567
Current portion of long term debt	38,411
Notes payable - global settlement	348,109
Notes payable related parties	923,889
Convertible notes payable	500,000
Warehouse credit line	32,602,810
Total current liabilities	39,325,686
Long term liabilities:	
Note payable - long term	168,827
Stockholders' deficit:	
Common stock, no par value; 30,000,000 shares authorized, 23,372,569 shares issued and outstanding	2,753,079
Preferred convertible shares Series E , no par value; 3,000,000 shares authorized; 2,500,000 shares issued and outstanding	235,000
Preferred convertible shares Series D , no par value; 1,000,000 shares authorized; 140,000 shares issued and outstanding	140,000
Treasury stock, preferred convertible shares	(235,000)
Accumulated deficit	(8,233,557)

Total stockholders' deficit	(5,340,478)
	$ 34,154,035

The accompanying notes are integral part of these consolidated financial statements.

EMB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED JUNE 30, 2002 AND 2001
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		NINE MONTHS JUNE 30	
	2002	2001	2002	
Net revenue	$ 2,726,454	$ 2,822,072	$ 7,696,578	$
Operating expenses	2,900,803	2,605,738	8,674,141	
Income (loss) from Operations	(174,349)	216,334	(977,563)	
Other income (expenses)				
Non-operating interest	(41,915)	(2,900)	(119,318)	
Net income (loss) before income tax	(216,264)	213,434	(1,096,881)	
Provision for income taxes	--	--	2,400	
Net income (loss)	$ (216,264)	$ 213,434	$ (1,099,281)	$
Basic and diluted weighted average number of common stock outstanding	22,226,140	5,000,000	20,771,195	
Basic and diluted net income (loss) per share	$ (0.01)	$ 0.04	$ (0.05)	$

The accompanying notes are integral part of these consolidated financial statements.

EMB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTH PERIODS ENDED JUNE 30, 2002 AND 2001
(UNAUDITED)

	2002	2001

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (1,099,281)	$ 363
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	45,116	45
Issuance of common stock for services	911,178	
(Increase) decrease in accounts receivable	95,296	(205
(Increase) decrease in loans held for sale	7,913,576	(22,519
Decrease in restricted assets	132,387	
(Increase) decrease in other assets	(14,587)	110
Increase (decrease) in accounts payable & accrued expenses	(51,517)	25
Increase (decrease) in warehouse credit line	(7,913,576)	22,519
Net cash flows provided by operating activities	18,592	338
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase of notes receivable	(399,168)	(112
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of shares for cash	140,000	
Decrease of notes payable	(17,625)	(49
Net cash flows provided by (used in) financing activities	122,375	(49
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(258,201)	176
CASH & CASH EQUIVALENTS, BEGINNING BALANCE	578,936	68
CASH & CASH EQUIVALENTS, ENDING BALANCE	$ 320,735	$ 245
Interest Paid	$ 1,937,140	$ 2,057
Income Taxes Paid	$ --	$
Non-Cash Items:		
Issuance of common stock for services	$ 911,178	$

The accompanying notes are integral part of these consolidated financial statements.

EMB CORPORATION AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Organization and Nature of Operation

EMB Corporation (formerly called Pacific International, Inc.) (EMB) was incorporated under the laws of the State of Hawaii on May 5, 1960. Effective December 16, 1995, EMB acquired the net assets of Sterling Alliance Group, Ltd. ("SAG") which included 100% ownership in Electronic Mortgage Banc, Ltd. ("EMB Mortgage") and certain land held for sale in Monterey County, California. EMB was inactive at the time of the acquisition. For financial statement purposes, the transaction was recorded as a recapitalization of SAG.

In the fiscal year 1998, EMB expanded its mortgage banking operations through its acquisitions of Investment Consultants, Inc. ("ICI") and Preferred Holding

Group, Inc. ("PHG"). In the fiscal year 1999, EMB ceased its mortgage banking operations of EMB Mortgage and divested itself of the assets of ICI and PHG due to an economic downturn in the mortgage banking industry. In May 1999, EMB began slowly to recommence its mortgage banking operations through acquisitions of American Residential Funding ("AMRES") and Residential Mortgage Corporation ("RMC").

On January 12, 2000, EMB's Board of Directors adopted a plan to discontinue the operations of its mortgage banking activities. On February 22, 2000, EMB sold its interest in RMC to another mortgage banking entity, through the cancellation of 40,000 shares of EMB's common stock. A loss of $569,000 resulted from the exchange. On April 12, 2000, EMB consummated an Amended and Restated Purchase Agreement with e-Net Financial.com Corporation ("e-Net") to sell all of the outstanding stock currently held by EMB of AMRES for $11.5 million in cash and stock. EMB recorded a gain of $9.04 million in connection with the sale.

On February 14, 2000, the EMB acquired Titus Real Estate Corp. ("Titus Real Estate") for $110,500 as an entry into oil and gas operations. In September 2000, the parties rescinded the transaction.

On June 24, 2000, EMB entered into an asset purchase agreement with Cyrus Ltd. ("Cyrus") to acquire rights to operate two natural gas processing plants in Texas, through a newly formed subsidiary, Global Energy Reserves, Inc. In connection with this agreement, EMB issued 2,500,000 shares of common stock. Due to unforeseen circumstances, the parties were unable to close the transaction, and the 2,500,000 shares were returned to EMB.

Pursuant to a Purchase Agreement dated July 23, 2001, EMB acquired all of the issued and outstanding shares of Saddleback Investment Services, Inc., a California corporation ("SB") from William R. Parker ("Mr. Parker"), its sole shareholder. SB was incorporated on November 9, 1992 under the laws of the State of California. SB assists third parties in obtaining long term trust deed (mortgage) financing. SB is subject to the laws and regulations issued by HUD and other regulatory agencies. SB, presently doing business as American National Mortgage ("American National") is a mortgage broker and banking entity with its principal office located in Santa Ana, California. American National was formed in November 1992. SB was inoperative for the nine-month period ended June 30, 2002.

Pursuant to a Purchase Agreement dated September 30, 2001, EMB acquired all of the issued and outstanding shares of First Guaranty Financial Corporation, a California corporation ("FG") from FGFC Holdings, Inc., a California corporation ("FGFC Holdings"), its sole shareholder. FG was organized June 13, 1988. First Guaranty is a mortgage banking entity with its principal office located in Santa Ana, California. First Guaranty was formed in June 1988 and operated solely as a wholesale mortgage banker until June 1998. At that time, the management of First Guaranty determined that it should expand its operations to include retail operations, as well. First Guaranty's current operations include loans generated

as retail mortgage business with the loans being originated by in-house loan officers, and also loans generated through wholesale lending operations with the loans being originated by independent mortgage brokers and submitted to First Guaranty for funding. FG is subject to the laws and regulations issued by HUD and other regulatory agencies. For accounting purposes, the transaction has been treated as a recapitalization of FG with the FG as the accounting acquirer (reverse acquisition), and has been accounted for in a manner similar to a pooling of interests.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of EMB and its 100% wholly owned subsidiaries, FG and SB (collectively the "Company"). All significant inter-company accounts and transactions have been eliminated in consolidation. The acquisition of FG (on September 30, 2001) has been accounted for as a purchase and treated as a reverse acquisition since the former owners of FG became the largest and controlling shareholder of EMB immediately following the acquisition. The balance sheet and the statements of operation and cashflows for the period ended June 30, 2002 include financial statements of EMB, FG and SB while the statements of operation and cashflows for the period ended June 30, 2001 include only FG's statements.

Basis of presentation

The accompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission for the presentation of interim financial information, but do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. These statements should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended September 30, 2001. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the nine-month period ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ended September 30, 2002.

Segment Reporting

During the periods ended June 30, 2002 and 2001, the Company only operated in one segment, therefore segment disclosure has not been presented.

2. RECENT PRONOUNCEMENTS

On July 20, 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." These statements make significant changes to the accounting for business combinations, goodwill, and intangible assets.

SFAS No. 141 establishes new standards for accounting and reporting requirements for business combinations and will require that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method will be prohibited. This statement became effective for business combinations completed after June 30, 2001.

SFAS No. 142 establishes new standards for goodwill acquired in a business combination and eliminates amortization of goodwill and instead sets forth methods to periodically evaluate goodwill for impairment. Intangible assets with a determinable useful life will continue to be amortized over that period. This statement became effective January 1, 2002.

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EMB CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations". SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. The impact of the adoption of SFAS 143 on the Company's reported operating results, financial position and existing financial statement disclosure is not expected to be material.

In August 2001, Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), was issued. This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets and broadens the definition of what constitutes a discontinued operation and how the results of a discontinued operation are to be measured and presented. The provisions of SFAS 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001. The impact of the adoption of SFAS 144 on the Company's reported operating results, financial position and existing financial statement disclosure is not expected to be material.

The adoption of above pronouncements did not materially impact the Company's financial position or results of operations.

In May 2002, the Board issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections ("SFAS 145"). SFAS 145 rescinds the automatic treatment of gains or losses from extinguishment of debt as extraordinary unless they meet the criteria for extraordinary items as outlined in 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. SFAS 145 also requires sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions and makes various technical corrections to existing pronouncements. The provisions of SFAS 145 related to the rescission of FASB Statement 4 are effective for fiscal years beginning after May 15, 2002, with early adoption encouraged. All other provisions of SFAS 145 are effective for transactions occurring after May 15, 2002, with early adoption encouraged. The Company does not anticipate that adoption of SFAS 145 will have a material effect on earnings or financial position.

In June 2002, the FASB issued SFAS 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)." This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under Issue 94-3 a liability for an exit cost as defined, was recognized at the date of an entity's commitment to an exit plan. This statement will not have a material impact on the Company's financial statements.

3. GOING CONCERN UNCERTAINTY

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles which contemplate continuation of the company as a going concern. However, the Company has an accumulated deficit of $8,233,557. The Company's total liabilities exceed its total assets by $5,340,478. The Company faces continuing significant business risks, including, but not limited to, its ability to maintain vendor relationships by making timely payments when due.

EMB CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon continued operations of the company, which in turn is dependent upon the Company's ability to raise additional capital, obtain financing and succeed in its future operations, The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management has taken the following steps to revise its operating and financial requirements, which it believes are sufficient to provide the Company with the ability to continue as a going concern. The Company is actively pursuing additional funding and potential merger or acquisition candidates and strategic partners which would enhance stockholders' investment. In that regard, the Company had a reverse acquisition with FG on September 30, 2001. During the nine month period ended June 30, 2002, the Company raised $140,000 by issuing Preferred shares. Management believes that the above actions will allow the Company to continue operations through the next twelve months.

4. NET LIABILITIES OF DISCONTINUED OPERATIONS

Through September 30, 2001, EMB disposed several of its subsidiaries by selling its interest in those subsidiaries (note 1). The net liabilities of discontinued operations per the financial statements are summarized as follows as of June 30, 2002:

Current liabilities, excluding payroll liabilities	$ (122,990)
Payroll liabilities	(341,122)
Notes payable	(1,046,455)
Net liabilities of discontinued operations	$(1,510,567)

On July 26, 2001, the Company and William V. Perry closed the transaction whereby the Company sold to Mr. Perry all of the capital stock of EMB Mortgage Corporation for a nominal consideration of $10. Prior to this transaction, EMB Mortgage Corporation had been a wholly-owned subsidiary of the Company, with Mr. Perry serving as its President. Prior to June 21, 2000, Mr. Perry had also been a Director of the Company.

On July 26, 2001, the Company and David Berman closed the transaction whereby the Company sold to Mr. Berman all of the capital stock of Ameritelecon, Inc. for a nominal consideration of $10. Prior to this transaction, Ameritelecon, Inc. had been a wholly owned subsidiary of the Company, with Mr. Berman serving as its President.

5. NOTES PAYABLE - REALTED PARTIES

Notes payable consist of amounts payable to shareholders. $323,889 is due to the president of the Company. The note is due on April 1, 2002 and bears an interest rate of 7% and 12% if unpaid after due date. The Company has a note payable of $500,000 to former shareholder of FG. The note bears the interest rate of 10% per annum and is due by September 30, 2003. The Company has a note payable of $100,000 to former shareholder of SB. The note bears the interest rate of 6% per annum and is due by March 1, 2003. The notes payable to former shareholders of FG and SB are secured by share capital of respective entities.

EMB CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

6. CONVERTIBLE NOTES PAYABLE

On or about April 10, 2001, the Company issued a 10% convertible note amounting $500,000. The conversion price for the note is the volume-weighted trading average Closing Bid Price during the ten (10) consecutive Trading Days immediately preceding the Conversion Date. Interest is payable at maturity, or upon conversion of the note, at 10% per annum.

7. LOSS PER SHARE

Loss per share for the three month and nine month periods ended June 30, 2002 and 2001 were determined by dividing net loss for the periods by the weighted average number of both basic and diluted shares of common stock and common stock equivalents outstanding. Stocks to be issued are regarded as common stock equivalents and are considered in diluted earnings per share calculations. At June 30, 2002, the Company had 2,640,000 convertible preferred stock outstanding which were considered as common stock equivalents for the "loss per share" calculation. Preferred stocks were not included in the computation of diluted EPS because the effect of their exercise would be anti-dilutive.

8. LITIGATION

On or about November 17, 1998, the Company entered into a Stipulated Judgment in the matter of Yamaichi International (America) Inc., vs. EMB Corporation, USDC, Southern District of New York, Case No. 98-7152 (DLC). The lawsuit arose out of the obligation of the Company to pay rent for its branch corporate office in New York City. The total amount of the judgment was $186,000. As of June 30, 2002, the Company has paid approximately $7,100 toward the judgment. The outstanding balance of the judgment has been accrued and reflected in the consolidated financial statements.

The Company and Joseph K. Brick are currently engaged in litigation, Joseph K. Brick vs. EMB Corporation, Circuit Court, Seventh Judicial District, Volusia County, Florida, Case no. 99-30669 CICI, which was filed on or about March 23, 1999. The Company filed an appeal of a lower court ruling entering a default judgment against the Company and in favor of Mr. Brick. In February 2001, this appeal was denied. Subsequent thereto, a judgment was entered by the Court in Volusia County, Florida, in favor of Mr. Brick in the amount of $1,303,440.22. As of June 27, 2001, Mr. Brick obtained entry of a sister-state judgment against the Company in the State of California.

The Company has also initiated a lawsuit against Mr. Brick, his wife, Florence M. Brick, and their company, FMB Mortgage Corporation, in a matter entitled EMB Corporation and EMB Mortgage Corporation vs. Joseph K. Brick, Florence M. Brick, FMB Mortgage Corporation and Does 1 through 10, Superior Court of the State of California, County of Orange, Case No.00CC08083, filed August 7, 2000. In this litigation, the Company and its former subsidiary, EMB Mortgage Corporation, alleged that Mr. Brick breached the Separation, Asset Purchase Agreement and Release entered into by and between the Company and Mr. Brick by failing to indemnify the Company against losses incurred by the Company resulting from operations of the Company's Daytona Beach, Florida office (the "Daytona Office") which was managed by Mr. and Mrs. Brick. The Company further alleged negligence Mr. and Mrs. Brick in their management of the Company's Daytona Office and fraud and conversion against Mr. and Mrs. Brick, together with FMB Mortgage, Inc. (the company which they formed to carry on the business of the Daytona Office), concerning tax reporting by FMB Mortgage, Inc. In summer of 2001, this litigation was dismissed without prejudice by the Company; however, the Company intends to refile and pursue these claims. The Company and EMB Mortgage Corporation have agreed, between themselves, that the Company will bear all expenses of litigation, including attorney's fees and associated costs, and will be entitled to the entire judgment, if any, obtained against the defendants herein. The Company has accrued $1,300,000 in the consolidated financial statements to cover any potential loss in the future. In connection with the satisfaction of his prior judgment, Mr. Brick has also initiated new litigation against the Company and others entitled Joseph K. Brick vs. EMB Corporation, EMB Mortgage Corporation, Valley Pacific Environmental & Energy, William V. Perry and Does 1 through 30, Superior Court of the County of Orange, Case No. 01CC10914. On June 10, 2002, the Company has filed a General Denial as to the Complaint in these proceedings. Management believes that this litigation lacks merit, as against the Company.

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EMB CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Company and James C. Saunders, the former manager of the Company's Denver, Colorado office (the "Denver Office") were engaged in litigation in the matter entitled James C. Saunders vs. EMB Corporation, EMB Mortgage Corporation, and Does 1 through 30, Superior Court of California, County of Orange, Case No. 00CC06034, filed May 18, 2000. In this litigation, Mr. Saunders alleged the Company owed him certain moneys arising from the reacquisition of the Denver Office by Mr. Saunders from the Company. A settlement was reached by the parties to this litigation whereby the Company issued its convertible promissory note to Mr. Saunders in the amount of $500,000 in exchange for a dismissal of this action, which was entered on May 24, 2001.

Both the convertible note for $500,000 plus accrued interest through June 30, 2002 have been recorded by the Company to cover this debt.

The Company and Deposit Guaranty Mortgage Company ("DGMC") were engaged in litigation in a matter entitled CarrAmerica Realty, L.P., vs. Deposit Guaranty Mortgage Company, District Court of Dallas County, Texas, 68th Judicial District, Case No. DV99-01262-C, filed October 19, 1999, in which the Company is named as a Third Party for indemnification of DGMC for rent allegedly owed for the Company's former office in Dallas, Texas. The Company and DGMC stipulated to judgment against the Company and in favor of DGMC in the amount of $30,000. No part of this judgment has been paid. The Company has accrued $30,000 in the financial statements to cover the judgment.

On January 3, 2001, the Company was sued in the lawsuit styled, FirstBank of Aurora vs. Investment Consulting Inc., Jane and/or John Does 1-100 and EMB Corporation, Denver Colorado District Court Number 01CV0018. Plaintiff seeks damages in the amount of $29,878.13 in respect of its allegation that the Company's bank account was overdrawn by such amount. In addition, Plaintiff seeks interest on such amount, and its costs and attorneys' fees. The Company was served on January 21, 2001. The Company believes the allegations raised in the Complaint to be without merit. However, as of this date, no responsive pleading has been filed. The Company has accrued $30,000 in the financial statements to cover the litigation.

The Company and Great West Life & Annuity Insurance Company ("Great West") were engaged in litigation in the matter styled, Great West Life & Annuity Insurance Company v. EMB Corporation, Superior Court of the State of California, County of Orange, Case No. 00CC2472. In this litigation, Great West alleged that the Company owed moneys for premiums for medical insurance coverage provided by Great West to the Company and its former employees through the period ended

December 31, 1998. The Company and Great West stipulated to judgment against the Company and in favor of Great West in the amount of $42,648.48. No part of this judgment has been paid. The Company has accrued $43,000 to cover the judgment.

EMB CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Company and Donald Egan were engaged in litigation in the matter entitled Donald Egan vs. EMB Corporation, et al, District Court, Denver County, Colorado, Case No. 99CV-000736 Division 1. In this litigation, the Plaintiff alleged that the Company owed moneys on an outstanding promissory note. On June 3, 1999, a Court judgment was entered against the Company in the amount of $174,136.50. The current balance on the judgment with accrued interest after credits for payments on behalf of the Company is $79,065.62. On November 12, 2001 the Company and Donald Egan entered into a General Release and Settlement Agreement whereby, as full satisfaction of the judgment, the Company assigned to Mr. Egan all of its interest in 1,500,000 shares of common stock of e-net that the Company had acquired in the "Global Settlement" Agreement by and between the Company, e-Net and other parties. See Part I, Item 1, "Description of Business" for a complete description of the "Global Settlement" Agreement. The Company has accrued $79,000 to cover the settlement.

EMB Mortgage Corporation and Impac Funding Corporation are engaged in litigation, Impac Funding Corporation vs. EMB Mortgage Corporation, et al., Superior Court, County of Monterey, and Case No. M50028, filed on August 1, 2000. This is a judicial foreclosure action, wherein Impac is seeking to foreclose the Monterrey, California, real property owned by EMB Mortgage Corporation. The obligation arises out of a promissory note secured by deed of trust for moneys alleged owed to the plaintiff by EMB Mortgage Corporation for loans required to be repurchased by EMB Mortgage Corporation or other alleged defaults by EMB Mortgage Corporation of the various agreements with Impac concerning the funding and purchase of loans by Impac on behalf of EMB Mortgage Corporation. The Company and EMB Mortgage Corporation have agreed that the Company will bear all expenses of litigation, including attorney's fees and associated costs at its sole option, elect to assist EMB Mortgage Corporation in reaching a resolution of the pending legal action. On or about October 4, 2001, EMB Mortgage Corporation entered into a settlement agreement with Impac Funding Corporation whereby the term of the promissory note was extended for one year, with several interim payments. It was further agreed, and the Company concurred, that, at the extended date of the note, the Company would issue shares of its common stock to Impac Funding Corporation equivalent in value to the unpaid balance of the note. The Settlement Agreement also provides that the Company issue to Impac Funding Corporation a five-year warrant for the purchase of up to 100,000 shares of the Company's common stock at a price of $0.0563 per share.

On August 30, 2001, First Guaranty was sued in a lawsuit styled NFC Consultants, Inc., HomeZipr Corp. Vs. First Guaranty Financial Corporation, et al, Superior Court of California, County of Orange, Case No. 01CC1121. This lawsuit alleges moneys owed by First Guaranty or other defendants arising out of a purported consulting agreement whereby First Guaranty would receive retail mortgage leads from one of the plaintiffs. The lawsuit also alleges that First Guaranty and other defendants retained certain personal property of the one of the plaintiffs arising out of the termination of a sublease of premises unrelated to First Guaranty. The Company believes the allegations raised in the Complaint to be without merit and has filed a Demurrer to the action. A Court hearing on the Demurrer is presently scheduled.

On July 24, 2001, the Company entered into Settlement Agreements with Ben Campbell ("Campbell"), the former Director and President of the Company and

Kenneth J. Quist ("Quist"), the former Vice President, Secretary, Principal Accounting and Chief Financial Officer and Director of the Company, to compensate them for past services rendered in such capacities and to reimburse them for expenses incurred on behalf of the Company during the nine months ended June 30, 2001. The terms of the Settlement Agreements, among other things, provided that the Company issue 150,000 shares and 100,000 shares of the Company's restricted common stock to Campbell and Quist, respectively. On the same date, the Company agreed to issue 10,000 shares of the Company's restricted common stock to each of Roger D. Hall, a former Director of the Company, and Ann L. Petersen, a remaining Director of the Company, as compensation for past services rendered in such capacities. The Company had expensed $165,000 in the year ended September 30, 2000, and had expensed $56,250 during the three months ended December 31, 2000. These expenses were charged to additional paid in capital as the value of services provided by management. As of June 30, 2001, the Company reversed the charge to additional paid in capital for $221,250 and recorded a liability for the $270,000 with the difference recorded as settlement expense.

The Company and its subsidiaries might be engaged in other legal proceedings which are ordinary in normal course of business. In the opinion of management, the amount of ultimate liability with respect to those proceedings, if any, will not be material to the Company's financial position or results of operations.

9. ACQUISITIONS

Pursuant to a Purchase Agreement dated July 23, 2001, the Company, on July 24, 2001, closed a transaction, whereby it acquired all of the issued and outstanding shares of capital stock of Saddleback Investment Services, Inc., a California corporation ("Saddleback") from William R. Parker ("Mr. Parker"), its sole shareholder. In exchange for the shares of Saddleback, the Company issued 500,000 of its restricted common stock to Mr. Parker and delivered to Mr. Parker, the Company's secured promissory note payable to Mr. Parker in the initial principal amount of $100,000, bearing interest at the rate of six percent (6%) per annum. The Company has secured its promissory obligation with the shares of Saddleback acquired by the Company in this transaction. In addition, the Company issued to SB 500,000 shares of the Company's restricted Series E Convertible Preferred Stock in exchange for 100,000 shares of SB's restricted Series A Convertible Preferred Stock.

Pursuant to a Purchase Agreement dated September 30, 2001, the Company acquired all of the issued and outstanding shares of capital stock of First Guaranty Financial Corporation, a California corporation ("FG") from FGFC Holdings, Inc., a California corporation ("FGFC Holdings"), its sole shareholder. In exchange for all of the shares of common stock of FG, the Company issued 5,000,000 shares of its restricted common stock to FGFC Holdings and delivered to FGFC Holdings the Company's secured two-year promissory payable to FGFC Holdings in the initial principal amount of $500,000, bearing interest at the rate of ten percent (10%) per annum. In addition, the Company issued to FG 2,000,000 million shares of the Company's restricted Series E Convertible Preferred Stock in exchange for 100,000 shares of First Guaranty's restricted Series A Convertible Preferred Stock. As a part of the transaction, FG returned to a former shareholder, a note receivable amounting $550,000 and investments in marketable securities amounting $1,893,750. The return of such assets have been treated as a part of the acquisition. The Purchase Agreement also provides that Rodney K. Thompson, who presently serves as a Director and President of First Guaranty, and is also a Director and President of FGFC Holdings, Inc., is to be named to the Board of Directors of the Company.

For accounting purposes, the transaction was treated as a recapitalization of FG, with the FG as the accounting acquirer (reverse acquisition), and was accounted for in a manner similar to a pooling of interests.

10. STOCKHOLDERS' EQUITY

During the period ended June 30, 2002, the Company issued 140,000 shares of preferred stock, Series D, for cash amount of $140,000. During the nine month period ended June 30, 2002, the Company issued 6,665,625 shares of common stock for consulting services of $911,178 based upon fair value of the stock issued. The Company accounts for the issuance of equity instruments to acquire goods and services based on the fair value of the goods and services or the fair value of the equity instrument at the time of issuance, whichever is more reliably measurable.

On February 4, 2002, the Company, for a consideration of $10, issued warrants for the purchase of 50,000 shares of common stock at the last closing asked price for the common stock on the principal market as reported by Bloomberg Financial. The warrants expires two years after their issuance.

11. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the fiscal year 2001 presentation.

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Item 2. Management's Discussion and Analysis or Plan of Operation.

Forward-Looking Statements

Except for historical information, the materials contained in this Management's Discussion and Analysis are forward-looking (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934) and involve a number of risks and uncertainties. These include the Company's historical losses, the need to manage its growth, general economic downturns, intense competition in the financial services and mortgage banking industries, seasonality of quarterly results, and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission. Although forward-looking statements in this Quarterly Report reflect the good faith judgment of management, such statements can only be based on facts and factors currently known by the Company. Consequently, forward-looking statements are inherently subject to risks and uncertainties, actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. Readers are urged to carefully review and consider the various disclosures made by the Company in this Quarterly Report, as an attempt to advise interested parties of the risks and factors that may affect the Company's business, financial condition, and results of operations and prospects.

Overview

During the fiscal year ending September 30, 2001, the Company abandoned its plans to enter the energy-related marketplace. Following a change of management in July 2001, new management determined that it would be in the best interests of the Company and its shareholders to return to the financial services sector. In July 2001, it acquired Saddleback Investment Services, Inc., dba American National Mortgage. On September 30, 2001, it acquired First Guaranty Financial Corporation.

At the time of its acquisition, American National was not actively doing business. Nevertheless, it was deemed to be an attractive candidate for acquisition because of the numerous state licenses and its approved lending status with government lending institutions. After its acquisition, American National recommenced doing business; however, during the three months ended March 31, 2002, American National was again inoperative. Management is presently considering several options concerning the future of American National, including, but not limited to, reactiviation of its business and sale of its assets.

The Company's acquisition of First Guaranty Financial Corporation was deemed appropriate because of First Guaranty's strong performance in the wholesale mortgage banking sector of the mortgage industry. Prior to its acquisition, First Guaranty had been experiencing a rapid expansion of its business. Additionally, First Guaranty was deemed to be a good candidate for acquisition because of its high profitability based upon mortgage fundings. In short, it was, and continues to be, a well-run business operation.

Beginning in July 2001, the Company entered into several business transactions that altered the composition of the Company. On July 23, 2001, the Company acquired all of the outstanding capital stock of Saddleback Investment Services, Inc., dba American National Mortgage. On July 26, 2001, the Company disposed of its other two subsidiaries, EMB Mortgage Corporation and Ameritelecon, Inc. Finally, on September 30, 2001, the Company acquired all of the capital stock of First Guaranty Financial Corporation in exchange for 5 million shares of the Company's common stock. As a result of this exchange of stock and the other transaction, the Company's acquisition of First Guaranty was accounted for as a "Reverse Acquisition". Accordingly, for accounting purposes, First Guaranty was treated as the continuing reporting entity and "Accounting Acquirer" that acquired the Company.

Results of Operations.

Continuing Operations for the Three Months Ended June 30, 2002 as compared to the Three Months Ended June 30, 2001.

Revenues

Revenues decreased by $95,618 or 3.3%, to $2,726,454 for the three-month period ended June 30, 2002, compared to $2,822,072 for the three-month period ended June 30, 2001. While the volume of business increased during the latest quarterly period versus the same period in 2001, a slight reduction in revenues can be primarily attributable to the increased competition for business in the refinance marketplace which resulted in a reduction in the fees charged borrowers by First Guaranty's mortgage lending operations.

Costs and Expenses.

Commissions are paid to loan agents or mortgage brokers on funded loans. Commissions increased by $71,839 or 19.4%, for the three-month period ended June 30, 2002, to $441,581 from $369,742 for the three-month period ended June 30, 2001. Warehouse line interest expense totaled $672,063 for the three months ended June 30, 2002 as compared to $894,111 for the three-month period ended June 30, 2001, a decrease of $222,048, or 24.8%. Bank and investor fees totaled $274,281 for the three months ended June 30, 2002 as compared to $292,144 for the three months ended June 30, 2001, a decrease of $17,863, or 6.1%. The increase in commissions is primarily related to the increased business operations discussed above, while the decrease in warehouse line interest and bank and investor fees can be attributed to the generally lower cost of funds during the current quarterly period.

Salaries and Wages.

Salaries and wages totaled $464,040 in the three-month period ended June 30, 2002 compared to $465,076 in the three months ended June 30, 2001, a decrease of $1,036, or 0.2%.

General and Administrative Expenses.

General and administrative expenses totaled $1,048,838 for the three-month period ended June 30, 2002, compared to $584,665 for the three-month period ended June 30, 2001. This increase of $464,173, or 79.4%, can be attributed, in part, to the increase in expenses at the corporate level due to non-recurring accruals of various expenses, including consulting fees paid to third parties. In the three-month period ended June 30, 2002, the Company had non-cash expenses, incurred or accrued, associated with services rendered by third parties totaling $342,493 as compared to $102,000 for the three-month period ended June 30, 2001.

Interest Expense.

Interest expense, exclusive of warehouse line interest expense, was $49,915 for the three months ended June 30, 2002, compared to $2,900 in the year earlier period. This interest expense is primarily related to the convertible note issued by the Company on April 10, 2001, the preferred stock issued during the quarters ended March 31, 2002 and June 30, 2002 and to an increase in the outstanding notes to related parties.

Net Profit(Loss).

The Company realized a net loss (after provision for income tax) of $216,264 in the three-month period ended June 30, 2002 compared to a net profit of $213,434 for the three-month period ended June 30, 2001, or $(0.01) and $0.04 per share, respectively. The loss for the quarter can be attributed substantially to the increase in non-cash expenses and interest expense discussed in the preceding two paragraphs.

Continuing Operations for the Nine Months Ended June 30, 2002 as compared to the Nine Months Ended June 30, 2001.

Revenues

Revenues increased by $899,181 or 13.2%, to $7,696,578 for the nine-month period ended June 30, 2002, compared to $6,697,397 for the nine-month period ended June 30, 2001. The growth in revenues is primarily attributable to the expansion and growth of First Guaranty's mortgage lending operations as discussed above.

Costs and Expenses.

Commissions are paid to loan agents or mortgage brokers on funded loans. Commissions increased by $329,689 or 34.8%, for the nine-month period ended June30, 2002, to $1,276,854 from $947,165 for the nine-month period ended June 30, 2001. Warehouse line interest expense totaled $2,047,571 for the nine-months ended June 30, 2002 as compared to $2,043,134 for the nine-month period ended June 30, 2001, an increase of $4,437, or 0.2%. Bank and investor fees totaled $783,096 for the nine months ended June 30, 2002 as compared to $642,004 for the nine months ended June 30, 2001, an increase of $141,092, or 21.9%. Each of these increases is primarily related to the increased business operations discussed above. However, the expenses associated with warehouse line interest and bank and investor fees would have been substantially higher, but for the decrease in cost of funds seen in the last three months of the nine-month period ended June 30, 2002.

Salaries and Wages.

Salaries and wages totaled $1,583,868 in the nine-month period ended June 30, 2002 compared to $1,339,798 in the nine months ended June 30, 2001, an increase of $244,070, or 18.2%. The increase is primarily related to the expansion of First Guaranty's operations.

General and Administrative Expenses.

General and administrative expenses totaled $2,982,752 for the nine-month period ended June 30, 2002, compared to $1,444,365 for the nine-month period ended June 30, 2001. This increase of $1,538,387, or 106.5%, can be attributed, in part, to the increase in expenses at the corporate level due to non-recurring accruals of various expenses, including consulting fees paid to third parties. In the nine-month period ended June 30, 2002, the Company had non-cash expenses, incurred or accrued, associated with services rendered by third parties totaling $1,282,256 as compared to $145,310 for the nine-month period ended June 30, 2001.

Interest Expense.

Interest expense, exclusive of warehouse line interest expense, was $119,318 for the nine months ended June 30, 2002, compared to $16,714 in the year earlier period. This interest expense is primarily related to the convertible note issued by the Company on April 10, 2001, the preferred stock issued during the current nine-month period and to an increase in the outstanding notes to related parties.

Net Profit(Loss).

The Company realized a net loss (after provision for income tax) of $1,099,281in the nine-month period ended June 30, 2002 compared to a net profit of $363,417 for the nine-month period ended June 30, 2001, or $(0.05) and $0.07 per share, respectively. The loss for the quarter can be attributed substantially to the non-cash expenses and interest expense discussed in the preceding two paragraphs.

Liquidity and Capital Resources.

In the nine-month period ended June 30, 2002, net cash of $18,592 was provided by operating activities as compared to June 30, 2001 when operating activities provided net cash of $338,741. During the nine-month period ended June 30, 2002, investing activities used net cash of $339,168 as compared to the

nine-month period ended June 30, 2001 when there was a similar net cash outflow of $112,281. The sole component of the cash used by investing activities for both the current and prior year periods represented changes in notes receivable. Net cash provided by financing for the nine months ended June 30, 2002 totaled $122,375 and consisted of decreases in note payables and issuance of preferred shares for cash. In the nine months ended June 30, 2001, net cash used in financing totaled $49,813, which was attributable to principal paid on notes payments. Cash and cash equivalents on hand at June 30, 2002 totalled $320,735 as compared to $245,584 as of June 30, 2001.

Our consolidated financial statements have been prepared assuming the Company will continue as a going concern. Because the Company incurred significant losses from operations in the years prior to the acquisition of First Guaranty and American National, it has an accumulated deficit of $8,233,557 with total liabilities exceeding total assets by $5,340,478. As a result it will require additional financing to meet its cash requirements. In their report dated December 12, 2001 and February 15, 2001, that was included in our amended annual report, our auditors included an explanatory paragraph raising substantial doubt about our ability to continue as a going concern. Cash requirements depend on several factors, including but not limited to, the pace at which all subsidiaries continue to grow and generate positive cash flow, as well as the ability to raise additional financing.

During the three-month period ended June 30, 2002, we sold 35,000 shares of Series D Preferred Stock for total net cash proceeds of $35,000. An additional $67,000 in net cash proceeds from this offering has been received subsequent to June 30, 2002. While there are certain commitments for additional financing, and there can be no assurance that any such commitment can be obtained on favorable terms, if at all. Management plans to continue its growth plans to generate revenues sufficient to meet its cost structure. Management believes that these actions will afford the Company the ability to fund its daily operations and service its remaining debt obligations primarily through the cash generated by operations; however, there are no assurance that management's plans will be successful. No adjustments have been made to the carrying value of assets or liabilities as a result of these uncertainties.

The Company has been advised by FGFC Holdings, Inc. and management of First Guaranty Financial Corporation that they will not waive the provisions of Section 2.2(f) of the Purchase Agreement dated September 30, 2001 by and between EMB Corporation, FGFC Holdings, Inc. and First Guaranty Financial Corporation, which provide that the Company would contribute $1,000,000 in additional equity to First Guaranty by September 30, 2002. The Company does not currently believe that it can meet this requirement. In the event that the Company does not meet this obligation to the satisfaction of FGFC Holdings, Inc., the transaction would be subject to rescission by FGFC Holdings, Inc. If such were the case, and the Company cannot give assurance that it will not be the case, the result would be that the Company would have no ongoing business operations.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

As a result of the sale of EMB Mortgage Corporation, the following discussion excludes those matters that pertained solely to the Company's former subsidiary, EMB Mortgage Corporation, except as noted.

On or about November 17, 1998, the Company entered into a Stipulated Judgment in the matter of Yamaichi International (America) Inc., vs. EMB Corporation, USDC, Southern District of New York, Case No. 98-7152 (DLC). The lawsuit arose out of the obligation of the Company to pay rent for its branch corporate office in New York City. The total amount of the judgment was $186,000. As of December 31, 2001, the Company has paid approximately $7,100 toward the judgment.

The Company and Joseph K. Brick are currently engaged in litigation, Joseph K. Brick vs. EMB Corporation, Circuit Court, Seventh Judicial District, Volusia County, Florida, Case no. 99-30669 CICI, which was filed on or about March 23, 1999. The Company filed an appeal of a lower court ruling entering a default judgment against the Company and in favor of Mr. Brick. In February 2001, this appeal was denied. Subsequent thereto, a judgment was entered by the Court in Volusia County, Florida, in favor of Mr. Brick in the amount of $1,303,440.22. As of June 27, 2001, Mr. Brick obtained entry of a sister-state judgment against the Company in the State of California.

The Company has also initiated a lawsuit against Mr. Brick, his wife, Florence M. Brick, and their company, FMB Mortgage Corporation, in a matter entitled EMB Corporation and EMB Mortgage Corporation vs. Joseph K. Brick, Florence M. Brick, FMB Mortgage Corporation and Does 1 through 10, Superior Court of the State of California, County of Orange, Case No.00CC08083, filed August 7, 2000. In this litigation, the Company and its former subsidiary, EMB Mortgage Corporation, allege that Mr. Brick breached the Separation, Asset Purchase Agreement and Release entered into by and between the Company and Mr. Brick by failing to indemnify the Company against losses incurred by the Company resulting from operations of the Company's Daytona Beach, Florida office (the "Daytona Office") which was managed by Mr. and Mrs. Brick. The Company further alleges negligence Mr. and Mrs. Brick in their management of the Company's Daytona Office and fraud and conversion against Mr. and Mrs. Brick, together with FMB Mortgage, Inc. (the company which they formed to carry on the business of the Daytona Office), concerning tax reporting by FMB Mortgage, Inc. In summer of 2001, this litigation was dismissed without prejudice by the Company; however, the Company intends to refile and pursue these claims. The Company and EMB Mortgage Corporation have agreed, between themselves, that the Company will bear all expenses of litigation, including attorneys fees and associated costs, and will be entitled to the entire judgment, if any. In connection with the satisfaction of his prior judgment, Mr. Brick has also initiated new litigation against the Company and others entitled Joseph K. Brick vs. EMB Corporation, EMB Mortgage Corporation, Valley Pacific Environmental & Energy, William V. Perry and Does 1 through 30, Superior Court of the County of Orange, Case No. 01CC10914. On June 10, 2002, the Company has filed a General Denial as to the Complaint in these proceedings. Management believes that this litigation lacks merit, as against the Company.

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The Company and Deposit Guaranty Mortgage Company ("DGMC") were engaged in litigation in a matter entitled CarrAmerica Realty, L.P., vs. Deposit Guaranty Mortgage Company, District Court of Dallas County, Texas, 68th Judicial District, Case No. DV99-01262-C, filed October 19, 1999, in which the Company is named as a Third Party for indemnification of DGMC for rent allegedly owed for the Company's former office in Dallas, Texas. The Company and DGMC stipulated to judgment against the Company and in favor of DGMC in the amount of $30,000. No part of this judgment has been paid.

On January 3, 2001, the Company was sued in the lawsuit styled, FirstBank of Aurora vs. Investment Consulting Inc., Jane and/or John Does 1-100 and EMB Corporation, Denver Colorado District Court Number 01CV0018. Plaintiff seeks damages in the amount of $29,878.13 in respect of its allegation that the Company's bank account was overdrawn by such amount. In addition, Plaintiff seeks interest on such amount, and its costs and attorneys' fees. The Company was served on January 21, 2001. The Company believes the allegations raised in the Complaint to be without merit; however, as of this date, no responsive pleading has been filed.

The Company and Great West Life & Annuity Insurance Company ("Great West") were engaged in litigation in the matter styled, Great West Life & Annuity

Insurance Company v. EMB Corporation, Superior Court of the State of California, County of Orange, Case No. 00CC2472. In this litigation, Great West alleged that the Company owed moneys for premiums for medical insurance coverage provided by Great West to the Company and its former employees through the period ended December 31, 1998. The Company and Great West stipulated to judgment against the Company and in favor of Great West in the amount of $42,648.48. No part of this judgment has been paid.

EMB Mortgage Corporation and Impac Funding Corporation are engaged in litigation, Impac Funding Corporation vs. EMB Mortgage Corporation, et al., Superior Court, County of Monterey, Case No. M50028, filed on August 1, 2000. This is a judicial foreclosure action, wherein Impac is seeking to foreclose the Monterey, California, real property owned by EMB Mortgage Corporation. The obligation arises out of a promissory note secured by deed of trust for moneys alleged owed to the plaintiff by EMB Mortgage Corporation for loans required to be repurchased by EMB Mortgage Corporation or other alleged defaults by EMB Mortgage Corporation of the various agreements with Impac concerning the funding and purchase of loans by Impac on behalf of EMB Mortgage Corporation. The Company and EMB Mortgage Corporation have agreed that the Company will bear all expenses of litigation, including attorneys fees and associated costs and, at its sole option, may elect to assist EMB Mortgage Corporation in reaching a resolution of the pending legal action. On or about October 4, 2001, EMB Mortgage Corporation entered into a settlement agreement with Impac Funding Corporation whereby the term of the promissory note was extended for one year, with several interim paymentsIt was further agreed, and the Company concurred, that, at the extended date of the note, the Company would issue shares of its common stock to Impac Funding Corporation equivalent in value to the then unpaid

balance of the note. The Settlement Agreement also provides that the Company will issue to Impac Funding Corporation a five-year warrant for the purchase of up to 100,000 shares of the Company's common stock at a price of $0.0563 per share. A cash payment due Impac Funding in March, 2002 in the amount of $10,000 was not made by the Company and, as a result the Company is in default of its obligations under the terms of the settlement agreement. On June 14, 2002, Judgment of Foreclosure and Order of Sale was entered by the Court as against EMB Mortgage Corporation. As of the date of this Quarterly Report, neither EMB Mortgage Corporation nor the Company has been advised as to the date of sale or outcome thereof, if held.

On August 30, 2001, First Guaranty was sued in a lawsuit styled NFC Consultants, Inc., HomeZipr Corp. vs. First Guaranty Financial Corporation, et al, Superior Court of California, County of Orange, Case No. 01CC1121. This lawsuit alleges moneys owed by First Guaranty or other defendants arising out of a purported consulting agreement whereby First Guaranty would receive retail mortgage leads from one of the plaintiffs. The lawsuit also alleges that First Guaranty and other defendants retained certain personal property of the one of the plaintiffs arising out of the termination of a sublease of premises unrelated to First Guaranty. The Company believes the allegations raised in the Complaint to be without merit and has filed a Demurrer to the action. On or about January 11, 2002, the Demurrer of First Guaranty was granted by the Court, thereby denying the lawsuit as originally pled. No new or amended pleadings have been filed by the Plaintiffs as of the date of filing of this Quarterly Report.

The Company, and its subsidiaries, are not engaged in any other legal proceedings except litigation in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to those proceedings will not be material to the Company's financial position or results of operations.

Item 2. Changes in Securities and Use of Proceeds.

On or about May 15, 2002, the Company issued an aggregate of 575,000 shares of its Common Stock to third parties in connection with consulting agreements. The shares of Common Stock that were issued pursuant to the Company's 1999 Stock Plan, as Amended, and had been registered with the Securities and Exchange Commission by means of the Registration Statement on Form S-8 which was filed with the Securities and Exhange Commission and became effective on May 10, 2002.

In addition, on or about May 15, 2002, the Company issued 1,000,000 shares of its Common Stock to a third party in connection with a consulting agreement. This stock transaction was made in reliance upon the exemption from registration under Section 4(2) of the Securities Act.

On or about April 15, 2002, the Company issued an aggregate of 35,000 shares of its Series D Preferred Stock to an unrelated party for cash in the amount of $35,000. This stock transaction was made in reliance upon the exemption from registration under Section 4(2) of the Securities Act.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Submission of Matter to a Vote of Security Holders.

No matter was submitted to a vote of the security holders of the Company during its fiscal quarter ended June 30, 2002.

Item 5. Other Information.

None

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits: (All items are incorporated by reference with none included herein)

Exhibit Number	Description
3.1	Restated Articles of Incorporation of EMB Corporation are incorporated by reference to Exhibit 3(i) to the Registrant's registration statement on Form 10-SB (No. 1-11883), filed with the Commission on June 28, 1996 (the "Form 10-SB").
3.1.a	Certificate of Designation of Rights, Privileges, Preferences and Restrictions of Series D Convertible Preferred Stock of EMB Corporation, dated September 12, 2001, filed with the State of Hawaii, Department of Commerce and Consumer Affairs on September 18, 2001, which was filed with the Securities and Exchange Commission on October 15, 2001, as Exhibit 3.1.a to the Company's Current Report on Form 8-K,

	is hereby incorporated by this reference.
3.1.b	Certificate of Designation of Rights, Privileges, Preferences and Restrictions of Series E Convertible Preferred Stock of EMB Corporation, dated September 12, 2001, filed with the State of Hawaii, Department of Commerce and Consumer Affairs on September 18, 2001, which was filed with the Securities and Exchange Commission on October 15, 2001, as Exhibit 3.1.b to the Company's Current Report on Form 8-K, is hereby incorporated by this reference.

Exhibit Number	Description
3.2	The Bylaws of the Registrant are incorporated by referenced to Exhibit 3(ii) of Form 10-SB of the Registrant.
10.10	Amended and Restated Purchase Agreement, dated September 21, 2001, by and between the Company, William R. Parker and Saddleback Investment Services, Inc., which was filed with the Securities and Exchange Commission on January 14, 2002, as Exhibit 10.10 to the Company's Annual Report on Form 10-KSB, is hereby incorporated by this reference.
10.11	Secured Promissory Note of EMB Corporation dated July 24, 2001, which was filed with the Securities and Exchange Commission on August 8, 2001, as Exhibit 10.11 to the Company's Current Report on Form 8-K dated July 23, 2001, is hereby incorporated by this reference.
10.12	Amended and Restated Security Agreement, dated September 21, 2001, by and between EMB Corporation and William R. Parker, which was filed with the Securities and Exchange Commission on January 14, 2002, as Exhibit 10.12 to the Company's Annual Report on Form 10-KSB, is hereby incorporated by this reference.
10.13	Amended and Restated Collateral Agent Agreement, dated September 21, 2001, by and among EMB Corporation, William R. Parker and the Collateral Agent, which was filed with the Securities and Exchange Commission on January 14, 2002, as Exhibit 10.13 to the Company's Annual Report on Form 10-KSB, is hereby incorporated by this reference.
10.14	Purchase Agreement, dated July 26, 2001, by and between EMB Corporation and William V. Perry, which was filed with the Securities and Exchange Commission on August 10, 2001, as Exhibit 10.14 to the Company's Current Report on Form 8-K dated July 26, 2001, is hereby incorporated by this reference.
10.15	Purchase Agreement, dated July 26, 2001, by and

between EMB Corporation and David Berman, which was filed with the Securities and Exchange Commission on August 10, 2001, as Exhibit 10.15 to the Company's Current Report on Form 8-K dated July 26, 2001, is hereby incorporated by this reference.

Exhibit Number	Description
10.16	Settlement Agreement, dated June 26, 2001, by and among, EMB Corporation, e-Net Financial.Com Corporation (now known as Anza Capital, Inc.), AMRES Holding LLC, Vincent Rinehart and Williams de Broe, which was filed with the Securities and Exchange Commission on September 11, 2001, as Exhibit 10.16 to the Company's Quarterly Report on Form 10-QSB/A for the period ended June 30, 2001, is hereby incorporated by this reference.
10.16a	Promissory Note dated June 27, 2001, executed by EMB Corporation in favor of Williams de Broe, which was filed with the Securities and Exchange Commission on September 11, 2001, as Exhibit 10.16a to the Company's Quarterly Report on Form 10-QSB/A for the period ended June 30, 2001, is hereby incorporated by this reference. 10.16.b Promissory Note dated June 27, 2001, executed by e-Net Financial.com Corporation (now known as Anza Capital, Inc.) in favor of EMB Corporation (later terminated), which was filed with the Securities and Exchange Commission on September 11, 2001, as Exhibit 10.16b to the Company's Quarterly Report on Form 10-QSB/A for the period ended June 30, 2001, is hereby incorporated by this reference.
10.16.c	Promissory Note dated June 27, 2001, executed by e-Net Financial.com Corporation (now known as Anza Capital, Inc.) in favor of EMB Corporation (later terminated), which was filed with the Securities and Exchange Commission on September 11, 2001, as Exhibit 10.16c to the Company's Quarterly Report on Form 10-QSB/A for the period ended June 30, 2001, is hereby incorporated by this reference.
10.16.d	Redeemable Convertible 10% Promissory Note dated June 28, 2001 executed by e-Net Financial.com Corporation (now known as Anza Capital, Inc.) in favor of EMB Corporation, which was filed with the Securities and Exchange Commission on September 11, 2001, as Exhibit 10.16d to the Company's Quarterly Report on Form 10-QSB/A for the period ended June 30, 2001, is hereby incorporated by this reference.
10.17	Settlement Agreement, dated July 24, 2001, by and between the Company and Ben Campbell, which was filed with the Securities and Exchange Commission on September 11, 2001, as Exhibit 10.17 to the Company's Quarterly Report on Form 10-QSB/A for the

	period ended June 30, 2001, is hereby incorporated by this reference.
10.18	Settlement Agreement, dated July 24, 2001, by and between the Company and Kenneth Quist, which was filed with the Securities and Exchange Commission on September 11, 2001, as Exhibit 10.18 to the Company's Quarterly Report on Form 10-QSB/A for the period ended June 30, 2001, is hereby incorporated by this reference.
10.19	Agreement for Consulting Services, dated July 16, 2001, by and between the Company and Belvidere Network Enterprises, which was filed with the Securities and Exchange Commission on September 11, 2001, as Exhibit 10.19 to the Company's Quarterly Report on Form 10-QSB/A for the period ended June 30, 2001, is hereby incorporated by this reference.

Exhibit Number	Description
10.20	Agreement of Consulting Services, dated August 1, 2001, by and between the Company and Castle Gate Group, Ltd., which was filed with the Securities and Exchange Commission on September 11, 2001, as Exhibit 10.20 to the Company's Quarterly Report on Form 10-QSB/A for the period ended June 30, 2001, is hereby incorporated by this reference.
10.21	Redeemable Convertible 10% Promissory Note dated April 10, 2001 executed by the Company in favor of James Saunders, which was filed with the Securities and Exchange Commission on September 11, 2001, as Exhibit 10.20 to the Company's Quarterly Report on Form 10-QSB/A for the period ended June 30, 2001, is hereby incorporated by this reference.
10.22	Purchase Agreement by and between EMB Corporation, FGFC Holdings, Inc. and First Guaranty Financial Corporation dated September 30, 2001, which was filed with the Securities and Exchange Commission on October 15, 2001, as Exhibit 10.22 to the Company's Current Report on Form 8-K dated September 30, 2001, is hereby incorporated by this reference.
10.23	Secured Promissory Note of EMB Corporation dated September 30, 2001, which was filed with the Securities and Exchange Commission on October 15, 2001, as Exhibit 10.23 to the Company's Current Report on Form 8-K dated September 30, 2001, is hereby incorporated by this reference.
10.24	Security Agreement by and between EMB Corporation and FGFC Holdings, Inc. dated September 30, 2001, which was filed with the Securities and Exchange Commission on October 15, 2001, as Exhibit 10.24 to the Company's Current Report on Form 8-K dated

	September 30, 2001, is hereby incorporated by this reference.
10.25	Collateral Agreement by and among EMB Corporation, FGFC Holdings, Inc. and the Collateral Agent, dated September 30, 2001, which was filed with the Securities and Exchange Commission on October 15, 2001, as Exhibit 10.25 to the Company's Current Report on Form 8-K dated September 30, 2001, is hereby incorporated by this reference.
21.1	Description of the subsidiaries of the Registrant, which was filed with the Securities and Exchange Commission on January 14, 2002, as Exhibit 21.1 to the Company's Annual Report on Form 10-KSB, is hereby incorporated by this reference.

Exhibit Number	Description
99.1	Articles of Incorporation of First Guaranty Financial Corporation, dated June 10, 1988, filed with the California Secretary of State on June 13, 1988, which was filed with the Securities and Exchange Commission on October 15, 2001, as Exhibit 99.1 to the Company's Current Report on Form 8-K dated September 30, 2001, is hereby incorporated by this reference.
99.2	Certificate of Amendment to Articles of Incorporation of First Guaranty Financial Corporation, dated September 28, 2001, filed with the California Secretary of State on October 10, 2001, which was filed with the Securities and Exchange Commission on October 10, 2001, as Exhibit 99.2 to the Company's Current Report on Form 8-K dated September 30, 2001, is hereby incorporated by this reference.
99.3	Certificate of Determination of Rights, Privileges, Preferences and Restrictions of Series A Convertible Preferred Stock of First Guaranty Financial Corporation, dated September 28, 2001, filed with the California Secretary of State on October 10, 2001, which was filed with the Securities and Exchange Commission on October 10, 2001, as Exhibit 99.3 to the Company's Current Report on Form 8-K dated September 30, 2001, is hereby incorporated by this reference.
99.4	Certificate of Amendment of Articles of Incorporation of Saddleback Investment Services, Inc., dated September 14, 2001, filed with the California Secretary of State on September 20, 2001, which was filed with the Securities and Exchange Commission on January 14, 2002, as Exhibit 99.4 to the Company's Annual Report on Form 10-KSB, is hereby incorporated by this reference.

99.5	Certificate of Determination of Rights, Privileges, Preferences and Restrictions of Series A Convertible Preferred Stock of Saddleback Investment Services, Inc., dated September 17, 2001, filed with the California Secretary of State on September 21, 2001, which was filed with the Securities and Exchange Commission on January 14, 2002, as Exhibit 99.5 to the Company's Annual Report on Form 10-KSB, is hereby incorporated by this reference.
99.6	Securities Purchase Agreement by and between EMB Corporation and Paramount Financial Group, Inc., dated September 12, 2001 (Series D Convertible Preferred Stock).
99.7	Form of Warrant to be issued in connection with Securities Purchase Agreement by and between EMB Corporation and Paramount Financial Group, Inc., dated September 12, 2001.
99.8	Securities Purchase Agreement by and between EMB Corporation and Paramount Financial Group, Inc., dated February 4, 2002 (Restricted Common Stock).

(b) Reports on Form 8-K.

During the period ended June 30, 2002, the Company did not file any Current Reports on Form 8-K.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EMB CORPORATION

Date: August 19, 2002

By: /s/ James E. Shipley

James E. Shipley
President, Director, Acting Secretary and
Acting Principal Accounting and
Chief Financial Officer