

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-QSB

(Mark One)

☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2002

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT**

For the transition period from _____ to _____

001-15665

(Commission file number)

ETI Corporation

(Exact name of small business issuer as specified in its charter)

Nevada

(State or other jurisdiction
of incorporation or organization)

88-0389393

(IRS Employer
Identification No.)

9 Forest Road

Kirkland, Quebec H9J 3A2, Canada

(Address of principal executive offices)

(514) 426-2977

(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

☒ 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.

The number of shares outstanding of each of the issuer's classes of common equity:
As of June 30, 2002 - 5,750,700 shares of common stock

Transitional Small Business Disclosure Format (check one): Yes ☒ No ☐

ETI Corporation

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

Accountant's Review Letter

JONATHON P. REUBEN CPA
AN ACCOUNTANCY CORPORATION
23440 HAWTHORNE BLVD., SUITE 270
TORRANCE, CA 90505

To the Board of Directors,
ETI Corporation

We have reviewed the accompanying balance sheet of ETI Corporation (a development stage company) as of June 30, 2002, and the related statements of operations for the three-month and six-month periods ended June 30, 2001 and 2002 and from the Company's inception (March 23, 1998) through June 30, 2002, and cash flows for the six-month periods ended June 30, 2002 and from the Company's inception (March 23, 1998) through June 30, 2002. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to the financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with generally accepted accounting principles.

ss/ Jonathon P. Reuben CPA

Jonathon P. Reuben,
Certified Public Accountant
August 13, 2002

ETI Corporation
(Formerly e-Channels Corporation)
(A Development Stage Company)
Consolidated Balance Sheets

	<u>June 30, 2002</u> (Unaudited)
Assets	
Current Assets	
Loan receivable - affiliate	\$ <u>295</u>
Total Assets	\$ <u><u>295</u></u>
Liabilities and Stockholders' Equity (Deficit)	
Current Liabilities	
Loans payable - affiliate	\$ 13,715
Officer's compensation payable	<u>420,000</u>
Total Current Liabilities	\$ <u>433,715</u>
Minority Interest in Consolidated Subsidiary	<u>-</u>
Stockholders' Equity (Deficit)	
Common Stock, par value \$.001 per share, authorized 100,000,000; issued and outstanding 5,750,700 shares as of June 30, 2002	5,750
Additional paid-in capital	250,750
Deficit accumulated during the development stage	<u>(709,920)</u>
Total Stockholders' Equity (Deficit)	<u>(433,420)</u>
Total Liabilities and Stockholders' Equity	\$ <u><u>295</u></u>

The accompanying notes are an integral part of the financial statements.

ETI Corporation
(Formerly e-Channels Corporation)
(A Development Stage Company)
Statements of Operations

	For the Three Months Ended		For the Six Months Ended		From Inception
	<u>June 30, 2001</u>	<u>June 30, 2002</u>	<u>June 30, 2001</u>	<u>June 30, 2002</u>	<u>Through</u>
					<u>June 30, 2002</u>
Income	\$ -	\$ -	\$ -	\$ -	\$ -
Operating expenses	<u>(103,227)</u>	<u>(60,000)</u>	<u>(103,402)</u>	<u>(121,481)</u>	<u>(709,920)</u>
Net loss	<u>\$ (103,227)</u>	<u>\$ (60,000)</u>	<u>\$ (103,402)</u>	<u>\$ (121,481)</u>	<u>\$ (709,920)</u>
Basic loss per share:					
Loss from operation	\$ <u>n/a</u>	\$ <u>(0.01)</u>	\$ <u>n/a</u>	\$ <u>(0.02)</u>	
Basic weighted average shares outstanding	<u>5,546,667</u>	<u>5,750,700</u>	<u>5,546,667</u>	<u>5,750,700</u>	

The accompanying notes are an integral part of the financial statements

ETI Corporation
(Formerly e-Channels Corporation)
(A Development Stage Company)
Consolidated Statements of Cash Flows

	For the Six Months Ended		From Inception
	<u>June 30, 2001</u>	<u>June 30, 2002</u>	(March 23, 1998)
			Through
			<u>June 30, 2002</u>
Cash Flows from Operating Activities			
Net loss	\$ (103,402)	\$ (121,481)	\$ (709,920)
Adjustments to reconcile net loss to net cash used in operating activities:			
Common stock issued for services	102,420	-	125,100
Amortization expense	807	-	-
(Increase) in prepaid expenses	-	1,481	-
Increase in loans payable	-	-	13,715
Accrued officer's compensation	<u>-</u>	<u>120,000</u>	<u>420,000</u>
Net cash used in operating activities	<u>(175)</u>	<u>-</u>	<u>(151,105)</u>
Cash Flows from Finance Activities			
Gross proceeds from private offerings	-	-	150,400
Loans from affiliates	-	-	11,000
Repayments to affiliates	-	-	(10,000)
Loans to affiliates	-	-	(32,295)
Repayments from affiliate	<u>-</u>	<u>-</u>	<u>32,000</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>	<u>151,105</u>
Net increase (decrease) in cash and cash equivalents	\$ (175)	\$ -	\$ -
Cash and cash equivalents - beginning of period	175	-	-
Cash and cash equivalents - end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

ETI Corporation
(Formerly e-Channels Corporation)
(A Development Stage Company)
Consolidated Statements of Cash Flows

SUPPLEMENTAL SCHEDULES TO STATEMENT OF CASH FLOWS

	For the Three Months Ended		From Inception
	<u>June 30, 2001</u>	<u>June 30, 2002</u>	(March 23, 1998)
			Through
			<u>June 30, 2002</u>
Cash Paid During Year For:			
Income Taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

ETI Corporation
(Formerly e-Channels Corporation)
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS

Note 1. In the opinion of the Company's management, the accompanying unaudited financial statements contain all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial position of the Company as of June 30, 2002, and the results of its operations and cash flows for the three-month periods ended June 30, 2002 and 2001, and for the period from the Company's inception (January 14, 1998) through June 30, 2002. The operating results of the Company on a semi-annual basis may not be indicative of operating results for the full year.

Item 2. Management's Discussion and Analysis of Financial Condition and Plan of Operations

This statement includes projections of future results and “forward looking statements” as that term is defined in Section 27A of the Securities Act of 1933 as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934 as amended (the “Exchange Act”). All statements that are included in this Quarterly Report, other than statements of historical fact, are forward looking statements. Although management believes that the expectations reflected in these forward looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct.

Financial Summary

Results of Operations for the Six-Months Ended June 30, 2002

Loss from operations for six months of 2002 included accrued officer's compensation of \$120,000 and accounting expense of \$1,481.

Results of Operations for the Three-Months Ended June 30, 2002

For the three months ended June 30, 2002 net loss included accrued officer's compensation of \$60,000.

Liquidity and Capital Resources

For the Six-Months ended June 30, 2002.

During the six-month period ended June 30, 2002, the Company's cash position remained at zero.

For the Six-Months ended June 30, 2001.

During the six-month period ended June 30, 2001, the Company's cash position decreased by \$175, all used in the Company's operations.

Management Plan of Operations

ETI Corporation, a development stage company, has had limited business operations since its inception and has incurred operating losses to date. ETI Corporation's management has realized a need to raise funds in order to meaningfully proceed with business plan implementation. In fiscal year 2002, ETI's management has been primarily focusing on exploring opportunities that would enhance shareholder value, and has been aggressively evaluating and pursuing an opportunity for a business combination or acquisition.

ETI Corporation has presently suspended operations in multimedia sports and entertainment publishing and marketing. Management anticipates near-term focus to remain on pursuing a business combination opportunity. Additional funding is expected to be required to proceed with any revised business plan or plan of operations, and may be achieved through private placement or other financial arrangements.

Cash requirements have been met by a shareholder, although no commitment to continue such support exists. Any extended operations of the company may require the need to raise additional funds within the next six months.

ETI Corporation currently has suspended operations in the multimedia sports and entertainment publishing industry. Marketing plans and pricing structures are suspended and will be revised when the company's business direction and or objectives are revisited.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Change in Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

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

Not applicable

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

Exhibits

Charter and By-laws

No changes have been made, therefore the company incorporates by reference the exhibit 3(a) Articles of Incorporation and the exhibit 3(b) By-laws, filed with the Company's Form 10-SB on February 4, 2000.

ETI Corporation includes herewith the following exhibit:

99.1	Certification of President and Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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Reports on Form 8-K

No filings were made during the period covered by this report.

SIGNATURES

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

ETI Corporation

By: /s/ Paul Lanham
Paul Lanham, President

Date: August 14, 2002