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BRAINWORKS VENTURES INC
Form 10QSB/A
November 19, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB/A

(Mark one)

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001

TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE EXCHANGE ACT OF
1934 for the transition period from _____ to _____

Commission File Number: 0-06334

BRAINWORKS VENTURES, INC.
(Exact name of small business issuer as specified in its charter)

NEVADA
(State of Incorporation)

87-0281240
(IRS Employer ID Number)

101 MARIETTA STREET, SUITE 3450, ATLANTA, GEORGIA 30303
(Address of principal executive offices)

(404) 524-1667
(Issuer's telephone number, Including area code)

(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 such
shorter period that the registrant was required to file such reports), and (2)
has been subject to such filing requirements for the past 90 days.

YES NO

State the number of shares outstanding of each of the issuer's classes
of common equity, as of the latest practicable date: 2,459,934 shares as of
November 12, 2001.

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Transitional Small Business Disclosure Format (check one): Yes []
 No [X]

The assets acquired, liabilities assumed and the cost of the acquisition were as follows:

Assets acquired:		
Current assets, principally accounts and unbilled receivables	\$122,000	
Fixed assets	5,000	
Intangible assets	497,000	

	\$624,000	=====
Liabilities assumed:		
Accounts payable and accrued liabilities	\$ 35,000	
Due to stockholder	35,000	
Common stock issued to EVP stockholders at fair value	554,000	

	\$624,000	=====

In addition, the Company incurred acquisition costs of approximately \$78,000 in connection with the acquisition, which costs are being amortized over a 36-month period.

The following unaudited pro forma condensed statements of operations assume the Company's acquisition of EVP occurred on April 1, 2001. In the opinion of management, all adjustments necessary to present fairly such unaudited pro forma statements have been made.

	Six months ended 2001	September 30, 2000	
	-----	-----	
Revenue	\$ 487,000	\$ 16,000	
Net loss	\$(1,931,000)	\$ (658,000)	
Net loss per share	\$ (0.79)	\$ (0.45)	

NOTE C - RECLASSIFICATION

Certain items in the Company's Quarterly Report on Form 10-QSB for the period ended September 30, 2000 have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported income.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

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Certain statements contained in this Quarterly Report on Form 10-QSB are "forward-looking statements," within the meaning of the Private Securities Litigation Reform Act of 1995, and are thus prospective in nature. Such forward-looking statements reflect management's beliefs and assumptions and are based on information currently available to management. The forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Brainworks Ventures, Inc. to differ materially from those expressed or implied in such statements. There can be no assurance that such factors or other factors will not affect the accuracy of such forward-looking statements

RESULTS OF OPERATIONS

For the three months ended September 30, 2001 and 2000, the Company recorded revenues of \$398,000 and \$0, respectively. The source of revenue is primarily consulting services provided by BVL and EVP during the period ended September 30, 2001.

For the three months ended September 30, 2001 and 2000, the cost of revenue was \$404,000 and \$0, respectively. The cost of revenue is primarily consulting and payroll expenses.

For the three months ended September 30, 2001, the selling, general and administrative expenses amounted to \$1,169,000, an increase of \$865,000 over the corresponding period ended September 30, 2000. The increase was primarily due to higher payroll expenses and operating costs incurred after the acquisitions of BVL and EVP and a

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non-cash compensation charge of \$415,000 related to amortization of stock options granted to consultants and advisors.

For the six months ended September 30, 2001 and 2000, the Company recorded revenues of \$529,000 and \$0, respectively. In addition, during the six months ended September 30, 2000, the Company realized net gains of \$1,120,000 primarily on the disposal of its investments in Corporacion De La Fonda. The increase in revenue is primarily due to consulting revenue earned by EVP.

For the six months ended September 30, 2001 and 2000, the cost of revenue was \$484,000 and \$0, respectively. The cost of revenue is primarily consulting and payroll expenses.

For the six months ended September 30, 2001, the selling, general and administrative expenses was \$2,024,000, an increase of \$208,000 over the corresponding period ended September 30, 2000. The increase is primarily due to higher payroll and operating costs incurred after the acquisition of BVL and EVP and a non-cash compensation charge of \$787,000 related to the amortization of stock options granted to consultants and advisors. Selling, general and administrative expenses for the six months period ended September 30, 2000 included a non-cash compensation charge of \$1,521,000 related to the stock options granted for services.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2001, working capital was a \$4,000 deficit compared to \$653,000 at March 31, 2001. This decrease was principally due to cash used in operations resulting from the current period loss.

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For the six months ended September 30, 2001, net cash used in operating activities was \$352,000 and net cash used in investing activities was \$78,000. Net cash provided by financing activities was \$227,000. For the six months ended September 30, 2000, net cash used in operations was \$228,000, net cash provided by investing activities was \$1,319,000 and net cash provided by financing activities was \$8,000.

Current assets as of September 30, 2001 was \$565,000, a decrease of \$391,000 from the March 31, 2001 and a decrease of \$782,000 from September 30, 2000. Total assets as of September 30, 2001 of \$3,655,000 represents a decrease of \$309,000 in total assets from the March 31, 2001 and an increase in total assets from September 30, 2000 of \$2,103,000. This increase in total assets was primarily due to the acquisition by the Company of BVL and EVP, which acquisitions occurred on February 14, 2001 and May 8, 2001, respectively.

While management believes that these acquisitions should assist the Company in pursuing its business direction, management's plans included seeking additional capital or debt financing or the possible sale of the Company.

INFLATION

The Company does not currently view the effects of inflation as having a material effect on the Company's business.

PART II - OTHER INFORMATION

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

The Annual Meeting of the Stockholders of the Company was held on September 8, 2001 (the "Meeting") in Alpharetta, Georgia. There were 2,457,934 shares of the Company's common stock issued and outstanding and entitled to vote at the Meeting of which 1,650,271 shares were present at the Meeting in person or represented by proxy. The table below sets forth the proposal that was voted on at the Meeting and the voting results of such proposal.

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PROPOSAL: -----	FOR ---	WITHHELD -----	ABSTAIN -----
To elect the nominees listed below to the Board of Directors:			
John P. Cayce	1,648,921	1350	0
Donald Ratajczak	1,648,921	1350	0
Kirk K. Reiss	1,648,921	1350	0
Marc J. Schwartz	1,648,921	1350	0
Cole F. Walker	1,648,921	1350	0

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

None.

(b) Reports on Form 8-K.

During the quarter ended September 30, 2001, the Company filed one Current Report on Form 8-K/A with the Securities and Exchange Commission (the "SEC") on August 16, 2001, which report amended Item 7 of the Current Report on Form 8-K filed with the SEC on May 23, 2001 (reporting under item 2 of such report the Company's acquisition of EVP), to set forth the (i) audited financial statements of EVP as of March 31, 2001, and for the period from May 1, 2000 (commencement of operations) to March 31, 2001; and (ii) unaudited pro forma condensed consolidated financial statements for the year ended March 31, 2000.

SIGNATURES

In accordance with Section 13 or 10(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BRAINWORKS VENTURES, INC.

By: /s/ Marc J. Schwartz

Marc J. Schwartz
Vice President/ Treasurer

Dated: November 19, 2001