

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-QSB

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

For the quarterly period ended December 31, 2002

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

Commission File Number 33-70334-A

**INTERNATIONAL ASSETS
HOLDING CORPORATION**

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

Delaware
(State or other jurisdiction of
incorporation or organization)

59-2921318
(IRS Employer
Identification No.)

220 East Central Parkway, Suite 2060
Altamonte Springs, FL 32701
(Address of principal executive offices)

(407) 741-5300
(Issuer's telephone number)

NA
(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. Yes No .

The number of shares outstanding of Voting Common Stock was 2,367,367 as of February 12, 2003.

Transitional small business disclosure format Yes No

INDEX

	Page No.
Part I. FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheets as of December 31, 2002 and September 30, 2002	3
Condensed Consolidated Statements of Operations for the Three Months ended December 31, 2002 and 2001	4
Condensed Consolidated Statements of Cash Flows for the Three Months ended December 31, 2002 and 2001	5
Notes to Condensed Consolidated Financial Statements	6
Item 2. Management’s Discussion and Analysis or Plan of Operation	12
Item 3. Controls and Procedures	17
Part II. OTHER INFORMATION	
Item 1. Legal Proceedings	17
Item 2. Changes in Securities	19
Item 6. Exhibits and Reports on Form 8-K	20
Signatures	21
Certifications	21

INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)

	December 31, 2002	September 30, 2002
<u>Assets</u>		
Cash	\$ 3,265,855	\$ 56,158
Cash and cash equivalents deposited with clearing organization	1,924,197	4,427,445
Receivable from clearing organization, net	497,198	—
Other receivables	7,500	200,000
Loans to officers	18,785	21,468
Securities owned, at market value	4,229,111	5,772,672
Deferred income tax asset, net	403,441	540,766
Property and equipment, at cost:		
Equipment, furniture and leasehold improvements	509,843	596,726
Less accumulated depreciation and amortization	(274,086)	(445,399)
Net property and equipment	235,757	151,327
Software development, net of accumulated amortization of \$809,577 at December 2002 and \$752,784 at September 2002	225,924	282,718
Deposit with clearing organization	500,000	—
Prepaid expenses and other assets, net of accumulated amortization of \$2,000 at December 2002 and September 2002	255,368	119,625
Total assets	\$ 11,563,136	\$ 11,572,179
<u>Liabilities and Stockholders' Equity</u>		
Liabilities:		
Accounts payable	\$ 86,059	\$ 81,535
Foreign currency sold, not yet purchased	9,647	15,773
Securities sold, not yet purchased, at market value	2,955,528	5,796,820
Payable to clearing organization, net	—	1,024,728
Accrued employee compensation and benefits	284,563	240,072
Accrued expenses	112,746	109,883
Other liabilities	223,173	49,686
Total liabilities	3,671,716	7,318,497
Stockholders' equity:		
Preferred stock, \$.01 par value. Authorized 5,000,000 shares; issued and outstanding 2,187,500 Series A, non-voting shares at December 2002	21,875	—
Common stock, \$.01 par value. Authorized 8,000,000 shares; issued and outstanding 2,367,367 shares at December 2002 and 2,375,575 shares at September 2002	23,674	23,756
Additional paid-in capital	11,431,710	8,026,131
Retained deficit	(3,585,839)	(3,796,205)
Total stockholder's equity	7,891,420	4,253,682
Total liabilities and stockholders's equity	\$ 11,563,136	\$ 11,572,179

See accompanying notes to condensed consolidated financial statements.

[Table of Contents](#)

INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
For the Three Months Ended December 31, 2002 and 2001
(Unaudited)

	2002	2001
Revenues:		
Net dealer inventory and investment gains	\$2,036,370	\$1,019,755
Commissions (note 2)	—	401,212
Management and investment advisory fees (note 2)	—	6,292
Interest income (expense), net	4,247	6,176
Dividend income (expense), net	(1,377)	4,419
Other revenues	1,504	1,816
	<hr/>	<hr/>
Total revenues	2,040,744	1,439,670
	<hr/>	<hr/>
Expenses:		
Compensation and benefits	\$ 731,272	\$ 733,579
Clearing and related expenses	429,953	439,942
Promotion	82,667	36,787
Occupancy and equipment rental	82,934	138,935
Professional fees	181,737	46,834
Insurance	43,417	43,246
Depreciation and amortization	77,156	111,578
Other expenses	63,916	131,896
	<hr/>	<hr/>
Total expenses	1,693,052	1,682,797
	<hr/>	<hr/>
Operating income (loss) before gain on sale of retail activity and income tax expense	347,692	(243,127)
Gain on sale of retail activity (note 2)	—	413,009
	<hr/>	<hr/>
Income before income taxes	347,692	169,882
Income tax expense	137,325	67,201
	<hr/>	<hr/>
Net income	\$ 210,367	\$ 102,681
	<hr/>	<hr/>
Earnings per share:		
Basic	\$ 0.09	\$ 0.04
	<hr/>	<hr/>
Diluted	\$ 0.09	\$ 0.04
	<hr/>	<hr/>
Weighted average number of common shares outstanding:		
Basic	2,375,486	2,310,898
	<hr/>	<hr/>
Diluted	2,435,895	2,311,500
	<hr/>	<hr/>

See accompanying notes to condensed consolidated financial statements.

[Table of Contents](#)

INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
For the Three Months Ended December 31, 2002 and 2001
(Unaudited)

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Net income	\$ 210,367	102,681
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	77,156	111,578
Deferred income taxes	137,325	67,201
Gain on sale of retail activity	—	(413,009)
Loss on disposals of property and equipment	10,851	—
Cash provided by (used in) changes in:		
Receivable from and payable to clearing organization, net	(1,521,926)	806,450
Other receivables	192,500	(55,484)
Securities owned, at market value	1,543,561	(1,003,045)
Deposit with clearing organization	(500,000)	—
Prepaid expenses and other assets	(135,743)	(22,156)
Foreign currency sold, not yet purchased	(6,126)	(203,002)
Securities sold, not yet purchased, at market value	(2,841,292)	1,305,715
Accounts payable	4,524	(235,840)
Accrued employee compensation and benefits	44,491	(246,675)
Accrued expenses	2,863	(13,051)
Payable to joint venture	—	(2,032)
Other liabilities	173,487	26
Net cash (used in) provided by operating activities	<u>(2,607,962)</u>	<u>199,357</u>
Cash flows from investing activities:		
Proceeds from sale of retail activity	—	827,240
Proceeds from sale of property	4,750	—
Collections from loans to officers	2,683	3,500
Costs of additional property and equipment	(120,393)	(1,971)
Net cash (used in) provided by investing activities	<u>(112,960)</u>	<u>828,769</u>
Cash flows from financing activities:		
Sale of preferred stock, net of costs of acquisition	3,435,571	—
Sale of common stock with sale of retail activity	—	80,000
Acquisition of common shares related to terminated 401k and RSP participants	(8,200)	—
Net cash provided by financing activities	<u>3,427,371</u>	<u>80,000</u>
Net increase in cash and cash equivalents	706,449	1,108,126
Cash and cash equivalents at beginning of period	4,483,603	1,011,301
Cash and cash equivalents at end of period	<u>\$ 5,190,052</u>	<u>2,119,427</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 193	519

See accompanying notes to condensed consolidated financial statements.

INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

December 31, 2002

(Unaudited)

(1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions and requirements of Form 10-QSB and, therefore, do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. In the opinion of Management, such financial statements reflect all adjustments (consisting of normal recurring items) necessary for a fair statement of the results of operations, cash flows and financial position for the interim periods presented. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2002, filed on Form 10-KSB (SEC File Number 33-70334-A).

Current Subsidiaries and Operations

As used in this Form 10-QSB, the term "Company" refers, unless the context requires otherwise, to International Assets Holding Corporation and its three wholly owned subsidiaries; INTL Trading, Inc. ("INTL Trading") (formerly known as INTLTRADER.COM, INC., name changed December 9, 2002), INTL Assets, Inc. ("INTL ASSETS") (formerly known as International Asset Management Corp., name changed January 17, 2003) and OffshoreTrader.com Ltd. ("OTCL"). All significant intercompany balances and transactions have been eliminated in consolidation.

International Assets Holding Corporation operates as a wholesale international securities firm. The Company's primary activity is to make wholesale markets in selected international foreign ordinary shares, unlisted American Depository Receipts (ADR'S) and international bonds and fixed income securities. This activity is currently carried out through the Company's wholly-owned subsidiary INTL Trading.

(2) Sale of Certain Operations

On December 13, 2001 the Company sold its two wholly owned subsidiaries, International Assets Advisory, LLC and Global Assets Advisors, LLC, and its 50% membership interest in International Assets New York, LLC (IANY). In connection with the disposition transaction, the Buyer also purchased 80,000 shares of the Company's common stock. The Company received total proceeds of \$907,240 for these sale transactions. The Company allocated \$827,240 of the proceeds to the sale of the two wholly owned subsidiaries and the 50% interest in IANY. The Company allocated \$80,000 of the proceeds to the sale of common shares based on the fair market value of the stock.

INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements, continued

The Company had a book basis of \$414,231 related to the sale of the two wholly owned subsidiaries and IANY. The \$413,009 gain on sale of retail activity recorded in 2002 was determined by deducting the book basis of \$414,231 from the proceeds of \$827,240.

Commission revenues from retail private client securities brokerage activity amounted to \$0 and \$401,212 for the three months ended December 31, 2002 and 2001, respectively. Though certain costs associated with this activity are distinct and clearly identifiable; many are not and management has not historically operated, monitored or specifically allocated expenses to this activity in such a manner as to determine profitability by activity. In the same sale transaction, International Assets Holding Corporation agreed to sell its money management activity, which had revenues from management and investment advisory fees of \$0 and \$6,292 for the three months ended December 31, 2002 and 2001, respectively. The money management activity was primarily related and tied into the retail private client activity including the same sales staffing, operations and research support. It was separated for purposes of securities licensing and regulation.

(3) Effects of Recent Accounting Pronouncements and Interpretations

In December 2002 the FASB issued SFAS No. 148—Accounting for Stock—Based Compensation—Transition and Disclosure. This SFAS amends SFAS No. 123 -Accounting for Stock—Based Compensation to provide alternative methods of transition for entities electing the fair value based method of accounting for stock—based employee compensation. This SFAS also requires additional and more prominent disclosure related to accounting methods used for stock -based employee compensation and pro forma amounts related to any period accounted for under the intrinsic method of Opinion 25. The Company will continue its policy to utilize APB 25 for the treatment of its stock based compensation. The Company is currently evaluating the effects of the disclosure provisions of SFAS 148.

In November 2002, the FASB issued Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirement for Guarantees, Including Indirect Guarantees for Others.” The interpretation addresses the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. These disclosure requirements are included in the Commitments and Contingencies disclosure within this Form 10Q. The Interpretation also requires the recognition of a liability by a guarantor at the inception of certain guarantees. The Interpretation requires the guarantor to recognize a liability for the non-contingent component of the guarantee, this is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The initial measurement of this liability is the fair value of the guarantee at inception. The recognition of the liability is required even if it is not probable that payments will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements. The Company has evaluated the provisions of

INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements, continued

Interpretation 45 and determined it has one disclosure item. In December 2001, as part of the sale identified in Note 2 above, the Company assumed responsibility for any liabilities related to prior operations of the institutional trading desk. This assumption of liabilities was provided because the Company's trading desk was previously operated under the subsidiary (International Assets Advisory Corp) that was sold in December 2001. Accordingly, the buyer of the subsidiary never managed the trading activity and did not receive any future benefits from the trading activity. As of this date the Company knows of no material matters related to this responsibility and accordingly has not recorded any related provision.

In January 2003 the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities." The interpretation addresses the consolidation of variable interest entities. The Company has evaluated the provisions of Interpretation No. 46 and determined it does not have any significant interests in any variable interest entities.

(4) Agreements for Sale of Preferred Stock and Change in Management

On October 22, 2002, the Company executed three Share Subscription Agreements and three Registration Rights Agreements (the "Agreements") with three individual private investors for the sale of common shares and preferred shares. On December 6, 2002, the Company and three Investors signed amended agreements, including Share Subscription Agreements, to close the investment transaction originally agreed to on October 22, 2002. The terms of the investment were amended to provide for the purchase of only shares of Series A Preferred stock, which are non-voting and non-convertible. As a result, additional capital of \$3,718,750 (\$3,427,371 net proceeds after transaction costs of \$283,179) has been invested in the Company in the form of 2,187,500 Series A Preferred shares at a price of \$1.70 per preferred share. The transaction will be presented to the shareholders for approval at the shareholders' meeting on February 28, 2003 and shareholders will also be asked to approve a provision providing for the convertibility of the preferred shares into common stock on a one-for-one basis. If the stockholders do not approve the provision, the investors will have the right to redeem, and the Company will have the right to repurchase, the Series A Preferred shares at \$1.70 per share.

Pursuant to the Agreements executed on October 22, 2002, the Company agreed to appoint each of the new investors to the Board of Directors and the Board of Directors of the Company agreed to appoint one of the new investors as CEO and another of the investors as President. The Company has entered into employment agreements with both of these individuals. There are further terms precedent to the Agreements including approval of a new stock option plan and an amendment of the Company's Certificate of Incorporation to require at least a 75% vote of stockholders to remove or change the Chairman of the Board, which must be approved by shareholders at the annual meeting.

INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements, continued

The terms, conditions and Agreements related to these transactions are further described in the Company's two 8-K filings submitted to the Securities and Exchange Commission on October 24, 2002 and December 10, 2002. These SEC filings can also be viewed on the Company's website at www.intlassets.com.

(5) Reclassifications

Certain prior period amounts have been reclassified to conform to current period presentation. These changes had no impact on previously reported results of operations or stockholders' equity.

(6) Basic and Diluted Earnings Per Share

Basic earnings per share for the three months ended December 31, 2002 and 2001 have been computed by dividing net income by the weighted average number of common shares outstanding.

Options to purchase 527,146 and 532,434 shares of common stock were excluded from the calculation of diluted earnings per share for the three months ended December 31, 2002 and 2001, respectively, because their exercise prices exceeded the average market price of common shares for the period.

For the Three Months Ended December 31,	2002	2001
Diluted Earnings Per Share		
Numerator:		
Net income	\$ 210,367	\$ 102,681
Denominator:		
Weighted average number of common shares and dilutive potential common shares outstanding	2,435,895	2,311,500
Diluted earnings per share	\$ 0.09	\$ 0.04

(7) Interest Income (Expense), net and Dividend Income (Expense), net

For the Three Months Ended December 31,	2002	2001
Interest income and interest (expense), net, are comprised as follows:		
Interest income	\$ 4,440	6,695
Interest expense	(193)	(519)
Net	4,427	6,176
Dividend income and dividend (expense), net, are comprised as follows:		
Dividend income	\$ 18,053	22,241
Dividend expense	(19,430)	(17,822)
Net	(1,377)	4,419

INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements, continued

(8) Securities Owned and Securities Sold, But Not Yet Purchased, at market value

Securities owned and Securities sold, not yet purchased at December 31, 2002 and September 30, 2002 consist of trading and investment securities at quoted market values as follows:

	Owned	Sold, not yet purchased
December 31, 2002:		
Common stock and American Depository Receipts	1,777,902	603,017
Foreign ordinary stock paired with its respective American Depository Receipt	2,358,216	2,351,167
Corporate and municipal bonds	29,438	—
Foreign government obligations	1,213	—
Other investments	62,342	1,344
Total	\$ 4,229,111	2,955,528
September 30, 2002:		
Common stock and American Depository Receipts	1,080,710	1,046,074
Foreign ordinary stock paired with its respective American Depository Receipt	4,566,045	4,748,282
Corporate and municipal bonds	57,814	—
Foreign government obligations	2,233	—
Other investments	65,870	5,464
Total	\$ 5,772,672	5,796,820

(9) Receivable From and Payable to Clearing Organization

Amounts receivable from and payable to clearing organization at December 31, 2002 and September 30, 2002 consist of the following:

	Receivable	Payable
December 31, 2002:		
Open transactions, net	\$ 566,978	—
Clearing fees and related charges payable	—	69,780
	\$ 566,978	69,780
September 30, 2002:		
Open transactions, net	\$ —	978,703
Clearing fees and related charges payable	—	46,025
	\$ —	1,024,728

As these amounts are short-term in nature, the carrying amount is a reasonable estimate of fair value.

INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements, continued

(10) Leases

The Company occupies leased office space of approximately 5,100 square feet at 220 E. Central Parkway, Altamonte Springs, Florida. The commencement date of this Florida lease was February 1, 2002, with six months free rent, and a seven year term to July 31, 2009. The Company also occupies leased office space of approximately 3,700 square feet at 708 Third Avenue 7th Floor, New York, New York. The commencement date of this New York lease was December 13, 2002, with two months free rent, and a forty-four month term to September 29, 2006. The Company also occupies leased office space of approximately 310 square feet in a full-service office facility at 1111 Brickell Avenue, 11 Floor, Miami, Florida. The commencement date of this Miami lease was December 18, 2002, with free base rent for December 2002 and January 2003, and a expiration date of January 31, 2004.

The Company is obligated under various noncancelable operating leases for the rental of its office facilities, service obligations and certain office equipment. Rent expense associated with operating leases amounted to \$81,843 and \$20,737 for the three months ended December 31, 2002, and 2001, respectively. The future minimum lease payments under noncancelable operating leases are as follows:

<u>Fiscal Year (12 month period) Ending September 30,</u>	
2003	443,500
2004	378,000
2005	253,600
2006	217,300
2007	114,900
Thereafter	203,700
Total future minimum lease payments	<u>\$ 1,611,000</u>

(11) Stock Option Plan

During the three months ended December 31, 2002, 407,000 incentive stock options were granted to employees. In addition, 26,974 incentive stock options were cancelled due to employee terminations. As of December 31, 2002 the Company had 907,250 options outstanding.

Incentive Stock Options (Granted during the three months ended December 31, 2002)

<u>Options Granted</u>	<u>Grant Date</u>	<u>Exercise Price</u>	<u>Expiration Date</u>	<u>Exercisable</u>
285,000	12/06/02	\$2.50	12/6/12	(a)
20,000	12/06/02	\$1.30	12/6/12	(a)
102,000	12/06/02	\$1.30	12/6/12	(b)
<u>407,000</u>				

INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements, continued

- (a) Exercisable at 33.3% after year one, 33.3% after year two and 33.4% after year three. These options are 100% exercisable upon a change in control of the Company.
- (b) Exercisable at 33.3% after year one, 33.3% after year two and 33.4% after year three.

As the strike price on the date of grant for each option was above or equal to the fair market value of a share of common stock on that date, the Company did not recognize any compensation cost associated with such grants.

(12) Commitments and Contingent Liabilities

The Company is party to certain litigation as of December 31, 2002, which relates primarily to matters arising in the ordinary course of business. While the Company cannot absolutely predict the outcome of these actions at this time, it is the opinion of management, given the probability of success by the Company, that the resolution of these matters will not have a material adverse effect on the consolidated financial condition of the Company.

INTL Trading executed a fully disclosed clearing agreement dated November 15, 2002 with the Pershing Division of Donaldson, Lufkin & Jenrette Securities Corporation ("Pershing"). The Company began trading its new fixed income business in early January 2003 under this new clearing agreement with Pershing. The Company intends to transfer its equity trading business to Pershing during the quarter ended March 31, 2003. The terms of the clearing agreement include an early termination fee of \$100,000 payable by the Company if the Company were to leave in one year; \$50,000 in two years; or reasonable and documentable deconversion-related expenses in year three or thereafter.

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

The following discussion and analysis should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report. Certain statements in this discussion may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks including, but not limited to, changes in general economic and business conditions, interest rate and securities market fluctuations, competition from within and from outside the investment brokerage industry, new products and services in the investment brokerage industry, changing trends in customer profiles and changes in laws and regulation applicable to the Company. Although the Company believes that its expectations with respect to the forward-looking statements are based upon reasonable assumptions within the bounds of its knowledge of its business and operations, there can be no assurances that the actual results, performance or achievement of the Company will not differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. The Company undertakes no

[Table of Contents](#)

obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties and that actual results may differ materially from those indicated in the forward-looking statements as a result of various factors.

Readers are cautioned not to place undue reliance on these forward-looking statements.

The Company's principal operating activities, market-making and trading in international securities are highly competitive and extremely volatile. The earnings of the Company are subject to wide fluctuations since many factors over which the Company has little or no control, particularly the overall volume of trading and the volatility and general level of market prices, may significantly affect its operations.

Results of Operations:

On December 6, 2002 the Company received \$3,718,750 (\$3,427,371 net proceeds after transaction costs of \$283,179) from the sale of 2,187,500 Series A Preferred, non-convertible and non-voting shares. At the annual meeting of the shareholders scheduled for February 28, 2003, the shareholders will be asked to approve a provision within the share subscription agreements which governed the terms of this transaction that requires the shareholders to approve the conversion of the preferred shares into common stock on a one-for-one basis. If the shareholders do not approve the provision, the investors will have the right to redeem, and the Company will have the right to repurchase, the Series A Preferred shares at \$1.70 per share.

The Company intends to use the proceeds received from the sale of the Series A Preferred Stock to expand its existing activities and commence activities in related international markets which management believes are suited to the Company's size and expertise. As a first step in realizing this objective, the Company has hired two experienced fixed-income traders and opened an office at 708 3rd Avenue, New York City which commenced operations in January, 2003.

As of December 31, 2002 the Company had 22 full time employees. Included in this number are two new senior executives which were appointed as part of the provisions in the share subscription agreements referenced above.

The Company reported net income of \$210,367 for the quarter ended December 31, 2002, which equates to \$0.09 per diluted share. This compares to net income of \$102,681, or \$.04 cents per share, for the quarter ended December 31, 2001.

Quarter Ended December 31, 2002 as Compared to the Quarter Ended December 31, 2001

The Company's revenues are now derived primarily from trading revenue (net dealer inventory and investment gains). Total revenues for the quarter ended December

[Table of Contents](#)

31, 2002 were \$2,040,744, an increase of 42% over the quarter ended December 31, 2001. The increase in trading revenue stems from the development of new wholesale client relationships and retention of existing clients.

For the quarter ended December 31, 2002, 99.8% of the Company's revenues were derived from trading revenue while for the quarter ended December 31, 2001, 71% of the Company's revenues were derived from trading revenue and 28% of revenues were derived from commissions. The change in revenue composition reflects the re-focusing of the business on wholesale trading and the sale of the retail brokerage.

The quarter ended December 31, 2001 included revenues from commissions of \$401,212 and management and investment advisory fees of \$6,292. Due to the re-focusing of the business, the consequent sale of the retail brokerage operation and the investment advisory business in December, 2001 no additional revenue was generated in these categories during the quarter ended December 31, 2002.

Interest income (expense), net was \$4,247 for the quarter ended December 31, 2002 compared to \$6,176 for the quarter ended December 31, 2001. This decrease is due to lower balances of interest producing assets, including money market balances, and lower market rates during the quarter ended December 31, 2002 compared to the same period in 2001.

Dividend income (expense), net was (\$1,377) for the quarter ended December 31, 2002 compared to \$4,419 for the quarter ended December 31, 2001.

Total expenses increased by approximately 1% to \$1,693,052 for the quarter ended December 31, 2002, up from \$1,682,797 for the same period in 2001. This increase in total expenses is mainly due to increases in professional fees and promotion expense largely offset by reductions in occupancy and equipment rental, depreciation and amortization and other expenses.

In the quarter ended December 31, 2002, 43% of total expenses relate directly to compensation and benefits, with 35% of compensation and benefits expense being variable, performance based incentives paid to traders. Clearing and related expense accounted for 25% of total expenses, promotion expense 5%, occupancy and equipment rental expense 5% and professional fees 11%.

Compensation and benefits expense for the quarter ended December 31, 2002 decreased by less than 1% to \$731,272 compared to \$733,579 for the quarter ended December 31, 2001. This slight decrease in compensation and benefits expense was due to decreases in commission expense and decreases from the reduction in the number of employees prior to the sale of the retail activity in December 2001. These decreased costs were largely offset by increases in performance based compensation due to the corresponding increased revenues and profitability as well as increases for new employees.

[Table of Contents](#)

Clearing and related expenses decreased 2% to \$429,953 for the quarter ended December 31, 2002, down from \$439,942 for the quarter ended December 31, 2001. This decrease is related to a decrease in ADR conversion fees largely offset by an increase in clearing fees due to an increase in the total number of trades processed.

Total promotion expense increased by approximately 125% to \$82,667 for the quarter ended December 31, 2002 compared to \$36,787 during the quarter ended December 31, 2001. This increase is primarily due to incremental promotion activities undertaken to support the Company's ongoing operations.

Occupancy and equipment rental expense decreased by 40% to \$82,934 for the quarter ended December 31, 2002 compared to the quarter ended December 31, 2001 due to a relocation in February, 2002 to less costly leased office space. Offsetting a portion of this saving are several new equipment leases for telephone and computer equipment. The annualized net savings from this office relocation are currently anticipated to be over \$150,000. The Company has also entered into a four-year lease for its newly established office in New York, which became effective in December 2002 and operational in January 2003. Future occupancy and equipment rental expenses will reflect the annual commitment of \$77,700 for this new lease.

Professional fees increased by approximately 288% to \$181,737 for the quarter December 31, 2002 compared to the quarter ended December 31, 2001 due to legal fees related to the arbitration and injunction matters further discussed in Part II, Item 1 of this Form 10-QSB.

Insurance expense increased by \$171 to \$43,417 for the quarter ended December 31, 2002 compared to the quarter ended December 31, 2001.

Depreciation and amortization expense decreased approximately 31% to \$77,156 for the quarter ended December 31, 2002 compared to the quarter ended December 31, 2001 due to the disposition of fixed assets related to the sale of the retail private client activity in December 2001 as well as decreased software amortization due to the completed amortization of several phases of the software development effort.

Other operating expenses decreased approximately 52% to \$63,916 for the quarter ended December 31, 2002 compared to the quarter ended December 31, 2001 due to reductions in director's fees and expense, license and bond fees and reduced communications and technology expenses associated with the retail brokerage activity.

The Company recognized income tax expense of \$137,325 during the quarter ended December 31, 2002. The amount of income taxes currently payable for the quarter ended December 31, 2002 is reduced by the utilization of the previously recognized net operating loss carryforward, a component of the deferred income tax assets. Management continues to analyze the valuation allowance of the remaining net operating loss carryforward and no change in the amount was necessary at this time.

[Table of Contents](#)

Valuation of deferred tax assets depends upon a number of factors including the predictability of future earnings. Assuming the Company remains profitable, the ultimate realization of the net deferred tax assets, in excess of those amounts reported at December 31, 2002, could result in a future increase in reported earnings.

The Company's effective income tax rate was approximately 40% for each of the quarters ended December 31, 2002 and 2001.

Liquidity and Capital Resources

Substantial portions of the Company's assets are liquid. The majority of the assets consist of securities inventories, which fluctuate depending on the levels of customer business. At December 31, 2002, approximately 85% of the Company's assets consisted of cash, cash equivalents, receivable from clearing organization and marketable securities. All assets are financed by the Company's equity capital, short-term borrowings from securities sold, not yet purchased and other payables.

Distributions to the Company from INTL Trading, the Company's primary source of liquidity, are restricted by applicable law and regulations. The Net Capital Rules are the primary regulatory restrictions regarding capital resources. The Company's rights to participate in the assets of any subsidiary are also subject to prior claims of the subsidiary's creditors, including customers of INTL Trading.

INTL Trading, a wholly owned registered securities broker-dealer subsidiary, is subject to the requirements of the SEC and the NASD relating to liquidity and net capital levels. At December 31, 2002, INTL Trading had net capital of \$2,812,853, which was \$2,459,853 in excess of its minimum net capital requirement at that date.

The Company's total assets and liabilities and the individual components thereof may vary significantly from period to period because of changes relating to customer needs and economic and market conditions. The Company's total assets at December 31, 2002 and September 30, 2002, were \$11,563,136 and \$11,572,179, respectively. The Company's operating activities generate or utilize cash resulting from net income or loss earned during the period and fluctuations in its assets and liabilities. The most significant fluctuations have resulted from changes in the level of customer activity and securities inventory changes resulting from proprietary arbitrage trading strategies dictated by prevailing market conditions.

In addition to normal operating requirements, capital is required to satisfy financing and regulatory requirements. The Company's overall capital needs are continually reviewed to ensure that its capital base can appropriately support the anticipated capital needs of the operating subsidiaries. The excess regulatory net capital of the Company's broker-dealer subsidiary may fluctuate throughout the year reflecting changes in inventory levels and/or composition and balance sheet components.

In the opinion of management, the Company's existing capital and cash flow from operations will be adequate to meet the Company's capital needs for at least the next twelve months in light of known and reasonably estimated trends.

[Table of Contents](#)

Cash Flows

For the three months ended December 31, 2002, cash and cash equivalents increased by \$706,449. Funds used in operating activities were \$2,607,962 for the period ended December 31, 2002. This use of operating funds was primarily due to the change in the composition of securities owned, securities sold, not yet purchased and the net receivable and payable to clearing organization. During the three months ended December 31, 2002, the Company reported cash used in investing activities of \$112,960 primarily for the purchase of property and equipment for the Company's new office in New York. Net cash provided by financing activities was \$3,427,371, which was primarily comprised of the net proceeds of \$3,435,571 provided by the sale of preferred stock in December 2002 (\$3,718,750 capital raised less transaction costs of \$283,179).

ITEM 3. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time period specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed within 90 days of the filing date of this report, the Chief Executive Officer and Chief Financial Officer of the Company concluded that the Company's disclosure controls and procedures were adequate.

Changes in Internal Controls

The Company made no significant changes in its internal controls or in other factors that could significantly affect those controls subsequent to the date of the evaluation of those controls by the Chief Executive Officer and Chief Financial Officer.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company was party to certain litigation as of December 31, 2002, which related primarily to matters arising in the ordinary course of business. While the Company cannot absolutely predict the outcome of these actions at this time, it is the opinion of management, given the probability of success by the Company, that the resolution of these matters will not have a material adverse effect on the consolidated financial condition of the Company.

On January 4, 2001, the Company filed an arbitration matter with the NASD regarding several breaches (including but not limited to raiding, unfair competition and misappropriation of trade secrets) related to the sudden departure, on December 19, 2000, of the head of the foreign trading desk and his related recruitment of the

[Table of Contents](#)

entire Company's trading staff. This arbitration claim was filed against the broker-dealer who became the employer of the recruited employees, two principals of the broker-dealer, two affiliated securities firms of the broker-dealer and two principals of those affiliated firms. On March 14, 2001, the broker-dealer who became the employer and two of its principals responded and filed a counterclaim against the Company. The Company disputes the counterclaim and intends to vigorously defend it. On March 19, 2001, the two affiliated securities firms of the broker-dealer also filed a counterclaim as well as a claim for attorney's fees.

Effective September 30, 2002, the Company agreed to settle this matter with the two affiliated securities firms and the two principals of those firms. The Company received \$200,000 on October 11, 2002, pursuant to an executed written agreement detailing the terms of the settlement. The Company will continue to pursue its claims against the broker-dealer and the two principals of the broker-dealer. The NASD arbitration for this matter commenced during the week of November 4, 2002 through November 8, 2002. The matter has been continued (delayed) until March 2003.

On April 1, 2002, the Company filed suit for damages, and for temporary and permanent injunctive relief in Circuit Court in Orange County, Florida. The suit was filed against a New York Stock Exchange listed company for breach of a confidentiality agreement and misappropriation of trade secrets. The Company posted a \$50,000 cash bond with the court when a temporary injunction was issued. On April 9, 2002, the Circuit Court denied a motion to dissolve the temporary injunction, and on April 12, 2002, the defendant filed an appeal. On April 29, 2002, the defendant filed three motions with the Circuit Court to: 1) dissolve the temporary injunction, 2) compel an NASD arbitration and 3) dismiss the claims. Also on April 29, 2002, the defendant filed an NASD arbitration claim seeking damages in excess of \$450,000 as a result of the issuance of the temporary injunction. On May 30, 2002, the Circuit Court of Orange County, Florida; 1) denied a motion to dissolve the temporary injunction, 2) reserved ruling on the motion to compel arbitration and 3) granted a motion to dismiss the original complaint while allowing the Company to amend the complaint within ten days. On November 15, 2002, the Fifth District Court of Appeals of Florida ordered the dissolution of the temporary injunction on the ground that the plaintiff had not established before the Circuit Court that money damages would not provide an adequate remedy for the Company. The Company believes it has arguments that will substantially defeat any claims that may be presented by the defendant arising from the temporary relief granted by the Circuit Court. On December 12, 2002, the NASD deferred action on whether the defendant's claim is arbitrable until the Circuit Court addresses that issue.

The foregoing discussion contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve various risks and uncertainties with respect to current legal proceedings. Although the Company believes that its expectations with respect to the forward-looking statements are based upon reasonable assumptions

[Table of Contents](#)

within the bounds of its knowledge of its business and operations, there can be no assurances that the actual results, performance or achievement of the Company will not differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties and that actual results may differ materially from those indicated in the forward-looking statements as a result of various factors. Readers are cautioned not to place undue reliance on these forward-looking statements.

ITEM 2. CHANGES IN SECURITIES

c. Sale(s) of Unregistered Securities

On October 22, 2002, the Company entered into share subscription agreements and registration rights agreements with Scott Branch, Sean O'Connor and John Radziwill, three individual investors, for the sale of common shares and Series A Preferred shares pursuant to the private offering exemption under the Securities Act of 1933. Pursuant to the Agreements executed on October 22, 2002, the Company agreed to appoint Messrs. Branch, O'Connor and Radziwill to the Board of Directors of the Company and the Board of Directors of the Company agreed to appoint Sean O'Connor as Chief Executive Officer of the Company and Scott Branch as President of the Company. On December 6, 2002, the Company and the three investors signed amended agreements, including share subscription agreements, to close the investment transaction originally agreed to on October 22, 2002. The terms of the investment were amended to provide for the purchase of only 2,187,500 shares of Series A Preferred stock at a price of \$1.70 per share. The Series A Preferred shares are non-voting and are convertible to common stock only upon the approval of the Company's stockholders. As a result of the sale, additional capital of \$3,718,750 was invested in the Company on December 6, 2002. No principal underwriters were involved in the transaction and, consequently, there were no underwriting discounts or commissions incurred by the Company in connection with the transaction. However, a finder's fee is payable by the Company in connection with the transaction. The finder's fee consists of a cash payment of \$100,000 and 44,117 shares of unregistered common stock of the Company based on a price of \$1.70 per share. The transaction will be presented to the shareholders at the annual shareholders' meeting scheduled on February 28, 2003, at which time the Company's shareholders will be asked to approve a provision providing for the convertibility of the Series A Preferred shares into common stock on a one-for-one basis. If the stockholders do not approve the provision, the investors will have the right to redeem, and the Company will have the right to repurchase, the Series A Preferred shares at \$1.70 per share. The Company intends to use the proceeds received from the sale of the Series A Preferred Stock to expand its existing activities and commence activities in related international markets which management believes are suited to the Company's size and expertise. As a first step in realizing this objective, the Company has hired two experienced fixed-income

[Table of Contents](#)

traders and opened an office at 708 3rd Avenue, New York City which commenced operations in January, 2003. Details of the transaction may also be found in reports on Form 8-K that were filed by the Company on October 24, 2002 and December 10, 2002.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a). Exhibits

- (10.31) The Company's Fully Disclosed Clearing Agreement, entered into November 15, 2002, between the Company and the Pershing Division of Donaldson, Lufkin & Jenrette Securities Corporation.
- (21) The Company's list of subsidiaries is attached hereto as Exhibit 21.
- (99.1) The Company's Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- (99.2) The Company's Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

b). Form 8-K

Two reports were filed on Form 8-K during the three months ended December 31, 2002.

On October 24, 2002 the Company announced on Form 8-K that the Company and three investors signed agreements, including Share Subscription Agreements and Registration Rights Agreements for an investment of \$3,718,750 to purchase common and preferred shares.

On December 10, 2002 the Company announced on Form 8-K that the Company and three investors signed amended agreements, including Share Subscription Agreements, to close the transaction originally agreed to on October 22, 2002. The terms of the investment were amended to provide for the purchase of only shares of Series A Preferred stock, which are non-voting and non-convertible. As a result, additional capital of \$3,718,750 has been invested in the Company in the form of 2,187,500 Series A Preferred shares at a price of \$1.70 per preferred share. The transaction will be presented to the shareholders at the shareholders' meeting in February 2003 and shareholders will be asked to approve a provision providing for the convertibility of the preferred shares into common stock on a one-for-one basis.

Signatures

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

INTERNATIONAL ASSETS HOLDING CORPORATION

Date 02/13/2003

/s/ Sean M. O'Connor

Sean M. O'Connor
Chief Executive Officer

Date 02/13/2003

/s/ Jonathan C. Hinz

Jonathan C. Hinz
Chief Financial Officer and Treasurer

CERTIFICATIONS

I, Sean M. O'Connor, Chief Executive Officer of the registrant, certify that:

- (1) I have reviewed this quarterly report on Form 10-QSB of International Assets Holding Corporation;
- (2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and
- (3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of registrant as of, and for, the periods presented in this quarterly report; and
- (4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

Table of Contents

(5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

(6) The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: February 13, 2003

By: /s/ Sean M. O'Connor

Chief Executive Officer

I, Jonathan C. Hinz, Chief Financial Officer of the registrant, certify that:

(1) I have reviewed this quarterly report on Form 10-QSB of International Assets Holding Corporation;

(2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

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

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

Table of Contents

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

(5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

(6) The registrant's other certifying officers and I have indicated in this report whether or not there were significant changes in internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: February 13, 2003

By: /s/ Jonathan C. Hinz

Chief Financial Officer

[Table of Contents](#)

Exhibit Index

<u>Exhibit Number</u>	<u>Description</u>
(10.31)	The Company's Fully Disclosed Clearing Agreement, entered into November 15, 2002, between the Company and the Pershing Division of Donaldson, Lufkin & Jenrette Securities Corporation.
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(99.2)	The Company's Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

FULLY DISCLOSED CLEARING AGREEMENT

OF

PERSHING DIVISION

DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION

THIS AGREEMENT is made and entered into this 15th day of November, 2002 by and between the Pershing Division of Donaldson, Lufkin & Jenrette Securities Corporation (“Pershing”), a Delaware Corporation, and Intltrader.com, Inc. (“Broker”), a Florida Corporation.

1.0 APPROVAL

This Agreement shall be subject to approval by the New York Stock Exchange, Inc. (“NYSE”) and by any other self-regulatory organization vested with the authority to review or approve it. Pershing shall submit this Agreement to the NYSE and Broker shall submit the Agreement to any other such organization from which Broker is required to obtain approval. In the event of disapproval, the parties shall bargain in good faith to achieve the requisite approval.

2.0 AGREEMENT

From the date of this Agreement until the termination of this Agreement as provided in Paragraph 22 hereof, Pershing shall carry the proprietary accounts of Broker and the cash and margin accounts of the customers of Broker introduced by Broker to Pershing, and accepted by Pershing, and shall clear transactions on a fully disclosed basis for such accounts, in the manner and to the extent set forth in this Agreement.

3.0 ALLOCATION OF RESPONSIBILITY

3.1 Responsibilities of the Parties.

Pursuant to NYSE Rule 382, responsibility for compliance with applicable laws, rules, and regulations of the Securities and Exchange Commission (“SEC”), the National Association of Securities Dealers, Inc. (“NASD”), the NYSE, and any other regulatory or self-regulatory agency or organization (collectively the “Rules”) shall be allocated between Pershing and Broker as set forth in this Agreement. To the extent that a particular function is allocated to one party under this Agreement, the other party shall supply that party with information in its possession pertinent to the performance and supervision of that function.

3.2 Relationship with Customers.

Except as provided in Paragraph 27.11 of this Agreement, all customers receiving services pursuant to this Agreement shall remain customers of Broker. Pershing shall provide services under this Agreement to Broker only to the extent explicitly required by specific provisions contained in this Agreement and shall not be responsible for any duties or obligations not specifically allocated to Pershing pursuant to this Agreement. Broker shall enter into appropriate contractual arrangements with customers on its own behalf, and such agreements shall make Broker, and not Pershing, responsible to customers for the provision of services. Broker shall not be deemed to be an agent of Pershing for any purpose, nor shall Pershing be deemed to have a fiduciary relationship with any of Broker's customers. Broker acknowledges that Pershing does not control the business or operations of Broker.

4.0 REPRESENTATIONS AND WARRANTIES

4.1 Broker. Broker represents and warrants that:

4.1.1 Corporation Duly Organized. Broker is a corporation duly organized, validly existing, and in good standing under the laws of the state of its incorporation.

4.1.2 Registration. Broker is duly registered and in good standing as a broker-dealer with the SEC.

4.1.3 Authority to Enter Agreement. Broker has all requisite authority, whether arising under applicable federal or state law or the rules and regulations of any regulatory or self-regulatory organization to which Broker is subject, to enter into this Agreement and to retain the services of Pershing in accordance with the terms of this Agreement.

4.1.4 Material Compliance with Rules and Regulations. Broker and each of its employees is in material compliance with, and during the term of this Agreement shall remain in material compliance with, the registration, qualification, capital, financial reporting, customer protection, and other requirements of every self-regulatory organization of which Broker is a member, of the SEC, and of every state to the extent that Broker or any of its employees is subject to the jurisdiction of that state.

4.1.5 No Pending Action, Suit, Investigation, or Inquiry. Broker has disclosed to Pershing every material action, suit, investigation, inquiry, or proceeding (formal or informal) pending or threatened against or affecting Broker, any of its affiliates, or any officer, director, or general securities principal or financial and operations principal of Broker, or their respective property or assets, by or before any court or other tribunal, any arbitrator, any governmental authority, or any self-regulatory organization of which any of them is a member. Broker shall notify Pershing promptly, of the initiation of any such action, suit, investigation, inquiry, or proceeding that may have a material impact on the capital of Broker.

4.1.6 Broker Responsibility. Broker shall be responsible for all internal operations related to its business including without limitation (i) all accounting, bookkeeping, record-keeping, cashiering, commodity transactions, or any other transactions not involving securities; or any matter not contemplated by the Agreement; (ii) preparation of Broker's payroll records, financial statements, or any analysis thereof; (iii) preparation or issuance of checks in payment of Broker's expenses, other than expenses incurred by Pershing on behalf of Broker pursuant to this Agreement; and (iv) payment of commissions to Broker's sales personnel.

4.2 Pershing. Pershing represents and warrants that:

4.2.1 Corporation Duly Organized. Donaldson, Lufkin & Jenrette Securities Corporation (“DLJ”) is a corporation duly organized, validly existing, and in good standing under the laws of the state of Delaware.

4.2.2 Registration. DLJ is duly registered and in good standing as a broker dealer with the SEC and is a member firm in good standing of the NYSE and the NASD.

4.2.3 Authority to Enter Agreement. DLJ has all requisite authority, whether arising under applicable federal or state law, or the rules and regulations of any regulatory or self-regulatory organization to which DLJ is subject, to enter into this Agreement and provide services in accordance with the terms of this Agreement.

4.2.4 Compliance with Registration. Pershing and each of its employees is in material compliance with, and during the term of this Agreement shall remain in material compliance with the registration, qualification, capital, financial reporting, customer protection, and other requirements of every self-regulatory organization of which Pershing is a member, of the SEC, and every state.

5.0 ESTABLISHING AND ACCEPTING NEW ACCOUNTS

5.1 Acceptance of New Accounts. Broker shall be responsible for opening and approving new accounts in compliance with the Rules.

5.1.1 Pershing reserves the right to reject any account which the Broker may forward to Pershing as a potential new account. Pershing also reserves the right to terminate any account previously accepted by it as a new account.

5.1.2 At the time of the opening of any new account, the Broker must obtain sufficient information from its customer to satisfy itself as to the identify of its client and the source of its funds to satisfy itself that opening the account would not violate the provisions of various Executive Orders and regulations issued thereunder by the Office of Foreign Assets Control (OFAC), which enforces economic and trade sanctions against foreign countries and their agents, terrorism sponsoring agencies and organizations and international narcotics traffickers.

5.2 Maintenance of Account Information. Pershing may rely without inquiry on the validity of all customer information furnished to it by Broker. Possession of any such documents or information, however provided, concerning Broker’s customers does not create a duty on the part of Pershing to review or understand the content of those documents.

5.3 Pershing Operations Manual. Broker agrees to become familiar with the Pershing “Quick Reference Guide” and “Bulletins” and agrees to familiarize itself with any modifications or supplements to such documents that may be issued and delivered to Broker from time to time.

6.0 SUPERVISION OF ORDERS AND ACCOUNTS

6.1 Responsibility for Compliance. Broker shall be solely responsible for compliance with suitability, “Know Your Customer” rules, and other requirements of federal and state law and regulatory and self-regulatory rules and regulations governing transactions and accounts. Possession by Pershing of surveillance records, exception reports, or other similar data shall not obligate Pershing to review or be aware of their contents. Pershing shall not be required to make any investigation into the facts surrounding any transaction that it may execute or clear for Broker or any customer of Broker.

6.2 Compliance Procedures. Broker agrees to supervise compliance with the Rules. Broker shall review transactions and accounts to assure compliance with prohibitions against manipulative practices and insider trading and other requirements of federal and state law and applicable regulatory and self-regulatory rules and regulations to which Broker or its customer are subject. Without limiting the above, Broker shall be responsible for compliance with the supervisory requirements in Section 15(b)(4) of the Securities Exchange Act of 1934, as amended, NASD Rule 3010, NYSE Rules 342, 351 and 431, and similar rules adopted by any other regulatory or self-regulatory agency or organization, to the extent applicable.

6.3 Knowledge of Customer’s Financial Resources and Investment Objectives. Broker shall comply with Rule 405(1) of the NYSE or comparable requirements of similar rules of any other regulatory or self-regulatory organization to which Broker is subject. Broker shall obtain all essential facts relating to each customer, each cash and margin account, each order, and each person holding a power of attorney over any account, in order to assess the suitability of transactions (when required by applicable rules), the authenticity of orders, signatures, endorsements, certificates, or other documentation, and the frequency of trading. Broker warrants that, to the best of its knowledge, Broker will not open or maintain accounts for persons who are minors or who are otherwise legally incompetent and that Broker will comply with NYSE Rule 407 and other laws, rules, or regulations that govern the manner and circumstances in which accounts may be opened or transactions authorized.

6.4 Furnishing of Investment Advice. Broker shall be solely responsible for any recommendation or advice it may offer to its customers.

6.5 Discretionary Accounts. Broker shall be solely responsible for obtaining customer approval for and supervising discretionary accounts.

6.6 Obligations Regarding Certain Disclosures. Broker shall make any disclosures and obtain any agreements from its customers required by applicable law or regulation, including, without limitation, any disclosures or agreements required for listed options, penny stocks, derivative securities, account transfers or conversions. The cost of making such disclosures or obtaining such agreements shall be borne by Broker.

7.0 EXTENSION OF CREDIT

7.1 Presumption of Cash Account. Pershing may, but is not required to, permit customers of Broker to purchase securities on margin, but all transactions for a customer will be deemed to be cash transactions, and payment for those transactions will be required in the manner applicable to cash transactions, unless, on or prior to settlement, Broker has furnished Pershing with an executed margin agreement and consent to loan of securities.

7.2 Margin Requirements. Margin accounts introduced by Broker shall be subject to Pershing's margin requirements as in effect from time to time. Pershing reserves the right to refuse to accept any transaction in a margin account without the actual receipt of the necessary margin and to impose a higher margin requirement for a particular account when, in Pershing's discretion, the past history or nature of the account or other factors or the securities held in it warrant such action. In all instances, Broker may require higher margin than imposed by Pershing for any particular account, group of accounts, or all accounts introduced by Broker to Pershing.

In any case where Broker requests Pershing to extend credit upon control or restricted securities, pursuant to Rule 144 under the Securities Act of 1933, as amended, or otherwise; Broker shall submit to Pershing such documentation, agreements and information as shall be reasonably required by Pershing to decide to extend such credit. Any extension of credit so approved shall be subject to Pershing's credit policies as shall be in effect from time to time.

7.3 Margin Maintenance and Compliance with Regulation T and SEC Rule 15c3-3(m).

7.3.1 Initial Margin. Broker shall be responsible for the initial margin requirement for any transaction until such initial margin has been received by Pershing in acceptable form.

7.3.2 Margin Calls. After the initial margin for a transaction has been received, subsequent margin calls may be made by Pershing at its discretion. Pershing shall calculate the maintenance requirement and notify Broker of any amounts due. Broker shall be responsible for issuing the margin call to its customer and obtaining the amount due directly from Broker's customer. If Broker fails to take the appropriate action, Pershing reserves the right to collect the amount due directly from Broker's customer. Broker agrees to cooperate with Pershing in complying with and obtaining margin in response to such calls.

7.3.3 Actions Upon Failure to Meet Margin Calls or Deliver Securities. In the event that satisfactory margin is not provided within the time specified by Pershing, or securities sold are not delivered as required, Pershing may take such actions as Pershing deems appropriate, including, but not limited to, entering orders to buy in or sell-out. Broker shall cooperate with Pershing by entering orders to buy-in or sell-out securities. Compliance with a request to withhold action shall not be deemed a waiver by Pershing of any of its rights under this Agreement.

7.4 Charging of Interest and Disclosures Pursuant to Rule 10b-16. Interest charged with respect to debit balances in customers' accounts shall be determined in accordance with Schedule A attached to this Agreement. Broker shall send each margin customer a written disclosure statement, in a form acceptable to Pershing, at the time of the opening of a margin account as required by SEC Rule 10b-16.

7.5 Unsecured Debits or Unsecured Short Positions. Pershing shall charge against the accounts of Broker an amount equal to the value of any unsecured debit or short position (on a "mark to market" basis) in a customer account if that position has not been promptly resolved by payment or delivery. Any remaining debit may be charged against Broker pursuant to Paragraph 19 of this Agreement.

7.6. EXTENSION OF NONPURPOSE CREDIT

7.6.1 Nonpurpose Credit. Pershing may, but is not required to, extend and maintain nonpurpose credit to customers of Broker not for purposes of purchasing, carrying, or trading in securities, but all extensions of credit to a customer will be deemed to be purpose credit subject to Regulation T unless, prior to extending the credit, Broker has furnished Pershing with an executed Federal Reserve Form T-4.

7.6.2 Nonpurpose Lending Requirements. Nonpurpose credit extended by Pershing shall be subject to nonpurpose lending requirements as established and modified by Pershing from time to time. Pershing reserves the right to refuse to extend nonpurpose credit without the actual receipt of the necessary underlying collateral and to impose a higher underlying collateral value requirement for a particular account when, in Pershing's discretion, the past history or nature of the account or other factors or the securities held in it warrant such action. In all instances, Broker may require a lower loan advance rate to collateral value than imposed by Pershing for any particular account, group of accounts, or all accounts introduced by Broker to Pershing. In any case where Broker requests Pershing to extend nonpurpose credit upon control or restricted securities, pursuant to Rule 144 under the Securities Act of 1933, as amended, or otherwise; Broker shall submit to Pershing such documentation, agreements and information as shall be reasonably required by Pershing to decide to extend such credit. Any extension of nonpurpose credit so approved shall be subject to Pershing's credit policies as shall be in effect from time to time.

7.6.3 Underlying Collateral Maintenance and Compliance with Regulation T and SEC Rule 15c3-3(m).

7.6.3.1 Initial Underlying Collateral. Broker shall be responsible for the initial underlying collateral requirement for any extension of nonpurpose credit until such initial underlying collateral has been received by Pershing in acceptable form.

7.6.3.2 Underlying Collateral Calls. After the initial underlying collateral for an extension of nonpurpose credit has been received, subsequent underlying collateral calls may be made by Pershing at its discretion. Pershing shall calculate the maintenance requirement and notify Broker of any amounts due. Broker shall be responsible for issuing the underlying collateral call to its customer and obtaining the amount due directly from Broker's customer. If Broker fails to take the appropriate action, Pershing reserves the right to collect the amount due directly from Broker's customer. Broker agrees to cooperate with Pershing in complying with and obtaining underlying collateral in response to such calls.

7.6.4 Actions Upon Failure to Meet Underlying Collateral Calls or Deliver Securities. In the event that satisfactory underlying collateral is not provided within the time specified by Pershing, or securities sold are not delivered as required, Pershing may take such actions as Pershing deems appropriate, including, but not limited to, entering orders to buy in or sell-out. Broker shall cooperate with Pershing by entering orders to buy-in or sell-out securities. Compliance with a request to withhold action shall not be deemed a waiver by Pershing of any of its rights under the Agreement.

7.6.5 Charging of Interest and Disclosures Pursuant to Rule 10b-16. Interest charged with respect to the extension of nonpurpose credit shall be determined in accordance with Schedule A attached to this Agreement. Broker shall send each customer a written

disclosure statement, in a form acceptable to Pershing, at the time of the extension of nonpurpose credit as required by SEC Rule 10b-16.

7.6.6 Unsecured Debits. Pershing shall charge against the accounts of Broker an amount equal to the value of any unsecured debit (on a “mark to market” basis) in a customer account if that position has not been promptly resolved by payment or delivery. Any remaining debit may be charged against Broker pursuant to Paragraph 19 of the Agreement.

8.0 MAINTENANCE OF BOOKS AND RECORDS

8.1 Stock Records. Pershing shall maintain stock records and other prescribed books and records of all transactions executed or cleared through it.

8.2 Regulatory Reports and Records. Broker shall prepare, submit, and maintain copies of all reports, records, and regulatory filings required of Broker by any entity that regulates it, including, but not limited to, copies of all account agreements and similar documentation obtained pursuant to Paragraph 5.0 of this Agreement and any reports and records required to be made or kept under the Currency and Foreign Transactions Reporting Act of 1970, (the “Bank Secrecy Act”), and any rules and regulations promulgated pursuant thereto.

8.3 Broker’s Anti-Money Laundering and OFAC Reporting and Recordkeeping and Obligations. Broker recognizes that it is obligated to comply with, among others, the following anti-money laundering and OFAC legal and regulatory rules, and reporting and recordkeeping requirements including:

8.3.1 SEC Rule 17a-8 relating to “Financial record keeping and reporting of currency and foreign transactions”.

8.3.2 Rules of the self-regulatory organizations relating to currency reporting, suspicious activity reporting, and related record keeping requirements.

8.3.3 Applicable state reporting and record keeping requirements with regard to certain currency transactions, transportation of currency or monetary instruments, or reports of suspicious activity.

8.3.4 Federal, state, and international criminal and civil prohibitions against money laundering, including, among others, the Money Laundering Act of 1986 as applicable. The federal regulations and Executive Orders imposed by the OFAC which prohibit, among other things, the engagement in transactions with and the provision of services to certain embargoed foreign countries and specially designated nationals, specially designated narcotics traffickers and other blocked parties.

8.3.5 To the extent permissible by law, at the time of filing of any required reports or other communication, or at such time as requested by Pershing, Broker will provide Pershing with copies of all reports or other communications with regard to the introduced accounts filed with the U.S. Treasury Department or any regulatory body or organization relating to the reporting of currency transactions, the transfer of currency or monetary instruments into or outside of the United States, suspicious activity, including, but not limited to, Currency or Monetary International Reports (CMIRs), Cash Transaction Reports (CTRs), and Suspicious Activity Reports (SARs). Broker also shall advise Pershing of all reports made to OFAC with regard to the introduced accounts.

8.3.6 Pershing reserves the right to make and file such reports where it deems it appropriate for its own protection. A copy of such report will be delivered to Broker. Broker recognizes that when Pershing does so, Pershing does not thereby assume any responsibility for such services and/or relieve the Broker of any responsibility for such services. Furthermore, to the extent that Pershing is required to prepare or submit any reports or records by any entity that regulates it, Broker shall cooperate in providing Pershing with any information needed in order to prepare such reports or records.

8.4 Audio Taping of Telephone Conversations. Each party understands that for quality control, dispute resolution or other business purposes, the parties may record some or all telephone conversations between them. Each party hereby consents to such recording and will inform its employees, representatives and agents of this practice. It is further understood that all such conversations are deemed to be solely for business purposes.

9.0 RECEIPT AND DELIVERY OF FUNDS AND SECURITIES

9.1 Receipt and Delivery of Funds and Securities.

9.1.1 Cashiering Functions. Pershing shall perform cashiering functions for accounts introduced by Broker. These functions shall include receipt and delivery of securities; receipt and payment of funds owed by or to customers; and provision of custody for securities and funds. Broker shall provide Pershing with the data and documents that are necessary or appropriate to permit Pershing to perform its obligations under this Paragraph, including but not limited to copies of records documenting receipt of customers' funds and securities received directly by Broker. Such data and documents must be compatible with the requirements of Pershing's data processing systems.

9.1.2 Purchases. Broker shall be responsible for purchases (including transactions on a "when issued" basis) made for customers until actual and complete payment has been received by Pershing. Broker shall not introduce accounts requiring settlement on a "delivery versus payment" or "receive versus payment" basis unless such account utilizes the facilities of a securities depository or qualified vendor as defined in NYSE Rule 387, for all depository eligible transactions.

9.1.3 Sales. Broker shall be responsible for sales (including those on a "when issued" basis), until Pershing has received, in acceptable form, the securities involved in the transaction. If Pershing does not receive delivery of securities in an acceptable form, Pershing may buy-in all or part of the securities

9.1.4 Funds and Securities Received by Broker. Broker shall promptly deposit with Pershing funds or securities received by Broker from its customers, together with such information as may be relevant or necessary to enable Pershing to record such remittances and receipts in the respective customer accounts.

9.1.5 Failure to Settle or Pay. In the event of a failure to timely deposit required funds or securities, Pershing may take appropriate remedial action. Without waiving or otherwise limiting its right to take other remedial action, Pershing may at its option charge interest at rates as agreed in Schedule A ("Fully Disclosed Pricing Schedule") to this Agreement. Broker may pass such charges on to its customers but Broker remains responsible therefor until actually paid.

9.2 Restricted and Control Stock Requirements. Broker shall be responsible for determining whether any securities held in Broker's or its customer accounts are restricted or control securities as defined by applicable laws, rules, or regulations. Broker is responsible for assuring that orders and other transactions executed for such securities comply with such laws, rules, and regulations.

9.3 Corporate Action Requests/Soliciting Dealer Agreements. Broker requests and authorizes Pershing to execute as Broker's agent-in-fact any and all Soliciting Dealer Agreements for corporate actions involving securities or other interests held by Broker's customers on the books of Pershing. Pershing agrees to provide notice of the pending corporate action to Broker at its designated locations. Pershing further agrees to collect and submit corporate action requests from Broker and submit them to the soliciting party in accordance with the instructions received from the soliciting party. Pershing agrees to use its best efforts to communicate corporate action information to Broker and, where applicable, Broker's customers, but shall not be liable for a) any delays in the communication of corporate action information or b) delays in the transmission of collected corporate action requests to the soliciting party unless caused by Pershing's negligence. All fees received from the soliciting party will be credited to Broker. In consideration of providing this service to Broker, Broker agrees to indemnify and hold harmless Pershing, its affiliates, officers, agents and employees from all claims, suits, investigations, damages and defense costs (including reasonable attorney's fees) that arise in connection with this paragraph.

10.0 SAFEGUARDING OF FUNDS AND SECURITIES

Except as otherwise provided in this Agreement, Pershing shall be responsible for the safekeeping of all money and securities received by it pursuant to this Agreement. However, Pershing will not be responsible for any funds or securities delivered by a customer to Broker until such funds or securities are actually received by Pershing or deposited in bank accounts maintained by Pershing.

11.0 CONFIRMATIONS AND STATEMENTS

11.1 Preparation and Transmission of Confirmations and Statements. Pershing shall prepare confirmations and summary periodic statements and shall, to the extent required, transmit them to customers and Broker in a timely fashion except to the extent Broker has agreed to transmit confirmations to customers. Confirmations and statements shall be prepared on forms disclosing that the account is carried on a fully disclosed basis for the Broker in accordance with applicable rules, regulations, and interpretations. Broker will have the ultimate regulatory responsibility for compliance with the prospectus delivery requirements of the Securities Act of 1933, as amended, regardless of its retention of a prospectus fulfillment service to perform delivery of same.

11.2 Examination and Notification of Errors. Broker shall examine all confirmations, statements, and other reports in whatever medium provided to Broker by Pershing. Broker must notify Pershing of any error claimed by Broker in any account; as to purchase and sales transactions prior to settlement date and as to all other transactions within the time in which Pershing is able to, without violating applicable law, reverse the transaction. If Broker fails to do so, Broker shall be deemed to have waived its right to make any claim against Pershing with respect to such error.

12.0 ACCEPTANCE AND EXECUTION OF TRANSACTIONS

12.1 Responsibility to Accept or Reject Trades. Pershing shall execute transactions in customers' accounts and release or deposit money or securities to or for accounts only upon Broker's instructions. Pershing reserves the right to accept written or oral transaction orders from Broker's customers in circumstances where it determines that either (i) the customers are unable to execute those transactions through Broker (ii) or Pershing is required to do so by applicable or relevant law. Notwithstanding any instructions to the contrary, Pershing may, after notifying Broker orally or in writing; (i) refuse to confirm a transaction or cancel a confirmation, (ii) reject a delivery or receipt of securities or money; (iii) refuse to clear a trade executed by Broker; or (iv) refuse to execute a trade for the account of a customer or Broker.

12.2 Responsibility for Errors in Execution. Broker shall be responsible for transmission to Pershing of all orders and for any errors in the Broker's recording or transmission of such orders.

13.0 OTHER OBLIGATIONS AND RESPONSIBILITIES OF BROKER

13.1 Other Clearing Agreements. During the term of this Agreement, Broker shall not enter into any other similar agreement or obtain the services contemplated by this Agreement from any other party or supply the services contemplated by the Agreement without prior written consent of Pershing. Broker shall have the right to enter into clearing agreements to clear non-securities products upon notice to Pershing.

13.2 Disciplinary Action, Suspension, or Restriction. If Broker or any of its affiliates, or any officer, director, or general securities principal or financial and operational principal of Broker, becomes subject to disciplinary action, suspension, or restriction by a federal or state agency, stock exchange, or regulatory or self-regulatory organization having jurisdiction over Broker or Broker's securities or commodities business, Broker shall give notice to Pershing immediately, orally and in writing, and provide Pershing a copy of any decision relating to such action, suspension, or restriction. Pershing may take any action it reasonably deems to be necessary (i) to assure that it will continue to comply with all applicable legal, regulatory, and self-regulatory requirements, notwithstanding such action, suspension, or restriction; and (ii) to comply with any requests, directives, or demands made upon Pershing by any such federal or state agency, stock exchange, or regulatory or self-regulatory organization.

13.3 Provision of Financial Information. Broker shall furnish Pershing copies of FOCUS Reports, financial statements for the current fiscal year, the executed Forms X-17a-5 (Parts I and IIA) filed with the SEC, any amendments to Broker's Form BD, and any other regulatory or financial reports Pershing may from time to time require. Broker shall provide such reports to Pershing at the time Broker files such reports with its primary examining authority. Broker shall also notify Pershing in advance of withdrawals of more than 10 percent of its net capital.

13.4 Executing Brokers. If Broker wishes to act as an "Executing Broker" as such term is understood in that certain letter dated January 25, 1994, from the Division of Market Regulation of the Securities and Exchange Commission, as the same may be amended,

modified or supplemented from time to time (the “No-Action Letter”), then all terms herein shall have the same meaning as ascribed thereto either in the Agreement or in the No-Action Letter as the sense thereof shall require. Broker may, from time to time, execute trades (either directly or through Pershing) for Prime Brokerage Accounts in compliance with the requirements of the No-Action Letter. (The No-Action Letter requires, inter alia, that a contract be executed between Pershing and Prime Broker, and between Broker and Prime Brokerage Customer prior to the transaction of any business hereunder.) Broker shall promptly notify Pershing, but in no event later than 5:00 p.m. New York time, of trade date in a mutually acceptable fashion, of such trades in sufficient detail for Pershing to be able to report and transfer any trade executed by Broker on behalf of a Prime Brokerage Account to the relevant Prime Broker. Broker understands and agrees that if Prime Broker shall disaffirm or “dk” any trade executed by Broker on behalf of a Prime Brokerage Account; Broker shall open an account for such Prime Brokerage Account in its range of accounts and shall transfer or deliver the trade to such account at the risk and expense of Broker to the same extent as for any account introduced by Broker pursuant to this Agreement. Broker understands and agrees that all Prime Brokerage Accounts shall be conducted in accordance with the requirements of the No-Action Letter and any relevant agreement between Broker and a Prime Brokerage Customer or between Pershing and relevant Prime Broker. Broker further agrees to supply Pershing with such documents, papers and things, which from time to time are reasonably required by Pershing to carry out the intention of this Paragraph. Broker agrees that it shall know its customer, obtain appropriate documentation, including new account form, conduct its own credit check and determine the availability of shares as required for processing of any short sales. Broker shall maintain facilities to clear any disaffirmed trades.

13.5 Protection of Intellectual Property. Broker shall use all reasonable efforts to preserve and protect Pershing’s and its affiliates’ patent, trade secret, copyright and other proprietary rights in Pershing’s or its affiliates’ products, services, trademarks and tradenames, at least to the same extent used by Broker to preserve and protect its own proprietary data or information and to notify Pershing of any action by any third party known by Broker to constitute an infringement of Pershing’s or any of its affiliates’ proprietary rights and to cooperate with Pershing in protecting such rights. Without limiting the foregoing, and subject to the permission required by Paragraph 21 hereof, Broker shall note Pershing’s or its affiliates’ patent, trade secret, copyrights, trademarks and trade names when Broker makes reference to or distributes products or services provided by Pershing or its affiliates, as applicable.

13.6 Protection of Intellectual Property. Pershing shall use all reasonable efforts to preserve and protect Intltrader.com, Inc. and its affiliates’ patent, trade secret, copyright and other proprietary rights in Intltrader.com, Inc. or its affiliates’ products, services, trademarks and tradenames, at least to the same extent used by Pershing to preserve and protect its own proprietary data or information and to notify Intltrader.com, Inc. of any action by any third party known by Pershing to constitute an infringement of Intltrader.com, Inc. or any of its affiliates’ proprietary rights and to cooperate with Intltrader.com, Inc. in protecting such rights. Without limiting the foregoing, and subject to the permission required by Paragraph 21 hereof, Pershing shall note Intltrader.com, Inc. or its affiliates’ patent, trade secret, copyrights, trademarks and trade names when Pershing makes reference to or distributes products or services provided by Intltrader.com, Inc. or its affiliates, as applicable.

14.0 OTHER OBLIGATIONS AND RESPONSIBILITIES OF PERSHING

14.1 Use of Third-Party Services. Subject to Paragraph 16 hereof, Pershing may, at its reasonable option, and consistent with common industry practice, retain one or more independent data processing or other service bureaus to perform functions (including, but not necessarily limited to, pricing services or proxy mailing services) assigned to Pershing under this Agreement.

14.2 Tax Withholding. Broker hereby agrees to take necessary measures to comply with the income tax withholding requirements of Section 3406 and Sections 1441 through 1446 (the nonresident alien withholding requirements) of the Internal Revenue Code of 1986, as amended ("IRC") with respect to its customer accounts. Broker agrees to furnish to Pershing any tax information, e.g. taxpayer identification numbers and certifications provided by the customer on IRS Forms W-8, W-8BEN, W-8IMY, W-8EXP, W-8ECL, W-9, or any acceptable substitute) in its possession relating to each customer account transferred to Pershing and to each future customer account opened. Broker acknowledges that Pershing will rely on such information for purposes of determining Pershing's obligation to withhold federal income tax pursuant to Sections 1441 through 1446 and 3406 of the Internal Revenue code. Broker hereby authorizes Pershing to employ any procedures permitted under applicable law or regulation to achieve compliance with its withholding obligations under federal income tax law.

14.3 Retirement Account Distributions. For retirement accounts for which Pershing makes designated distributions pursuant to Section 3405 of the IRC or any successor provision thereto, Broker shall (1) obtain customer authorization to execute Form W-4P (or an acceptable substitute) on behalf of such customer, and (2) electronically provide such Form W-4P or a copy thereof to Pershing.

15.0 ORDER AUDIT TRAIL SYSTEM (OATS)

Pursuant to NASD Rules 6950 through 6957 (Order Audit Trail System ("OATS") Rules) and the OATS Reporting Technical Specifications, it is hereby agreed between Broker and Pershing that Pershing shall synchronize Pershing system clocks in accordance with the National Institute of Standards and Technology clock and periodically monitor such clocks for performance within any deviation time frame tolerance level permitted by the OATS Rules.

Unless otherwise directed in writing by Broker, Pershing will record and transmit to the NASD, on Broker's behalf, all order information that is required to be recorded pursuant to the OATS Rules and the OATS Technical Specifications (including any modifications thereto) (the "Order Information") for orders entered on or linked to Pershing's proprietary electronic order entry systems (including Trade Order Processing System, BrokerView Order Entry, BrokerView Direct Order, NetExchange Pro™, NetExchange Client™, Telexchange Pro™, and Telexchange Client™, Paradigm™ and any other electronic order entry system as Pershing may develop and implement from time to time) (collectively "the Front-End Products") and routed to a market using Pershing's routing routine. Pershing will also record and transmit to the NASD information that is received via the Products by Pershing in connection with modification or cancellation of any Order Information previously entered into the system.

Unless specifically agreed to in writing, Pershing will not capture information or transmit Order Information for orders that are not entered on the Front-End Products or called in for execution or where Pershing does not determine the order routing routine.

For trades not entered on Front-End Products, Broker is responsible for providing information necessary for Pershing to report on Broker's behalf. Broker agrees that Pershing may pass any out-of-pocket costs associated with development and/or maintenance of this system on to Broker.

Broker acknowledges and agrees that Pershing shall not be responsible for any Order Information that is not received by Pershing.

Notwithstanding the foregoing, nothing contained herein shall relieve Broker of its reporting obligations under paragraph (c)(3) of OATS Rule 6955.

16.0 LIABILITY OF PERSHING

DISCLAIMER OF WARRANTIES. BROKER EXPRESSLY AGREES THAT BROKER'S USE OF PERSHING'S SERVICES, INCLUDING THE SYSTEMS AS DEFINED BY PARAGRAPH 28.1 AND SOFTWARE PRODUCTS AS DEFINED HEREIN, IS AT BROKER'S SOLE RISK. NEITHER PERSHING NOR ANY OF ITS DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, CONTRACTORS, AFFILIATES, INFORMATION PROVIDERS, LICENSORS, OR OTHER SUPPLIERS PROVIDING DATA, INFORMATION, SERVICES OR SOFTWARE, INCLUDING BUT NOT LIMITED TO THE NYSE, WARRANTS THAT THE SERVICES WILL BE UNINTERRUPTED OR ERROR FREE; NOR DO ANY OF THEM MAKE ANY WARRANTY AS TO THE RESULTS THAT MAY BE OBTAINED FROM THE USE OF THE SERVICES OR AS TO THE TIMELINESS, SEQUENCE, ACCURACY, COMPLETENESS, RELIABILITY OR CONTENT OF ANY DATA, INFORMATION, SERVICES, OR TRANSACTIONS PROVIDED AND PERSHING SHALL NOT BE RESPONSIBLE FOR ANY LOSSES LIABILITIES OR DAMAGES CAUSED BY THE ACTS OR OMISSIONS OF THOSE THIRD PARTY AGENTS, CONTRACTORS, INFORMATION PROVIDERS OR OTHER SUPPLIERS BEYOND ANY AMOUNT WHICH PERSHING IS ABLE TO RECOVER PURSUANT TO ITS AGREEMENT WITH SUCH ENTITY. EXCEPT AS SPECIFICALLY SET FORTH IN THIS PARAGRAPH 16, PERSHING'S SERVICES ARE PROVIDED ON AN "AS IS," "AS AVAILABLE" BASIS, WITHOUT WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, THOSE OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT, OTHER THAN THOSE WARRANTIES WHICH ARE IMPLIED BY AND INCAPABLE OF EXCLUSION, RESTRICTION OR MODIFICATION UNDER THE LAWS APPLICABLE TO THIS AGREEMENT.

16.1 **Pershing Indemnification.** In addition to any other obligations it may possess under other provisions of this Agreement, Pershing shall indemnify, defend, and hold harmless Broker from and against all claims, demands, proceedings, suits, actions, liabilities, expenses, and reasonable attorney's fees, and costs in connection therewith arising out of any negligent, reckless, dishonest, fraudulent, or criminal act or omission on the part of any of its officers or employees with respect to the services provided by Pershing under this Agreement.

16.2 Damages. Pershing shall not be liable for special, indirect, incidental, consequential or punitive damages, whether such damages are incurred or experienced as a result of entering into or relying on this Agreement or otherwise, even if Pershing has been advised of the possibility of such damages. Broker and Pershing each agree not to assist any claim for punitive damages against the other. Broker acknowledges and agrees that the fees charged by Pershing reflect the allocation of risks including, but not limited to, the foregoing limitation of liability. A modification of the allocation of risks set forth in this Agreement would affect the fees charged by Pershing, and in consideration of such fees, Broker agrees to such allocation of risks.

16.3 Pershing Right to Compete. Nothing in this Agreement shall be deemed to restrict in any way the right of Pershing or any affiliate of Pershing to compete with Broker in any or all aspects of Broker's business subject to the provisions of paragraph 13.6 and 23 of this Agreement.

17.0 LIABILITY OF BROKER

17.1 Broker Indemnification. In addition to any other obligations it may possess under other provisions of this Agreement, Broker shall indemnify, and hold harmless Pershing, and any controlling person of Pershing, from and against all claims, demands, proceedings, suits, and actions and all liabilities, expenses, attorney's fees (including fees and costs incurred in enforcing Pershing's right to indemnification), and costs in connection therewith arising out of one or more of Broker's or any of its employee's negligent, dishonest, fraudulent, or criminal act, or omission or any of the following:

17.1.1 Failure to Make Payment or Deliver Securities. A check received by Pershing from a customer shall not constitute payment until it has been paid and the proceeds are actually received and finally credited to Pershing (without any subsequent charge back) by its bank.

17.1.2 Margin Calls. Failure of a customer to meet any initial margin call or any maintenance call, except that Pershing shall be responsible for the portion of any such loss or damage that Broker establishes was directly attributable to Pershing's failure to give notification to Broker as required in Paragraph 7.3.2 of this Agreement.

17.1.3 Broker's Failure to Perform. Failure of Broker to perform any duty, obligation, or responsibility with respect to customer accounts as set forth in this Agreement. Broker's indemnification obligation under this subparagraph shall not be affected by the participation of Pershing or any person controlling it or controlled by it within the meaning of the Securities Exchange Act of 1934, as amended, in any transaction giving rise to such an obligation, unless such participation constitutes recklessness, fraud, or criminal conduct.

17.1.4 Improper Conduct by Agents. Any negligent, dishonest, fraudulent, or criminal act or omission on the part of any of Broker's officers, directors, employees, or agents.

17.1.5 Failure of a Customer to Perform Obligations. Any failure by any of Broker's customers to perform any commitment or obligation with respect to a transaction carried by Pershing under this Agreement, whether or not such failure was under the control of Broker.

17.1.6 Customer Claims and Disputes. Any claim or dispute between Broker and a customer with respect to services provided under this Agreement, including, but not limited to, any claim or

dispute concerning the validity of a customer order in the form the order was transmitted to Pershing by Broker and any claim arising in connection with Pershing's guarantee of any signature of any customer of Broker or at the request of Broker.

17.1.7 Warranties. Any adverse claim with respect to any security delivered or cleared by Pershing, including a claim of a defect in title with respect to securities that are alleged to have been forged, counterfeited, raised or otherwise altered, or if they are alleged to have been lost or stolen. The parties agree that Pershing shall be deemed to be an intermediary between Broker and customer and shall be deemed to make no warranties other than as provided in Section 8-306(3) of the Uniform Commercial Code.

17.1.8 Default of Third-Party Broker. Any default by a third-party broker with whom the Broker deals on a principal or agency basis in a transaction either not executed by Pershing or not cleared by Pershing even if permitted by Pershing as provided herein.

17.1.9 Check Signing. Any negligence, fraud, malfeasance, or error of any employee of Broker with respect to the use of the checksigning authority granted under Paragraph 9.1.6 of this Agreement.

17.1.10 Prior Self-Clearing Arrangements. Any guarantee, indemnification, or hold harmless agreement in connection with Broker's business or customers that Pershing may provide to the National Securities Clearing Corporation, the Depository Trust Company, or any other clearing, depository, or self-regulatory organization with respect to transactions self-cleared by Broker prior to transfer of such functions to Pershing.

17.1.11 Breach of Warranty by Broker. Any breach by Broker of any representation or warranty made by it under this Agreement.

17.1.12 Deposit of Checks to Customer Accounts. Any failure to exercise due diligence in reviewing checks received from customers to ensure that same are in proper form, or in the issuance of instructions to Pershing regarding the accounts into which checks are to be deposited.

17.1.13 Assets Not Held in Brokerage Account. Any claim asserted against Pershing alleging the inaccuracy of any information appearing on Broker's customer brokerage account statements with respect to assets not held in the brokerage account, regardless of whether such information was provided by Broker, customer or a third-party.

17.1.14 Infringement of Intellectual Property Rights. Any act or omission of Broker, its agents, employees or customers which infringes on any patent, trade secret, copyright, trademark, or other intellectual property right of Pershing or any violation of the terms set forth in paragraph 27 hereof.

17.1.15 Misuse of Passwords and Unauthorized Access. The misuse, loss or unauthorized access to the Systems and Software Products using the Identification Devices (as that term is defined in Section 28.4 of this Agreement) provided to Broker or its customers.

17.2 Injunctive Relief. In the event of a breach or threatened breach of any of the provisions of this Agreement by Broker or any employee or representative of Broker, Broker acknowledges that Pershing shall be entitled to seek preliminary and permanent injunctive relief to enforce the

provisions hereof. In addition, Broker acknowledges that a breach of the terms regarding confidentiality of information and ownership of Pershing's intellectual property would cause irreparable and incalculable damage to Pershing. Nothing herein shall preclude the parties from pursuing any action or other remedy for any breach or threatened breach of this Agreement, all of which shall be cumulative.

17.3 Injunctive Relief. In the event of a breach or threatened breach of any of the provisions of this Agreement by Pershing or any employee or representative of Pershing, Pershing acknowledges that Intltrader.com, Inc. shall be entitled to seek preliminary and permanent injunctive relief to enforce the provisions hereof. In addition, Pershing acknowledges that a breach of the terms regarding confidentiality of information and ownership of Intltrader.com, Inc. intellectual property would cause irreparable and incalculable damage to Intltrader.com, Inc. Nothing herein shall preclude the parties from pursuing any action or other remedy for any breach or threatened breach of this Agreement, all of which shall be cumulative.

18.0 FEES AND SETTLEMENTS FOR SECURITIES TRANSACTIONS

18.1 Commissions. Pershing shall charge each of Broker's customers the commission, markup, and any other charge or expense that Broker instructs it to charge for each transaction. If instructions are not received with respect to a transaction in the time period required by Pershing to implement those instructions, Pershing shall charge the customer the commission, markup, or other charge or expense prescribed in the basic commission schedule delivered to Pershing by Broker. This basic schedule may be amended from time to time by Broker by written instructions delivered to Pershing. Pershing shall only be required to implement such amendments to the basic schedule to the extent such amendments are within the usual capabilities of Pershing's data processing and operations systems and only within such reasonable time limitations as Pershing may deem necessary to avoid disruption of its normal operating capabilities.

18.2 Miscellaneous Charges. Broker agrees to pay Pershing the fees and charges described in Schedule A hereto. Notwithstanding the foregoing, Broker may instruct Pershing to pass through such fees to Broker's customers.

18.3 Fees for Clearing Services. As compensation for services provided pursuant to this Agreement, Pershing shall deduct from the commissions, mark-up, mark-down, or fees charged Broker's customers the amounts set forth in the fully-disclosed pricing schedule attached hereto as Schedule A.

19.0 DEPOSIT ACCOUNT

19.1 Establishment of Deposit Account. To further assure Broker's performance of its obligations under this Agreement, including but not limited to its indemnification obligations under Paragraph 17, Broker shall, on or before the execution of this Agreement, establish an account at Pershing to be designated as the Broker's Deposit Account (the "Deposit Account"). The Deposit Account shall not represent an ownership interest by Broker in Pershing. The Deposit Account shall at all times contain cash, securities, or a combination of both, having a market value of at least the amount set forth in Schedule A. The securities placed in the Deposit Account shall consist only of direct obligations issued by or guaranteed as to principal and interest by the United States Government. In the event of a substantial change in the nature and extent of Broker's business operations, Pershing may require

immediately that an additional amount be deposited in the Deposit Account. If such a deposit is not made in the amount specified, whether or not Broker agrees that the amount is justified under this subparagraph, Pershing may terminate this Agreement forthwith. The parties agree that Broker's deposit into the Deposit Account does not represent ownership interest in Pershing by Broker.

19.2 Pershing's Right to Offset. If (i) Pershing shall have any claim which it reasonably believes is chargeable against Broker or a customer of Broker which has not been resolved within five business days after Pershing presents such claim to Broker; or (ii) if Pershing shall suffer any loss or incur any expense for which it is entitled to be indemnified pursuant to this Agreement, and Broker shall fail to make such indemnification within five business days after being requested to do so, Pershing may deduct the amount of such claim, loss, or expense from any account of Broker. Pershing may withdraw cash or securities (or both) having a market value equal to the amount of such claimed deficiency. If those funds are withdrawn from the Deposit Account, then Broker shall be obligated to make an immediate deposit in the Deposit Account of cash or securities sufficient to bring the Deposit Account back to a value of at least the amount required by Schedule A.

19.3 Termination of Deposit Account. Upon termination of this Agreement, and transfer of all customer and proprietary accounts of Broker or as soon thereafter as practical, but in all cases within thirty (30) days of termination, Pershing shall pay and deliver to Broker, the funds and securities in the Deposit Account, less any amounts to which it is entitled under the preceding paragraph; provided, however, that Pershing may retain in the Deposit Account such amount for such period as it deems appropriate for its protection from any claim or proceeding of any type, then pending or threatened, until the final determination of such claim or proceeding is made. If a threatened claim or proceeding is not resolved or if a legal action or proceeding is not instituted within a reasonable time after the termination of this Agreement, any amount retained with respect to such claim, proceeding, or action shall be paid or delivered to Broker.

20.0 PROPRIETARY ACCOUNTS OF INTRODUCING BROKERS AND DEALERS (PAIB)

Pershing shall establish a separate reserve account for proprietary assets held by Broker so that Broker can treat these assets as allowable assets under SEC Rule 15c3-1. Pershing agrees to perform the required computation on behalf of Broker in accordance with the following provisions, procedures, and interpretations set forth in the SEC's No-Action Letter regarding Proprietary Accounts of Introducing Brokers and Dealers (PAIB) dated November 3, 1998:

20.1 Pershing will perform a separate computation for PAIB assets (PAIB reserve computation) of Broker in accordance with the customer reserve computation set forth in SEC Rule 15c3-3 (customer reserve formula) with the following modifications:

- A. Any credit (including a credit applied to reduce a debit) that is included in the customer reserve formula will not be included as a credit in the PAIB reserve computation;
- B. Note E(3) to Rule 15c3-3a, which reduces debit balances by one percent under the basic method and subparagraph (a)(1)(ii)(A) of Rule 15c3-1, which

- reduces debit balances by three percent under the alternative method will not apply; and
- C. Neither Note E(I) to Rule 15c3-3a nor NYSE Interpretation /04 to Item 10 of Rule 15c3-3a regarding securities concentration charges is applicable to the PAIB reserve computation.

20.2 PAIB reserve computation will include all the proprietary accounts of Broker. All PAIB assets will be kept separate and distinct from customer assets under the customer reserve computation set forth in SEC Rule 15c3-3.

20.3 PAIB reserve computation will be prepared within the same time frames as those prescribed by Rule 15c3-3 for the customer reserve formula.

20.4 Pershing will establish and maintain a separate "Special Reserve Account for the Exclusive Benefit of PAIB Customers" with a bank in conformity with the standards of Rule 15c3-3(f) (PAIB Reserve Account). Cash and/or qualified securities as defined in the Rule will be maintained in the PAIB Reserve Account in an amount equal to the PAIB reserve requirement.

20.5 If the PAIB reserve computation results in a deposit requirement, the requirement can be satisfied to the extent of any excess debit in the customer reserve formula of the same date. However, a deposit requirement resulting from the customer reserve formula cannot be satisfied with excess debits from the PAIB reserve computation.

20.6 Within two business days of entering into this Agreement, Broker must notify its designated examining authority (DEA) in writing that it has entered into a PAIB agreement with its clearing broker-dealer.

20.7 Upon discovery that any deposit made to the PAIB Reserve Account did not satisfy its deposit requirement, Pershing will immediately notify its DEA and the SEC. Unless a corrective plan is found to be acceptable by the SEC and the DEA, Pershing will provide written notification within five business days of the date of discovery to Broker that PAIB assets held by Pershing will not be deemed allowable assets for net capital purposes.

20.8 To the extent applicable, commissions receivable and other receivables of Broker from Pershing (excluding clearing deposits) that are otherwise allowable assets under the net capital rule are not to be included in the PAIB reserve computation, provided the amounts have been clearly identified as receivables on the books and records of the Broker and as payables on the books of Pershing.

21.0 COMMUNICATION

21.1 Notice to Customers. Pershing shall, upon the opening of an account pursuant to paragraph 5 of this Agreement, mail to each customer a copy of the notice to customers required by NYSE Rule 382(c).

21.2 Customer Complaint Reporting and Customer Notification. Broker authorizes and instructs Pershing to forward promptly any written customer complaint received by Pershing regarding Broker and/or its associated persons relating to functions and responsibilities

allocated to Broker under this Agreement to a) Broker and b) Broker's designated examining authority ("DEA") designated under Section 17 of the Securities and Exchange Act of 1933 or, if none, to Broker's appropriate regulatory agency or authority. Further, Broker authorizes Pershing to notify the customer, in writing, that Pershing has received the complaint, and the complaint has been forwarded to Broker's DEA (or, if none, to the appropriate regulatory agency).

21.3 Restriction on Advertising. Neither Pershing nor Broker shall utilize the name of the other in any way without the other's prior written consent except to disclose the relationship between the parties. Neither party shall employ the other's name in such a manner as to create the impression that the relationship between them is anything other than that of clearing broker and introducing broker. Broker shall not hold itself out as an agent of Pershing or as a subsidiary or company controlled directly or indirectly by or affiliated with Pershing except as provided in this paragraph.

21.4 Linking Between Sites. Without express written authorization, neither party may provide or allow an electronic hyperlink directly from its service or site on the Internet or another site over which that party has control to the service or site on the Internet of the other party.

22.0 TERMINATION OF AGREEMENT

This Agreement shall continue until terminated as hereinafter provided:

22.1 Termination Upon 90-Day Notice. This Agreement may be terminated by either party without cause upon ninety days prior notice. If either party terminates the Agreement pursuant to this subparagraph, Pershing shall have the right to impose reasonable limitations upon Broker's activities during the period between the giving of Notice and the transfer of Broker's accounts.

22.2 Default. If either party defaults in the performance of its obligations under this Agreement, or otherwise violates the provisions of this Agreement, the non-defaulting party may terminate this Agreement by delivering Notice to the defaulting party (i) specifying the nature of the default; and (ii) notifying the defaulting party that unless the default is cured within a period of ten days from receipt of the Notice, this Agreement will be terminated without further proceedings by the non-defaulting party.

22.3 Disability. This Agreement may be terminated by Pershing or Broker immediately in the event that the other party is enjoined, disabled, suspended, prohibited, or otherwise becomes unable to engage in the securities business or any part of it by operation of law or as a result of any administrative or judicial proceeding or action by the SEC, any state securities law administrator, or any regulatory or self-regulatory organization having jurisdiction over such party.

22.4 Conversion of Accounts. In the event that this Agreement is terminated for any reason, Broker shall arrange for the conversion of Broker's and its customer accounts to another clearing broker or to Broker if it becomes self-clearing. Broker shall give Pershing Notice (the "Conversion Notice") of: (i) the name of the broker that will assume responsibility for clearing services for Customers and Broker; (ii) the date on which such broker will commence providing

such services; (iii) Broker's undertaking, in form and substance satisfactory to Pershing, that Broker's agreement with such clearing broker provides that such clearing broker will accept on conversion all Broker and customer accounts then maintained by Pershing; and (iv) the name of an individual or individuals within new clearing broker's organization whom Pershing may contact to coordinate the conversion. The Conversion Notice shall accompany Broker's notice of termination given pursuant to this paragraph. If Broker fails to give Conversion Notice to Pershing, Pershing may notify Broker's customers as Pershing deems appropriate of the termination of this Agreement and may make such arrangements as Pershing deems appropriate for transfer or delivery of customer and Broker accounts. The expense of notifying those customers and making such arrangements shall be charged to Broker.

22.5 Survival. Termination of this Agreement in any manner shall not release Broker or Pershing from any liability or responsibility with respect to any representation or warranty or transaction effected on the books of Pershing.

22.6 Termination Fee. If Broker terminates this Agreement pursuant to Paragraph 22.1 above, or Pershing terminates this Agreement pursuant to Paragraph 22.2 or 22.3 within the period specified in Schedule A, Broker shall pay to Pershing a termination fee and will reimburse Pershing for Deconversion Expenses as stated in Schedule A.

22.7 Termination under S.I.P.A. In the event that Broker is the subject of the issuance of a protective decree pursuant to the Securities Investor Protection Act of 1970 (15 USC 78aaa-111), Pershing's claim for payment of a termination fee under this Agreement shall be subordinate to claims of Broker's customers that have been approved by the Trustee appointed by the Securities Investor Protection Corporation pursuant to the issuance of such protective decree.

23.0 CONFIDENTIAL NATURE OF DOCUMENTS AND OTHER INFORMATION

Neither Pershing nor Broker shall disclose the terms of this Agreement or information obtained as a result thereof or information regarding the identity of the other's customers to any outside party except to regulatory or self-regulatory organizations, pursuant to judicial process or as otherwise required by law or to authorized employees of the other. Any other publication or disclosure of the terms of this Agreement may be made only with the prior written consent of the other party. Broker and Pershing shall each maintain the confidentiality of documents and information received from the other party pursuant to this Agreement.

Broker acknowledges that the services Pershing provides hereunder involve Broker access to proprietary technology, trading and other systems, and that techniques, algorithms and processes contained in such systems constitute trade secrets and shall be safeguarded by Broker, and that Broker shall exercise reasonable care to protect Pershing's interest in such trade secrets. Broker agrees to make the proprietary nature of such systems known to those of its consultants, staff, agents or clients who may reasonably be expected to come into contact with such systems. Broker agrees that any breach of this confidentiality provision may result in its being liable for damages as provided by law.

24.0 ACTION AGAINST CUSTOMERS BY PERSHING

Pershing may, in its sole discretion and at its own expense and, upon written notice to Broker, institute and prosecute in its name any action or proceeding against any of Broker's customers in relation to any controversy or claim arising out of Pershing's transactions with Broker or with Broker's customers. Nothing contained in this Agreement shall be deemed either (a) to require Pershing to institute or prosecute such an action or proceeding; or (b) to impair or prejudice its right to do so, should it so elect, nor shall the institution or prosecution of any such action or proceeding relieve Broker of any liability or responsibility which Broker would otherwise have had under this Agreement. Broker assigns to Pershing its rights against its customer as necessary to effectuate the provisions of this paragraph.

25.0 NOTICES

Any Notice required or permitted to be given under this Agreement shall be sufficient only if it is in writing and sent by hand or by certified mail, return receipt requested, to the parties at the following address:

Broker: INTLTRADER.COM
220 East Central Parkway Ste 2060
Altamonte Springs, FL 32701
Attn: Ed Cofrancesco

Pershing:
Pershing Division of Donaldson, Lufkin & Jenrette Securities Corporation
One Pershing Plaza
Jersey City, NJ 07399
Attn:
cc: Legal Department

26.0 ARBITRATION

26.1 Arbitration Requirement. Any dispute between Broker and Pershing that cannot be settled shall be taken to arbitration as set forth in paragraph 26.3 below.

26.2 ARBITRATION DISCLOSURE.

- ARBITRATION IS FINAL AND BINDING ON THE PARTIES.
- THE PARTIES ARE WAIVING THEIR RIGHT TO SEEK REMEDIES IN COURT, INCLUDING THE RIGHT TO JURY TRIAL.
- PRE-ARBITRATION DISCOVERY IS GENERALLY MORE LIMITED THAN AND DIFFERENT FROM COURT PROCEEDINGS.
- THE ARBITRATORS' AWARD IS NOT REQUIRED TO INCLUDE FACTUAL FINDINGS OR LEGAL REASONING AND ANY PARTY'S RIGHT TO APPEAL OR TO SEEK MODIFICATION OF RULINGS BY THE ARBITRATORS IS STRICTLY LIMITED.

- THE PANEL OF ARBITRATORS WILL TYPICALLY INCLUDE A MINORITY OF ARBITRATORS WHO WERE OR ARE AFFILIATED WITH THE SECURITIES INDUSTRY.

26.3 ARBITRATION AGREEMENT.

ANY CONTROVERSY BETWEEN US ARISING OUT OF YOUR BUSINESS OR THIS AGREEMENT SHALL BE SUBMITTED TO ARBITRATION CONDUCTED BEFORE THE NASD REGULATION INC., AND IN ACCORDANCE WITH THE RULES OBTAINING OF THE SELECTED ORGANIZATION AND SHALL BE CONDUCTED AS A BROKER TO BROKER OR MEMBER VS MEMBER DISPUTE. ARBITRATION MUST BE COMMENCED BY SERVICE UPON THE OTHER PARTY OF A WRITTEN DEMAND FOR ARBITRATION OR A WRITTEN NOTICE OF INTENTION TO ARBITRATE, THEREIN ELECTING THE ARBITRATION TRIBUNAL.

NO PERSON SHALL BRING A PUTATIVE OR CERTIFIED CLASS ACTION TO ARBITRATION, NOR SEEK TO ENFORCE ANY PRE-DISPUTE ARBITRATION AGREEMENT AGAINST ANY PERSON WHO HAS INITIATED IN COURT A PUTATIVE CLASS ACTION AND WHO IS A MEMBER OF A PUTATIVE CLASS AND WHO HAS NOT OPTED OUT OF THE CLASS WITH RESPECT TO ANY CLAIMS ENCOMPASSED BY THE PUTATIVE CLASS ACTION UNTIL: (i) THE CLASS CERTIFICATION IS DENIED; (ii) THE CLASS IS DECERTIFIED; OR (iii) THE CUSTOMER IS EXCLUDED FROM THE CLASS BY THE COURT. SUCH FORBEARANCE TO ENFORCE AN AGREEMENT TO ARBITRATE SHALL NOT CONSTITUTE A WAIVER OF ANY RIGHTS UNDER THIS AGREEMENT EXCEPT TO THE EXTENT STATED HEREIN.

27.0 GENERAL PROVISIONS

27.1 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the respective successors and assigns of Broker and Pershing. No assignment of this Agreement or any rights, including those to indemnification hereunder by Broker shall be effective unless Pershing's written consent shall be first obtained.

27.2 Severability. If any provision of this Agreement shall be held to be invalid or unenforceable, the validity or enforceability of the remaining provisions and conditions shall not be affected thereby.

27.3 Counterparts. This Agreement may be executed in one or more counterparts, all of which taken together shall constitute a single agreement.

27.4 Entire Agreement Amendments and Duties Not Specifically Enumerated Herein. This Agreement represents the entire agreement between the parties with respect to the subject matter contained herein and all prior discussions, agreements, and promises, written or oral, are merged herein. This Agreement may not be changed orally, but only by an agreement in writing signed

by the parties. Pershing shall not be responsible or liable for failure to perform any duties not specifically enumerated herein.

27.5 Captions. Captions herein are for convenience only and are not of substantive effect.

27.6 Applicable Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to the conflicts of laws or principles thereof. This Agreement shall not be governed by the United Nations Convention on the International Sale of Goods.

27.7 Citations. Any reference to the rules or regulations of the SEC, NASD, the NYSE, or any other regulatory or self-regulatory organization are current citations. Any changes in the citations (whether or not there are any changes in the text of such rules or regulations) shall be automatically incorporated herein.

27.8 Construction of Agreement. Neither this Agreement nor the performance of the services hereunder shall be considered to create a joint venture or partnership between Pershing and Broker or between Broker and other brokers for whom Pershing may perform the same or similar services.

27.9 Third-Parties. This Agreement is between the parties hereto and is not intended to confer any benefits on third-parties including, but not limited to, customers of Broker.

27.10 Non-Exclusivity of Remedies. The enumeration herein of specific remedies shall not be exclusive of any other remedies. Any delay or failure by a party to this Agreement to exercise any right, power, remedy, or privilege herein contained, or now or hereafter existing under any applicable statute or law, shall not be construed to be a waiver of such right, power, remedy, or privilege. No single, partial, or other exercise of any such right, power, remedy, or privilege shall preclude the further exercise thereof or the exercise of any other right, power, remedy, or privilege.

27.11 SEC Release 34-31511 Provision. Pursuant to the interpretation of Introducing Accounts on a Fully-Disclosed Basis contained in SEC Release 34-31511, it is hereby agreed between Broker and Pershing that, insofar as the “financial responsibility rules” of the SEC and Securities Investor Protection Act only are applicable, the accounts Broker introduces to Pershing on a fully-disclosed basis shall be considered to be accounts of Pershing and not Broker’s accounts. Nothing in this paragraph will otherwise change or affect the provisions of this Agreement which provide that the customer account remains Broker’s customer account for all other purposes, including but not limited to, supervision, suitability and indemnification.

27.12 United States Postal Service Documents. Broker hereby appoints Pershing as its attorney-in-fact for the purpose of executing such documents as are necessary to allow Broker and its customers to participate in the FASTforward program of the United States Postal Service. This may include, but not be limited to Pershing’s execution, on an annual basis, on Broker’s behalf, of the FASTforward Processing Acknowledgment Form.

27.13 Provision of Reports and Exception Reports. On or before the effective date of this Agreement, Pershing shall provide to Broker, Pursuant to NYSE Rule 382(e), a list of all

reports (e.g. exception-type reports) it offers to Broker. Broker shall promptly notify Pershing, in writing, of those specific reports it elects to receive. Pershing and Broker each represent that their obligations relative to exception reports, pursuant to NYSE Rule 382(e) have been completed. (NYSE Information Memo 99-33)

28.0 OWNERSHIP AND LICENSES

28.1 License to Use Systems. In order to effectuate the terms of this Agreement and to allow each party to perform its duties hereunder, Pershing hereby grants to Broker a non-exclusive, non-transferable, non-assignable limited license for the term of this Agreement to access and use the various account information, trading and order entry systems to which Pershing specifically provides access whether pursuant to the schedules attached hereto or otherwise (“the Systems”). Said license shall be limited to the use of the most recently updated version of Systems in accordance with the written manuals and procedures provided by Pershing in effect from time to time. Broker shall not, directly or indirectly, modify the features or functionality of, copy or create derivative works using all or any portion of, peel semiconductor components, decompile, or otherwise reverse engineer or attempt to reverse engineer or derive source code from the Systems or permit or encourage any third-party to do so.

28.2 License to Software Products. Subject to receipt by Pershing of the fees set forth in the pricing schedules attached hereto and approval by Pershing of any customized version created by Broker, Pershing may provide or arrange for the provision of software and other associated and non-associated services, features of which may enable Broker’s customers or its representatives to contact Broker and transact business through Broker via various media, including a site or pages of a site located on the World Wide Web and reached through an Internet address, which shall be unique to Broker (but which shall not be required to be a domain name unique to Broker) (the “Software Products”). To the extent required, Pershing hereby grants to Broker a non-exclusive, non-transferable, non-assignable limited license for the term of this Agreement to access and use the Software Products solely for the purposes for which they were created and provided to Broker: to enable its customers and representatives (a) to communicate with Broker; and (b) access financial information and transact business with Broker through the various media. Said license shall be limited to the use of the most recently updated version of the Software Products in accordance with the written manuals and procedures provided by Pershing in effect from time to time. Except as specifically permitted pursuant to the first sentence of this Paragraph 28.2, Broker shall not, directly or indirectly, modify the features or functionality of, copy or create derivative works using all or any portion of, peel semiconductor components, decompile, or otherwise reverse engineer or attempt to reverse engineer or derive source code from the Software Products or permit or encourage any third-party to do so.

28.3 Ownership of the Systems and Software Products. Nothing herein shall be construed to transfer to Broker any rights, title and/or interest in and to the Systems or to the Software Products, including without limitation, the intellectual property rights therein. The Systems and Software Products are considered the trade secrets of Pershing and its affiliates. As between Broker and Pershing, Pershing shall at all times be and remain the sole and exclusive owner of the Systems and Software Products, including any and all home page design(s), methodologies, techniques, software libraries, and know-how used by Pershing or incorporated into the Systems and Software Products, including all improvements,

modifications, or enhancements thereto. Except with respect to intellectual property rights in trademarks and copyrights belonging to Broker, Pershing and its affiliates retains all rights, title, and interest in and to Systems and Software Products, including without limitation, all applicable copyrights (including without limitation, the exclusive right to reproduce, distribute copies of, display and perform the copyrighted work and to prepare derivative works), copyright registrations, and applications, trademark rights (including without limitation, registrations and applications), patent rights, trade-names, mask-work rights, trade secrets, moral rights, authors' rights, and all renewal and extensions thereof, regardless of whether any of such rights arise under the laws of the United States or any other state, country or jurisdiction. If at any time Broker proposes or makes modifications to its customized version of any System or Software Product ("Modification"), all right, title and interest in the Modifications shall be deemed to be a work made for hire. To the extent that title to any such Modification may not vest in Pershing by operation of law, or such Modifications may not be considered works made for hire, all right, title, and interest therein are hereby irrevocably assigned to Pershing. All such Modifications shall belong exclusively to Pershing, with Pershing having the right to obtain and to hold in its own name copyright registrations, patents, and such other intellectual property protection as may be appropriate to the subject matter, and any extensions and renewals thereof. Broker agrees to give Pershing and any person designated by Pershing reasonable assistance, at Pershing's expense, required to perfect the rights defined in this Section. Unless otherwise directed by Pershing, upon the termination of this Agreement, Broker shall immediately turn over to Pershing all Modifications, including, but not limited to, computer programs, working papers, descriptions, reports, and data. Nothing contained in this Paragraph 28.3 shall be construed as preventing Pershing from assigning any intellectual property right with respect to any Modification to any third-party. This Paragraph 28.3 shall survive any termination of this Agreement.

28.4 Protection of the Systems and Software Products. Pershing shall, from time to time, provide Broker with passwords, codes, certificates, and other identification devices and security measures (the "Identification Devices") necessary to access and use the Systems and Software Products. Broker shall determine whether and which of its customers, employees, or agents shall have access to the Systems and Software Products. Broker shall be solely responsible for the assignment, distribution, and maintenance of all Identification Devices to ensure that access to the Systems and Software Products is granted only to those individuals who are authorized by Broker. Nothing in this paragraph shall affect or diminish Pershing's right, in its sole discretion, to refuse to provide any or all the Systems and Software Products to Broker, its agents or employees or any customers of Broker. Broker shall be responsible for and shall provide the same level of security as Broker applies to its own source code and trade secrets in the protection, maintenance, and distribution of those Identification Devices and codes within its organization and to its agents and customers, but in no case less than reasonable security. Any loss, theft, or discovery of any Identification Devices shall be reported to Pershing immediately and Broker shall be responsible for any unauthorized use, and for any loss resulting from unauthorized use, of any Identification Device prior to the time the loss, theft, or discovery of the Identification Device is reported to Pershing.

28.5 Restricted Use of Data. Broker acknowledges that certain information available via the Systems and Software Products cannot be viewed by or otherwise distributed to an individual who is a member of any exchange or the NASD, or of any corporation of which an exchange

owns a majority of the capital stock, or of a member firm or member corporation of any exchange or the NASD or of any corporation, firm or individual engaged in the business of dealing either as a broker or a principal in securities, bills of exchange, acceptances, or other forms of commercial paper (hereinafter "Professional User"). Broker acknowledges that Broker is solely responsible for ensuring that and represents and warrants that it will not use or permit any other Professional User to access or view the restricted information except in their capacity as public customers. In addition, certain information available through the Systems cannot be viewed by or otherwise distributed to Broker's customers. Broker acknowledges that Broker is solely responsible for ensuring that no such individual views the restricted information. Pershing's or its affiliates' mere creation and license of the Systems and Software Products to be used by Broker as tools for conducting its business does not diminish Broker's responsibility for compliance with all applicable rules as set forth in paragraph 6 of this Agreement.

28.6 Options Price Reporting Authority Requirements. In providing the Systems and Software Products, Broker may allow access to information concerning options contracts to its customers or itself, which information has been licensed to Pershing. Broker hereby certifies that, for each customer to whom it instructs Pershing to provide access to information concerning options contracts, it has obtained a written agreement in which the customer agrees that he or she: (1) shall receive options information solely for such person's own use; (2) shall not retransmit or otherwise furnish options information to any other person; (3) shall acknowledge that options information is and shall remain the property of the respective exchange or other market on which a reported transaction took place or a reported quotation was entered; and (4) shall acknowledge that: (i) neither the Options Price Reporting Authority (OPRA), OPRA's processor, nor any OPRA Participant guarantees the timeliness, sequence, accuracy, or completeness of any options last sale price, quotation information, or other market information provided by OPRA; (ii) neither OPRA, OPRA's processor nor any OPRA Participant shall be liable in any way to such customer, broker or any other person for any loss, damages, cost, or expense which may arise from any failure of performance by OPRA, OPRA's processor, or any OPRA Participant, or from any delays, inaccuracies, errors in or omissions of, any Options Information, or in the transmission or delivery thereof, whether or not due to any negligent act or omission on the part of OPRA, OPRA's processor or any OPRA Participant; and (iii) in no event shall OPRA, OPRA's processor or any OPRA Participant be liable for any incidental, special, indirect, or consequential damages, including but not limited to, lost profits, trading losses, or damages resulting from inconvenience, or loss of use of the Service. Such written agreement shall state that it is for the express benefit of OPRA, OPRA's processor, and each OPRA Participant. In addition, Broker, on its own behalf, acknowledges its understanding of OPRA's responsibilities under this Paragraph 28.6. In addition, Broker agrees that it shall maintain and preserve for at least three years sufficient records to identify the names and addresses of its customers to whom it is authorized to provide the Service, together with copies of all customer agreements and billing records. At the request of OPRA, Broker agrees to permit representatives of OPRA to have access to such records, and to provide to OPRA any information that OPRA may reasonably request concerning its customers. Broker further acknowledges that its acknowledgments and agreements as stated above should be for the express benefit of OPRA, OPRA's processor, and each OPRA participant.

28.7 Receipt of Information from Third-Parties and Reality Online Inc. In providing the Systems and Software Products, Broker may allow access to information to its customers or itself, which information has been licensed to Pershing by a third-party, including without limitation Reality Online Inc. Broker acknowledges that it has read and executed the agreement attached hereto as Exhibit A – Reuters Services – NetExchange Client™ Agreement and thereby has the right to distribute the information provided by Reality Online Inc.

IN WITNESS WHEREOF the parties have hereto affixed their hands and seals by their duly authorized officers on the day and date first above written.

This Agreement contains a pre-dispute arbitration clause in Paragraph 26 beginning on page 20. Broker acknowledges receiving a copy of this Agreement.

BROKER: INTLTRADER.COM, INC.

By: /s/ Edward R. Cofrancesco Jr.
Title: COO

PERSHING/ DIVISION OF DONALDSON, LUFKIN & JENRETTE SECURITIES
CORPORATION

By: /s/ John C. Ward
John C. Ward
Title: Director

SUBSIDIARIES OF THE REGISTRANT

<u>Name</u>	<u>Place of Incorporation</u>
INTL Trading, Inc. (Formerly known as INTLTRADER.COM, INC.)	Florida
INTL Assets, Inc. (Formerly known as International Asset Management Corp.)	Florida
Offshoretrader.com Ltd.	Bermuda

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of International Assets Holding Corporation (the "Company") on Form 10-QSB for the period ending December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sean M. O'Connor, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: February 13, 2003

/s/ Sean M. O'Connor
Sean M. O'Connor
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of International Assets Holding Corporation (the "Company") on Form 10-QSB for the period ending December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan C. Hinz, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: February 13, 2003

/s/ Jonathan C. Hinz
Jonathan C. Hinz
Chief Financial Officer