

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 1998

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

For the transition period from _____ to _____

Commission file number _____

INTERUNION FINANCIAL CORPORATION

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

Delaware

52-2002396

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

249 Royal Palm Way, Suite 301 H, Palm Beach, Fl

33480

(Address of principal executive offices)

(Zip Code)

(561) 820 - 0084

(561) 655 - 0146

(Issuer's telephone number)

(Issuer's telecopier number)

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

Check whether the issuer (1) filed all reports required to be filed by section 13 or 15(d) of the Exchange Act during the past 12 months (or 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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

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

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: \$0.001 Par Value Common Shares - 1,935,945 as of October 31, 1998.

Transitional Small Business Disclosure Format (Check One) Yes No

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

INTERUNION FINANCIAL CORPORATION
UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
FOR THE PERIOD ENDED SEPTEMBER 30

<TABLE>
<CAPTION>

	Three Months Ended		Six Months Ended		
	1998	1997	1998	1997	
<S>	<C>	<C>	<C>	<C>	
REVENUES					
Investment Banking	\$	(8,523)	\$ 1,035,395	\$ 265,489	\$ 2,425,794
Investment Management		448,544	119,853	739,988	202,445
Interest Income		20,939	10,107	59,827	35,574
	-----	-----	-----	-----	
	460,960	1,165,354	1,065,304	2,663,813	
	-----	-----	-----	-----	
EXPENSES					
Selling, General & Administration		707,193	1,087,823	1,325,966	2,345,174
Amortization & Depreciation		56,694	58,093	138,399	116,191
Foreign Exchange Loss (Gain)		(88,737)	(4,209)	(62,797)	(17,241)
Interest Expense		43,815	58	115,763	44,999
	-----	-----	-----	-----	
	718,965	1,141,765	1,517,331	2,489,123	
	-----	-----	-----	-----	
PROFIT (LOSS) FROM CONTINUING OPERATIONS - BEFORE INCOME TAXES			(258,005)	23,589	(452,027)
				174,690	
PROVISION FOR INCOME TAXES (RECOVERABLE)			2,548	11,370	---
					64,370
EQUITY IN NET EARNING (LOSSES) OF CONSOLIDATED AFFILIATES		(36,577)	---	(24,995)	---
	-----	-----	-----	-----	
PROFIT (LOSS) FROM CONTINUING OPERATIONS			(297,130)	12,219	(477,022)
					110,320
Loss from Discontinued Operations		---	---	---	691
Gain on Disposal of Discontinued Assets		---	803,483	---	803,483
	-----	-----	-----	-----	
NET PROFIT (LOSS) FOR THE PERIOD			(297,130)	815,702	(477,022)
					914,494
FOREIGN EXCHANGE TRANSLATION EFFECT			(155,458)	(32)	(198,243)
					344
RETAINED EARNINGS (DEFICIT) - BEGINNING OF PERIOD		(1,801,296)	(1,468,310)	(1,578,619)	(1,567,478)
	-----	-----	-----	-----	
RETAINED EARNINGS (DEFICIT) - End of Period	\$	(2,253,884)	\$ (652,640)	\$ (2,253,884)	\$ (652,640)
	=====	=====	=====	=====	=====

FINANCIAL OVERVIEW

Common Shares Outstanding	1,935,945	1,220,250	1,935,945	1,220,250
Weighted Average Shares Outstanding - Basic	1,770,466	1,256,663	1,766,456	1,192,835
Weighted Average Shares Outstanding - Diluted	2,683,795	1,730,993	2,592,637	1,622,732
EPS - From Continuing Operations (Basic)	(0.17)	0.01	(0.27)	0.09
EPS - From Discontinuing Operations (Basic)	0.00	0.64	0.00	0.67
EPS (Basic)	(0.17)	0.65	(0.27)	0.77
EPS - From Continuing Operations (FD)	(0.17)	0.01	(0.27)	0.07
EPS - From Discontinuing Operations (FD)	0.00	0.46	0.00	0.50
EPS (FD)	(0.17)	0.47	(0.27)	0.56

</TABLE>

See Accompanying Notes to Unaudited Consolidated Financial Statements

<TABLE>
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	As at September 30,		As at March 31,	
	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
CURRENT ASSETS				
Cash and cash equivalents	\$ 338,877	\$ 816,750	\$ 2,873,731	\$ 349,738
Due from brokers and dealers	587,548	1,737,083	2,012	166,062
Due from clients	153,223	1,577,419	715,871	5,967,989
Marketable securities	180,412	689,840	35,169,986	29,457,965
Accounts receivable	535,942	357,150	882,491	226,663
Income tax receivable	---	---	7,789	22,197
Notes receivable	415,456	678,074	616,579	---
Prepaid expenses and other current assets	121,318	32,927	56,733	151,483
	2,332,776	5,889,243	40,325,192	36,342,097
Property & equipment, net				
Notes receivable, non-current portion	1,315,568	1,507,259	1,425,192	1,609,905
Other long-term assets	778,942	302,460	952,106	---
Investment in unconsolidated affiliates	84,710	256,945	84,710	256,945
Goodwill, net	4,156,363	2,995,288	3,488,322	---
Net assets related to discontinued assets	1,999,918	383,378	2,468,210	394,332
	8,335,501	5,445,330	8,418,540	2,478,410
	\$ 10,668,277	\$ 11,334,573	\$ 48,743,732	\$ 38,820,507
CURRENT LIABILITIES				
Due to brokers and dealers	\$ 145,225	\$ 1,841,092	\$ 34,663,322	\$ 33,012,864
Due to clients	595,547	1,329,759	3,057,747	1,320,874
Accounts payable and accrued liabilities	219,489	422,795	1,063,956	257,470
Notes payable	731,548	877,412	1,703,441	---
Bank loan	656,313	---	---	---
	2,348,122	4,471,058	40,488,466	34,591,208
Due to related parties	522,566	300,000	---	---
Other liabilities	68,852	---	77,033	---
Notes payable, long-term portion	614,944	199,338	1,485,801	---
Discontinued liabilities	---	---	504,962	---
Deferred income tax liability	---	110,000	---	85,000
	1,206,362	609,338	1,562,834	589,962
SHAREHOLDERS' EQUITY				
Capital Stock and additional paid-in capital	9,367,677	6,906,817	8,271,051	5,206,815
Accumulated comprehensive income	(203,294)	(8,853)	(5,051)	(9,197)
Retained Earnings (Deficit)	(2,050,590)	(643,787)	(1,573,568)	(1,558,281)
	7,113,793	6,254,177	6,692,432	3,639,337
	\$ 10,668,277	\$ 11,334,573	\$ 48,743,732	\$ 38,820,507

</TABLE>

See Accompanying Notes to Unaudited Consolidated Financial Statements

<TABLE>
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	6 Months to September 30,		12 Months to March 31,	
	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
OPERATING ACTIVITIES				
Net income (loss)	\$ (477,022)	\$ 914,494	\$ (15,287)	\$ (230,153)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities				
Amortization	138,399	116,191	240,886	240,912
Gain on disposition of discontinued operations	---	---	(804,174)	---
Non cash compensation	---	60,000	60,000	117,500
Deferred income tax	---	25,000	(85,000)	85,000
Unrealized gain (loss) on marketable securities	(11,813)	84,378	159,831	(529,854)
	-----	-----	-----	-----
	(350,436)	1,200,063	(443,744)	(316,595)
Increase (decrease) in due to/from brokers and dealers, net	(35,103,633)	(32,832,793)	1,814,508	31,515,327
Increase (decrease) in due to/from clients, net	(2,060,496)	4,399,455	6,988,991	(5,588,459)
Increase (decrease) in marketable securities	35,128,577	27,726,400	(5,871,852)	(26,352,526)
Increase (decrease) in accounts receivable and sundry assets	289,753	10,266	(452,610)	(184,970)
Decrease (increase) in accounts payable and accrued liabilities	(844,467)	165,325	633,103	(56,560)
Increase in assets and liabilities related to discontinued operations	---	(287,734)	(287,734)	129,296
	-----	-----	-----	-----
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(2,940,702)	380,982	2,380,662	(854,487)
	-----	-----	-----	-----
FINANCING ACTIVITIES				
Capital stock and additional paid-in capital issued	133,000	270,000	270,000	727,339
Increase (decrease) in due to related parties	522,566	300,000	---	---
Proceeds (repayment) of notes payable	(541,847)	678,074	1,508,712	(119,462)
Proceeds (repayment) of bank loan	656,313	---	---	---
	-----	-----	-----	-----
CASH PROVIDED (USED) BY FINANCING ACTIVITIES	770,032	1,248,074	1,778,712	607,877
	-----	-----	-----	-----
INVESTING ACTIVITIES				
Property and equipment, net	---	(12,688)	(2,032)	(10,866)
Long term investments, net	(364,184)	(471,282)	(485,336)	(66,945)
Notes receivable	---	(678,074)	(1,299,935)	---
	-----	-----	-----	-----
CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(364,184)	(1,162,044)	(1,787,303)	(77,811)
	-----	-----	-----	-----
INCREASE (DECREASE) IN CASH	(2,534,854)	467,012	2,372,071	(324,421)
CASH - Beginning of period	2,873,731	349,738	349,738	674,159
CASH - Acquired on acquisition	---	---	151,922	---
	-----	-----	-----	-----
CASH - End of period	\$ 338,877	\$ 816,750	\$ 2,873,731	\$ 349,738
	=====	=====	=====	=====

</TABLE>

See Accompanying Notes to Unaudited Consolidated Financial Statements

1. Interim information is unaudited; however, in the opinion of management, all adjustments necessary for a fair statement of interim results have been included in accordance with Generally Accepted Accounting Principles. All adjustments are of a normal recurring nature unless specified in a separate note included in these Notes to Unaudited Consolidated Financial Statements. The results for interim periods are not necessarily indicative of results to be expected for the entire fiscal year. These financial statements and notes should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto for the fiscal year ended March 31, 1998, included in its Form 10-KSB for the year ended March 31, 1998.

2. During the period, the Company issued:

- 35,000 shares of common stock and 17,500 common stock purchase warrants for net proceeds of \$140,000. A \$7,000 fee was paid to an intermediary;
- 231,918 shares of common stock as partial payment for a \$1,140,000 note due July 1998 and 1999, in conjunction with its acquisition of Leon Frazer, Black & Associates Limited and Black Investment Management Limited. The balance of the note: C\$250,000 (US \$170,000) was paid in cash in July 1998 and C\$150,000 (US \$98,000) is still outstanding;
- 27,244 shares of common stock to Leon Frazer, Black & Associates Limited and \$3,688 in cash, in order to acquire the 8.55% it did not own in InterUnion Asset Management ("IUAM"), making IUAM a wholly owned subsidiary.

In addition, during the period the Company cancelled 32,200 shares of common stock it received in reduction of a note receivable.

The shareholders approved the increase of the authorized number of common shares to 5,000,000.

3. Earning per share is computed using the weighted average number of common shares outstanding during the period. Loss per share is computed using the weighted average number of common shares outstanding during the period.

4. During the period, the Company exercised 13,761,702 Receptagen Ltd. ("RCG") Share Purchase Warrant to hold 30,117,582 common shares, or 34.6% of RCG. The Company also holds 7,970,938 Share Purchase Warrants with an exercise price of C\$0.035 that expire on June 30, 2000. The Company will continue to account for its interest in RCG on the cost basis as: (i) although the restructuring plans have been altered due to market conditions affecting small capitalization companies and this particular sector, it is still in progress; and (ii) the Company does not intend to increase its current interest in RCG but intends to reduce it. It should be noted that should the Company not be able to reduce its current interest in RCG, for any reason, by the end of the current fiscal year, then the Company may be required under applicable accounting principles to change its method of accounting from the cost basis to the equity method of accounting. Such a change in accounting policy may cause the Company to record a charge against income.

5. As of April 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income". This statement establishes standards for reporting and display of comprehensive income and its components. Comprehensive income is net income, plus certain items that are recorded directly to shareholders' equity, bypassing net income. The only such item currently applicable to the Company is foreign currency translation adjustments.

For the period ended September 30, 1998 and 1997, total comprehensive income was (\$675,265) and \$914,838, respectively. The adoption of this Statement had no effect on the Company's results of operations or financial position as the only item that is added to Net income (loss) is foreign currency adjustments.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS

(1) OVERVIEW

During the first six months of fiscal 1999 (six months ending September 30, 1998), InterUnion reported consolidated revenues of \$1.1 million versus \$2.7 million a year earlier.

Selected financial data from InterUnion's financial statements is (figures in 000's except per share data):

<TABLE>
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	6 mos. ended Sept. - 98	6 mos. ended Sept. - 97	6 mos. ended Sept. - 96
<S>	<C>	<C>	<C>
Revenues	1,065	2,664	2,427
Net Profit (Loss)	(477)	914	(254)
EPS - Operations (basic)	(0.27)	0.09	(0.30)
EPS - Discontinued Operations (basic)		0.00	0.67
EPS (basic)	(0.27)	0.77	(0.34)
Working Capital	(15)	1,418	1,489
Cash Flow	(350)	396	(92)
Total Assets	10,668	11,335	10,951
Shareholders' Equity	7,114	6,254	3,483
Common Share, #	1,935,945	1,220,250	969,714
Book Value Per Share	3.67	5.13	3.59

</TABLE>

(2) NET REVENUES

During the first six months of fiscal 1999, InterUnion reported consolidated revenues of \$1.1 million versus \$2.7 million a year earlier, for a decrease of 60.0%. Investment banking revenues decreased by 89.1% to \$265,489 from \$2,425,794 the previous year. Investment management revenues increased by 265.5% to \$739,988 from \$202,445 the previous year. The decrease of revenues in investment banking can be attributed to the following factors: (i) steep reduction of new issue activity; (ii) lack of institutional support to the small cap market thus reducing the flow of agency trading activity; (iii) concentration of human and financial resources in the M&A sector which, although generating monthly work fees, is subject to payout at the end of a process which can be lengthy; (iv) diversion from client oriented activities of administration and audit personnel in order to build the investment management sector; (v) diversion from marketing efforts in order to raise the funds necessary for the investment management business. The increase in investment management revenues is due to: (i) the acquisition in late fiscal 1998 of The Glen-Ardith Corporation contributed \$378,556; and (ii) a portion of Guardian Timing Services revenue is based on performance, its revenue increased to \$361,432 from \$202,445 for an increase of 78.5%. Due to the nature of the increase, it may not be sustainable.

(3) EXPENSES

During the first six months, the Company reduced its expenses from \$2,489,123 to \$1,517,331 from a year earlier, representing a decrease of 39.0%. This decrease is attributable to the reduction in Selling, General and Administration relating to a drop in financing activity, which was reduced by 43.5%, to \$1,325,966 from \$2,345,174.

The reduction in expenses was offset by increases in Interest charges due to the notes payable assumed in the acquisition of Leon Frazer, Black & Associates Limited, Black Investment Management Limited and InterUnion Asset Management Limited in fiscal 1998. The interest expense is expected to be reduced in the following quarters as most of the debt was reduced by the issuance of common shares.

(4) NET INCOME

Net loss from operations (basic) for the six months ending September 30, 1998 was \$477,022 or \$0.27 per share versus a profit of \$110,320 or \$0.09 per share a year earlier. The decrease in EPS is due to the decrease in revenue, as the

Company devoted most of its resources to assist in the Receptagen Ltd. restructuring and the administration and development of the investment management activity. During the first six months of fiscal 1998, InterUnion recorded a gain from discontinued operation of \$691 and a gain on disposal of

discontinued assets of \$803,483.

The basic weighted average number of common shares outstanding for the six months ending September 30, 1998 is 1,766,456 versus 1,192,835 a year earlier. The increase is due to the issuance of shares in the form of Regulation "S" financings, for the acquisition of investment managers and the settlement of liabilities that arose from these acquisitions.

(5) LIQUIDITY AND CAPITAL RESOURCES

In order to meet its growth plans and fund any operating cash requirements, the Company's policy is to issue additional capital stock, when possible. To date the Company has done this either through the issuance of common stock under Regulation "D" or Regulation "S". The following are details of these private placements during the previous three fiscal years:

Date	# of Shares	Amount	Type
June 1995	62,500	\$ 125,000	Regulation "D"
October 1995	100,000	200,000	Regulation "D" & "S"
March 1996	160,000	320,000	Regulation "D"
September 1996	277,142	759,710	Regulation "S"
May 1998	17,002	68,008	Regulation "S"
June 1998	35,000	140,000	Regulation "S"
July 1998	262,142	1,048,568	Regulation "S"

In July 1998, the Company and the selling shareholders of Leon Frazer, Black & Associates Limited reached an agreement to settle the Notes due in July 1998 and 1999. The C\$1,677,864 (US \$1,140,000) note has been settled by the issuance of common stock and cash: 231,918 shares of common stock, C\$250,000 (US \$170,000) in cash paid in July 1998 and \$150,000 (US \$105,000) to be paid at a later date.

When market conditions do not allow the issuance of Common Shares, the Company issues other instruments such as Promissory Notes and/or Preferred Shares. The Company was debt free until the restructuring of RCG and the acquisition of the investment management business. In the RCG restructuring, the entirety of the debt assumed by the Company has been matched by receivables from RCG with similar terms. Furthermore, the Company has received as security all the assets of RCG, including the intellectual properties. The Company is currently seeking financing in order to do further acquisitions in the investment management sector and reimburse certain loans.

In order to meet its cash requirements for accelerating the full payment of its interest in the investee companies, the Company borrowed \$500,000 in July 1998 and a further \$100,000 in November 1998 from Rif Capital Inc, a shareholder of the Company. In addition, the Company has a credit facility with a Canadian chartered bank, of which \$660,000 (C\$1,005,000) had been drawn down as of September 30, 1998.

(6) ACQUISITION PROGRAM

InterUnion has accelerated the payment of the notes payable to the shareholders of some of its investee companies as well as the acquisition of the 8.55% of InterUnion Asset Management Limited it did not own.

The Company continues to actively explore acquisition opportunities in the investment management sector.

(7) CONCLUDING REMARKS

There are no other known trends, events or uncertainties that may have, or are reasonably likely to have, a material impact on the Company's short-term or long-term liquidity that it has not been discussed above.

In addition, there are no significant income or losses that has risen from the Company's continuing operations that has not been analyzed or discussed above. In addition, there has not been any material change in any line item that is presented on the financial statements that has not been discussed above.

(8) CERTAIN RISK FACTORS WHICH MAY IMPACT FUTURE OPERATIONS

The Company and its subsidiaries operate in a rapidly changing environment that involves a number of factors, some of which are beyond management's control, such as financial market trends and investors' appetite for new financings. It should also be emphasized that should the Company not be successful in completing its own financing (either by debt or by the issuance of securities from treasury), its strategy to grow by acquisition will be affected.

Management has compiled a list of both internally and externally supplied information systems that utilize imbedded date codes, which could experience operational difficulties in the year 2000. The Company uses third party applications or suppliers for all high level systems and reporting. These systems will either be upgraded and tested to be in compliance for the year 2000 or the Company will take necessary steps to replace the supplier. Management is testing new systems for which it is responsible. It is the Company's objective to be year 2000 compliance for all systems by the end of fiscal 1999, however, no assurances can be given. The Company believes that it has provisioned sufficient amounts to cover future expenditures.

In the opinion of management the financial statements for the periods ending September 30, 1998 accurately reflect the operations of the Company and its subsidiaries. The Company has taken every reasonable step to ensure itself that its quarterly financial statements do not represent a distorted picture to anyone having a business reason to review such statements and who has also reviewed its previous audited annual financial statements for the year ended March 31, 1998.

Forward-looking statements included in Management's Analysis and Discussion reflects management's best judgment based on known factors, and involves risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements. Forward-looking information is provided by InterUnion pursuant to the safe harbor established by recent securities legislation and should be evaluated in the context of these factors.

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PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

The Company is not a party to any pending legal proceeding, nor is its property the subject of a pending legal proceeding for which the claims, exclusive of interest and costs, exceed 10% of the current assets of the Company on a consolidated basis.

ITEM 2 - CHANGES IN SECURITIES

None.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

There have been no defaults in the payment of principal or interest with respect to any senior indebtedness of InterUnion Financial Corporation.

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

The Company held its Annual General Meeting on September 3, 1998. At this meeting the shareholders approved the following:

1. The Company's Audited Financial Statements for the year ended March 31, 1998;
2. The election of the Company's Board of Directors;
3. The appointment of Ahearn Jasco & Company, P.A.;
4. The remuneration of the Corporate Secretary of the Corporation for four years of service to the Corporation through the issuance of an option to purchase 50,000 shares of common stock of the Corporation at \$4.00 per share.
5. All the actions taken by the Board of Directors since the last annual meeting of shareholders held on August 21, 1997, as evidenced by the Unanimous Consents in Lieu of Special Meetings of the Board of Directors.
6. The increase of the authorized number of common shares to 5,000,000. The amendment did not have any effect with regards to the par value or

any of the rights previously held by the common shares or other classes of securities.

ITEM 5 - OTHER INFORMATION

None.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

Exhibit 27 Financial Data Schedule (for SEC use only).

Exhibit 99 Form 8-K dated June 24 regarding the issuance of securities is incorporated herein by this reference.

Page 9 of 10

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.

InterUnion Financial Corporation

(Registrant)

Date November 12,1998 /s/ Georges Benarroch, Director

(Signature)*

Date November 12,1998 /s/ Karen Lynn Bolens, Director

(Signature)*

* Print the name and title of each signing officer under his signature.

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<TABLE> <S> <C>

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM INTERUNION FINANCIAL CORPORATION CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH 10-QSB FILING.

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