

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, DC

FORM 10-SB/A

General Form for Registration of Securities  
of Small Business Issuers Under Section 12(b)  
or 12(g) of the Securities Act of 1934

INTERUNION FINANCIAL CORPORATION

<TABLE>

<S>

Delaware

<C>

87-0520294

-----  
(State of Other jurisdictions of Incorporation of Organization)

-----  
(I.R.S. Employer

Identification No.)

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

33480

-----  
(Address of Principal Executive Offices)

-----  
(Zip Code)

(561) 820-0084

-----  
(Issuer's Telephone Number)

</TABLE>

Securities to be registered under Section 12(b) of the Act:

<TABLE>

<S>

Title of Each Class  
to be so Registered

<C>

Name of Each Exchange on Which  
Each Class is to be Registered

-----  
</TABLE>

-----

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Securities to be registered under Section 12(g) of the Act:

Common Stock, par value \$.001

-----  
(Title of Class)

-----  
(Title of Class)

INTERUNION FINANCIAL CORPORATION

FORM 10-SB/A

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

(a) BUSINESS DEVELOPMENT

On February 7, 1994, the shareholders of AU 'N AG, INC., a Utah corporation, approved without dissent, a proposal to change the domicile of the Company through the merger of the Company into AU 'N AG, INC., a Delaware corporation to be formed.

On February 15, 1994 a Certificate of Incorporation of AU 'N AG, INC., a Delaware corporation, was filed with the office of the Secretary of State, Division of Corporations, State of Delaware.

On February 15, 1994, the date of incorporation of AU 'N AG, Inc. of Delaware, the directors of that corporation approved a Pre-Organization Subscription and Letter of Non-Distributive Intent executed by the President of AU 'N AG, Inc., the Delaware corporation for \$10.00, with the understanding that the shares would be immediately cancelled upon the effective date of the merger between AU 'N AG, INC. of Delaware and AU 'N AG, INC. of Utah. These shares were issued by the Company in reliance upon the exemption from the

registration requirements of the Securities Act of 1933, as amended, as provided by Section 4(2) of that Act and upon a similar exemption contained in applicable state securities laws. The shares received by AU 'N AG, INC. were restricted securities, subject to Rule 144 promulgated under the Securities Act of 1933, as amended. See Exhibits at E-1 and E-5.

Further on February 15, 1994, a Plan and Agreement of Merger of AU 'N AG, INC. (Utah) and AU 'N AG, INC. (Delaware) was executed. On the same day a Certificate of Merger was executed by the above corporations. This Certificate of Merger was filed in the office of the Secretary of Delaware on March 10, 1994. Under the Certificate of Merger AU 'N AG, INC., the Delaware Corporation, was the surviving corporation. See Exhibit E-7 and E-12.

Under the terms of the above-referenced merger each share of common stock of AU 'N AG, INC. (Utah) was converted into one share of AU 'N AG, INC. (Delaware). At the time of its incorporation, AU 'N AG, Inc. (Delaware) had total authorized capital stock in the amount of 50,000,000 shares at \$.001 par value. Each holder of AU 'N AG, INC. (Utah) upon surrender to AU 'N AG, INC. (Delaware) of one or more certificates for such shares for cancellation received one or more certificates for the number of shares of common stock of AU 'N AG, INC. (Delaware) represented by the certificates of AU 'N AG, INC. (Utah) so surrendered for cancellation by such holder.

As a result of the above-referenced merger, 23,297,800 shares of common stock of AU 'N AG, INC. (Delaware) were issued to the shareholders of the corporation formerly known as AU 'N AG, INC. (Utah). At the time of the merger, AU 'N AG, INC. (Utah) had no assets and was an inactive corporation.

As provided in the Plan and Agreement of Merger, the sole purpose of the above-referenced merger was to change the issuer's domicile from Utah to Delaware and the exchange of securities from one corporation to another was, in the opinion of management, therefore outside of the provisions of Rule 145 as promulgated by the Securities & Exchange Commission. Further, it is the position of management that the exchange of stock was a transaction by an issuer not involving any public offering and thus was within the protection of Section 4(2) of the Securities Act of 1933, and exempted from registration requirements.

On April 11, 1994, a Certificate of Amendment of the Certificate of Incorporation of AU 'N AG, INC. (Delaware) was executed, providing that the name of the Company be changed to: INTERUNION FINANCIAL CORPORATION. This change of name was filed by the office of the Secretary of State of Delaware on April 19, 1994.

Subsequent to a filing of information submitted to the National Association of Securities Dealers, Inc. (NASD) pursuant to Schedule H of the NASD By-Laws and Rule 15c 2-11 under the Securities Act of 1934, on July 27, 1994 IFC was

cleared for listing on the OTC Bulletin Board. The Company currently trades under the symbol: IUFC.

Subsequent to approval by the required shareholders at a meeting held October 14, 1994, the common stock was reverse split at a ratio of ten (10) to one (1). Further, based upon shareholder approval at that meeting, a Certificate of Amendment was filed with the Secretary of State, State of Delaware, showing capitalization as follows:

- (1) 100,000,000 shares of common voting stock at \$.001 par value.
- (2) 1,500,000 shares of Class A preferred stock at \$.10 par value.
- (3) 50,000,000 shares of Class B preferred stock with par value to be set by the Board of Directors.
- (4) 50,000,000 shares of Class C preferred stock with par value

to be set by the Board of Directors.

On January 18, 1995 the Company acquired all of the stock of BEARHILL, LIMITED, INC., a British Virgin Islands corporation, for the issuance of 444,000 shares of common stock. On January 18, 1995 the Company also acquired all of the stock of GUARDIAN TIMING SERVICES, INC., a corporation organized under the laws of Ontario, Canada, for the issuance of 112,112 shares of common stock.

Upon application to the Florida Department of State, on February 2, 1995, the Company was qualified and authorized to transact business in the State of Florida. The Company moved its principal office to 249 Royal Palm Way, Suite 301-H, Palm Beach, Florida 33480.

On March 20, 1995, the Company acquired all of the stock of I & B, INC., a Delaware corporation, CREDIFINANCE CAPITAL, INC., a corporation organized under the laws of Ontario, Canada, CREDIFINANCE SECURITIES, LTD., a corporation organized under the laws of Ontario, Canada, and Ninety-Five percent (95%) of the stock of ROSEDALE REALTY CORPORATION, a corporation organized under the laws of Ontario, Canada, for the issuance of 1,500,000 shares of common stock. The Company further acquired the remaining outstanding stock of ROSEDALE REALTY CORPORATION for the issuance of 24,600 shares of common stock. It should be noted that in 1996 the Company disposed, by way of an assignment in bankruptcy, of its shares in ROSEDALE REALTY CORPORATION. This assignment was a voluntary petition filed by Credifinance Capital, Inc., the owner of Rosedale, on September 29, 1995. The decision to file for bankruptcy was made after negotiations for a merger of Rosedale with another firm were unsuccessful. Rosedale had never been profitable subsequent to its acquisition and Credifinance Capital, Inc. made the decision to cease financing the Rosedale real estate operations. The bankruptcy was concluded and there

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are no outstanding lawsuits against either Credifinance Capital, Inc. or the parent, InterUnion Financial Corporation. (See Note 13 of InterUnion Financial Corporation Notes to Consolidated Financial Statements, March 31, 1996 and 1995, Part F/S).

At a special meeting of the shareholders held May 17, 1996, the Board of Directors was authorized to reverse split all authorized shares in a ratio of twenty (20) to one (1). At the time of this authorization, the total of all issued and outstanding voting shares of stock was 13,851,156.

REEVE, MACKAY & ASSOCIATES LIMITED was formed May 15, 1995 as a corporation organized under the laws of Ontario, Canada. All capital stock of this corporation was originally issued to InterUnion Financial Corporation. The corporation is a wholly-owned subsidiary of the Company.

#### (b) BUSINESS OF ISSUER

##### GENERAL

The Company was formed to acquire a majority interest in existing securities firms, banks, insurance companies, and other financial and brokerage companies located in the United States and Canada. The Company intends to actively engage in the business of the companies in which it invests by serving as an "information link" between these companies. The Company's goal in providing this information link is to improve access to new markets and business opportunities for these companies.

The Company also may provide bridge financing which involves providing capital to a private company to assist the company in making a public offering of its stock.

In addition, the Company may invest up to 40% of its total assets (exclusive of government securities and cash items), on an unconsolidated basis, in debt or equity securities issued by privately held firms, and in securities listed in markets that are open to public investment in Europe and North America.

InterUnion is both a holding company, acting through its subsidiaries, and an operating company engaging in activities separate from the activities of its named subsidiaries. Specifically, InterUnion derives independent revenues from financial consulting, the bridge financing of pre-IPOs, and its participation in new ventures.

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#### PRODUCTS AND/OR SERVICES OF ACTIVE SUBSIDIARIES

In addition to the operations of InterUnion Financial Corporation as the parent, the Company owns five operating subsidiary corporations. A description of the business operations of these subsidiary corporations, each of which is wholly-owned, is as follows:

##### (1) CREDIFINANCE SECURITIES, LTD.

Credifinance Securities, Ltd. ("Credifinance") is an investment bank with office in Toronto and Montreal, and is a member of the Investment Dealers Association of Canada, the Toronto Stock Exchange, Montreal Exchange and the International Securities Market Association. Credifinance has 30 employees engaged in fixed income and equity trading for Canadian institutions and in corporate finance. Credifinance's six person research team provides perspective on equity markets, companies and industries in Canada.

Credifinance Securities was started in 1990, engaging in institutional trading, investment banking and research. The consolidation in the brokerage/investment banking industry in Canada created opportunities for small companies to provide better service to institutions. This unit began by specializing in the trading of less than investment grade bonds. In 1991-92, it expanded into equity trading for its institutional clients. Unlike the large brokerage firms, Credifinance Securities acts strictly as an agent, and does not take positions against its clients.

To enhance its service for the institutional clients, Credifinance has developed research capability focusing on:

- biotechnology
- communications and media
- software
- telecommunications
- metals, minerals and precious metals mining
- oil and gas
- industrial products

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Credifinance's corporate finance activities consist primarily of underwritings for small and medium-size, technology-intensive companies. Between 1993 and 1995, Credifinance has been the sole underwriter in five transactions, ranging in value from C (Canadian) \$1.5 to \$5.4 million; co-underwriter in two transactions of C\$32.5 million and C\$11 million; participated in a C\$135 million co-bought deal; and has been involved in two special transactions of C\$10 and C\$15 million.

In the first quarter of 1996, Credifinance has financed, through private placements of special warrants, the following companies:

- Getty Cooper (C\$5.9 million) - copper mining in British Columbia;
- Etruscan Enterprises (C\$7.0 million) - gold mining in Niger, West Africa;

- Novadx International (C\$1.8 million) - biotechnology company commercializing in vitro tests for arthritis, osteoporosis and other chronic diseases;
- Nortran Pharmaceuticals (C\$2.0 million) - pharmaceutical company focusing on research and commercial development of targeted small molecule drugs; and
- Imutec (C\$2.8 million) - biotechnology company engaged in the development of immunotherapeutic products.

In addition, Mariposa Steamship Company and Mancan Gold Limited have engaged in Credifinance as their fiscal agent to take them public in 1996.

(2) GUARDIAN TIMING SERVICES, INC.

Guardian Timing Services, Inc. ("Guardian") is an investment management firm located in Toronto, Canada, currently having approximately C\$90 million in assets under management. Guardian manages the Canadian Protected Fund, the Protected American Fund and the First America Fund. It uses a proprietary ITM market timing model owned by Bearhill Limited, Inc., another subsidiary of the Company.

(3) CREDIFINANCE CAPITAL, INC.

Credifinance Capital, Inc. is an investment corporation located in Toronto, Canada. The business activities of this subsidiary corporation are limited to proprietary security investing using its own capital resources.

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(4) BEARHILL LIMITED, INC.

Bearhill Limited, Inc. ("Bearhill") is an investment management firm located in Toronto, Canada. Bearhill now manages the Rexmore Fund which invests primarily in U.S. equity mutual funds and offers management services in the international market place.

On September 9, 1994 Bearhill entered into an ITM SOFTWARE DEVELOPMENT AGREEMENT with Guardian Timing Services, Inc. ("Guardian"). This Agreement acknowledged that Bearhill owns the proprietary rights to certain computer software known as ITM Software, which is a computer software program which is used to generate buy and sell signals with respect to any stock market monitored. The parties entered into the above-referenced agreement because Bearhill wishes to market investment advisory services internationally and it requires computer software in order to generate market timing signals. Guardian, in turn, has agreed to perform the development of Release I of the ITM software and the related documentation upon the terms and conditions of the Agreement. See Exhibit 10, page E-35, for details of the ITM Software Development Agreement.

The forecasting technique used by the ITM market timing model involves general market indicators, interest rates and monetary analysis, market perception indicators, and various statistical data to detect trends. An earlier version of the market timing model predicted the stock market downturn in October, 1987, allowing Guardian clients to get out of the market 10 days prior to the downturn. The model is continually updated and has been credited with successfully avoiding many of the overall market declines in the early part of the 1990s.

On November 30, 1995 a Letter of Understanding was issued between the Bank of Nova Scotia ("BNS") and Guardian Timing Services, Inc., InterUnion Financial Corporation, Havensight Holdings Corp. And Bearhill Limited, Inc. This Letter of Understanding was issued as a condition precedent to the execution of an Investment Management Agreement pursuant to which BNS will retain the services of Guardian Timing Services, Inc. with regard to the management of an investment portfolio with a minimum size of \$10,000,000 (Canadian).

The material terms of the Letter of Understanding may be outlined as follows:

- a. As a consideration of BNS entering into the Investment Management Agreement, Bearhill (the owner of the ITM software) grants to the BNS an irrevocable option to acquire the ITM. If the BNS elects to exercise its option,

BNS shall acquire 100% of the Class B shares of Bearhill (the Class B shares shall represent 30% of the equity of Bearhill) for \$750,000 and shall enter into an agreement to acquire the ITM for \$30 million. This acquisition price of \$30 million shall be financed by \$10 million in cash and a \$20 million 15-year non-recourse promissory note, with principal payable at the end of the term. The option is renewable for a 3-year indefinite term at the discretion of BNS, subject to the payment of an option fee annually (in advance) commencing on January 1, 1996. The option fee for calendar 1996 is \$25,000; the fee for calendar 1997 is \$50,000 and the option fee for calendar 1998 is \$75,000.

b. Even if the option is exercised, Guardian Timing Services, Inc. (GTS) is to retain the right (if J.P. Fruchet is in its employment) to be provided with the market signals generated by the ITM at no cost, provided that no more than \$20 million of assets (or a larger amount as may be managed when notice to exercise the option is given) are managed using the ITM signals.

c. If the option is exercised, Bearhill is to use the \$750,000 obtained for the Class B shares as working capital. The \$10 million paid in cash shall be divided with \$1.6 million going to a trust account and \$8.4 million invested in Class 1 shares of the Nirvana Fund. All principal payments under the note are to be invested in Class 1 shares.

d. Bearhill is to pay BNS for use of the timing signals generated by the ITM (exercise of the option) 15% of its gross revenue as a fee. If this fee is not sufficient to satisfy BNS's interest obligations under the note, any deficiency shall be satisfied by Bearhill.

e. The only shares of Bearhill outstanding as of the date of this Letter of Understanding are Class A shares, now representing 100% of the equity of Bearhill,

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held currently by InterUnion.

NOTE: The Letter of Understanding at Page E-55 incorrectly states that the Class A shares are held equally by InterUnion and Havensight. Actually, this equal ownership will occur such time as the ITM software owned by Bearhill is to be sold to any party. This Letter of Understanding contemplates that such a sale is to occur. For a further explanation, see the Agreement starting at page E-76.

f. If the Class B shares are issued upon the exercise of the option by BNS, the Class B shares shall receive 80% of all dividends paid by Bearhill until BNS has received \$20 million, after which time the Class A and Class B shareholders are to share equally.

g. Havensight and InterUnion each grant to BNS an immediate option to acquire their respective Class A shares at a price equal to 90% of the book value, upon the occurrence of one or more of the following events:

- I. the Note is satisfied in full prior to its maturity,
- ii. the Class B shareholders have received an aggregate of \$25,000,000 in dividends from Bearhill,
- iii. Bearhill defaults on any of its obligations to BNS, becomes insolvent or commits an act of bankruptcy, or
- iv. the Nirvana Fund under performs (meaning that the Fund's return averages less than 10% per annum compounded annually over any 36-month period).

The Letter of Understanding, including Schedule A, is included herein as Exhibit 10(ii), commencing at page E-53.

Subsequent to the execution of the above-referenced Letter of

Understanding, on December 20, 1995 an Investment Management Agreement was issued between Guardian and BNS.

This Agreement formally appoints Guardian as the investment manager of an investment portfolio with an initial value of \$10 million (Canadian). Guardian is to use the market timing signals generated by the software developed by Bearhill known as the "ITM Software" in handling the investment decision of the investment decisions of the investment portfolio. The Agreement is to continue until either party gives at least 30 days written notice of termination.

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Under the provisions of Schedule A, Guardian is to receive a management fee of 1/2 of one percent per month of the net asset value of the Portfolio determined at the end of each month and payable quarterly. There may be a bonus payable to Guardian annually determined under the more restrictive of two calculations, as specifically provided in Paragraph 4 of Schedule A of the said Agreement. Schedule A provides that the minimum fee and bonus to be paid Guardian under the Agreement is \$50,000 (Canadian).

The Investment Management Agreement, including Schedule A and a statement of the investment objectives and guidelines under the Guardian Timing Services portfolio, is included herein as Exhibit 10(iii) commencing at page E-58.

Subsequent to the acquisition of Bearhill by InterUnion (as the result of the purchase of all outstanding stock of Bearhill which was owned by Havensight Holdings, Ltd.), on January 19, 1995 an Agreement was executed between Havensight and InterUnion providing that if InterUnion should have an agreement for the sale of the ITM software owned by Bearhill, Havensight will have the right to buy one-half of the Bearhill stock for a nominal consideration (\$1.00). This Agreement is included herein as Exhibit 10(iv) starting at Page E-76.

#### (5) REEVE, MACKAY & ASSOCIATES LIMITED

Reeve, Mackay & Associates Limited ("Reeve, Mackay") commenced business operations in July, 1995 as a Canadian auction house. Reeve, Mackay held auctions in 1995 on a monthly basis, which has increased, due to its successful sales, to two monthly with a continuing goal of holding four auctions monthly. In the first nine months of operation, Reeve, Mackay generated revenues of C\$1.6 million.

As a result of its sales and a considerable amount of media attention in the form of numerous unsolicited articles in the major Canadian press, Reeve, Mackay has reached an agreement with two of the largest international auction houses (Christie's and Phillips) whereby these companies have agreed to recommend it as the Canadian auctioneers for the portion of the Canadian estates that they will not sell in New York or London.

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#### COMPETITION

The search for potentially profitable investments is intensely competitive. A list of actual and potential competitors would include the multinational banks, regional banks, thrift institutions, investment banks, brokerage firms, finance and leasing companies, merchant banks, venture capitalists and other financial service companies. The Company may be at a disadvantage when competing with firms with substantially greater financial and management resources and capabilities than the Company.

The issue of competition also directly impacts the subsidiary



companies owned by InterUnion Financial Corporation. Credifinance Securities, Ltd. concentrates on providing underwritings for small and medium-sized technology-intensive companies. Credifinance must compete with underwriting companies in Canada that are superior in asset strength and personnel staff. Guardian Timing Services, Inc. and Bearhill Limited, Inc. both operate as managers of funds. A decline in their investment performance could cause the loss of these essential accounts. And if the ITM market timing model used by both of these companies should not show an accurate forecast the companies could lose the managed accounts to larger investment management firms. Finally, the auction company of Reeve, Mackay & Associates Limited must directly compete for accounts with larger internationally recognized companies such as Christie's and Phillips. There is certainly no assurance that Reeve, Mackay can continue to attract substantial accounts for auction.

## GROWTH STRATEGY

The growth strategy consists of two complimentary components:

- . Investing in the existing portfolio of financial services companies; and acquiring, when the appropriate opportunities arise, major positions in well-managed banks, thrifts, brokerage houses, investment banks and other financial services companies (e.g. leasing, insurance) positioned in niche markets in key international money centers; and
- . Expansion of bridge financing and investment banking activities.

Entry into the U.S. market is the next step in the Company's long-term strategy to take major positions in investment banks, brokerage houses, insurance companies, and other financial services companies around the world. The Company is positioning itself to take advantage of opportunities. There is no pressure to make an acquisition at any time or at any cost.

But any acquisition will represent the second phase in the Company's growth strategy. The first phase involves building up the existing operations to more completely utilize the existing resources and to capitalize on each unit's competitive strengths. For example, the Montreal office of Credifinance Securities has been expanded and is fully bilingual, staffed by French Canadians to better serve Quebec institutions. The corporate finance capabilities of Credifinance will continue to be expanded to fully utilize the unit's research and corporate finance capabilities and trading networks. Additional capital will enable InterUnion to participate in more bridge financing opportunities that in turn, will provide more corporate finance work for Credifinance; and will permit Credifinance to increase its block trading activity.

Bearhill will launch a new fund in 1996 and Guardian will continue to expand the assets under its management by actively engaging in marketing for the first time in its history. A new fund may be established for U.S. investors.

A retail brokerage operation may be established in Canada to take advantage of the client lists provided by Reeve, Mackay and the investment products created by Guardian. InterUnion Financial Corporation also may create an investment banking presence in the United States by expanding Credifinance into this market and/or by following up on negotiations with individuals who are part of the Company's international network. Credifinance may expand into the United States in order to provide better service for Canadian corporations which increasingly are being listed on NASDAQ. On the other hand, if the latter partnership is created, this new division will provide research on markets and industries in the European Union and emerging markets in Europe and Asia, and trading services for U.S. clients in European and emerging markets equities and fixed income. This unit also will develop, over time, a corporate finance capability that will match European investment opportunities with U.S.

investors.

A high priority has been assigned to acquiring hard assets, in the form of a bank, savings and loan company or insurance company, in order to add stability to revenues, provide access to new sources of capital and open new distribution channels. Moreover, these types of financial institutions will permit IFC to offer the companies, which it will advise and assist, a complete range of loan options. In addition, IFC will continue to search for and invest in financial services companies with talented partners and employees, predictable cash flows, low break evens and low marginal costs that are complementary with the Company's existing divisions. The Company will pay for the current cash flow with stock equity and share the incremental increase in cash flow with the owners/managers of the companies.

## GOVERNMENT REGULATION

The operating activities of InterUnion Financial Corporation are not subject to governmental regulatory agencies. Likewise, the Canadian investment management companies of Guardian Timing Services and Bearhill Limited are not subject to direct government regulation in Canada.

Credifinance Securities, Ltd. is a member of the Investment Dealers Association of Canada, the Toronto Stock Exchange, Montreal Exchange and the International Securities Market Association. As such, it is subject to the rules, regulations, and administrative rulings of these entities. However, these regulatory entities are not considered as having any adverse impact on the ability of Credifinance to conduct its underwriting activities.

The auction firm of Reeve, Mackay is not subject to government regulation under Canadian law.

InterUnion Financial Corporation considers itself not subject to the Investment Company Act of 1940 (the "Act"). Section 3(a)(3) of the Act defines an "investment company" as "any issuer which . . . owns or proposes to acquire investment securities having a value exceeding 40 per centum of the value of such issuer's total assets (exclusive of Government securities and cash items) on an unconsolidated basis." "Investment securities" are defined for purposes of this section as "all securities except (A) Government securities, (B) securities issued by employees' securities companies, and (C) securities issued by majority-owned subsidiaries of the owner which are not investment companies."

The Company is not an investment company because it will invest no more than 40% of its total assets (excluding government securities and cash items), on an unconsolidated basis, in "investment securities" as defined in the Act. The Company considers its primary business to be engaging in non-investment company businesses through majority owned companies.

## EMPLOYEES

The employees of the Company and its subsidiaries are all full-time employees. The total number of such employees is listed below:

<TABLE>

<S>	<C>
InterUnion Financial Corporation .....	3
Credifinance Securities, Ltd. ....	30

Bearhill Limited .....	1
Guardian Timing Services .....	2
Reeve, Mackay & Associates Limited .....	14
	--
Total Employees .....	50

</TABLE>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(a) OVERVIEW

InterUnion Financial Corporation (the "Company") was incorporated on February 7, 1994. The underlying operational strategy of the Company is to acquire at least an 80% interest in operating companies primarily of a financial nature on the basis of an exchange of stock, with certain additional incentives (such as stock warrants) depending upon the particular company to be acquired, and to actively participate in the management of these companies. Accordingly, the Company has acquired the following operating subsidiary corporations as outlined below:

<TABLE>

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Corporation Acquired	Nature of the Company	Date Acquired
-----	-----	-----
<S>	<C>	<C>
Bearhill Limited	Investment Management	1-18-95
Guardian Timing Services, Inc.	Investment Management	1-18-95
Credifinance Capital Inc.	Investment Company	3-20-95
Credifinance Securities Limited	Investment Bank	3-20-95
Rosedale Realty Corporation	Real Estate Sales	3-20-95
Reeve, Mackay & Associates Ltd.	Auction Sales	5-15-95

</TABLE>

Note: All of the above-listed subsidiaries are active, with the exception of Rosedale Realty Corporation which was disposed of by the Company pursuant to an assignment in bankruptcy in 1996.

Because of the nature of the Company as a holding company, it was to be expected that no revenues would be initially realized after the date the Company commenced business operations. All funding to the Company from its inception to the date of its first subsidiary acquisition was derived from a series of private (non-registered) sales of stock under Regulation D as promulgated by the United States Securities and Exchange Commission.

The Company commenced its revenues stream with its first acquisitions on January 18, 1995. The following table shows the gross revenue from its subsidiaries for the completed years of 1995 and 1996 and a projection of income for fiscal 1997. The table also includes gross revenues generated by InterUnion, itself. The table does not include revenue from Rosedale Realty Corporation due to its termination in 1996.

<TABLE>

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Company	FY 1995	FY 1996	FY 1997
-----	-----	-----	-----
<S>	<C>	<C>	<C>
Bearhill	-0-	30,751	45,000
Guardian Timing	63,240	355,904	380,000
Reeve, Mackay	-0-	1,636,637	3,200,000

Credifinance Capital	-0-	66,020	75,000
Credifinance Securities	3,959,558	4,493,426	3,500,000
InterUnion	5,270	911,094	500,000

</TABLE>

Bearhill, Limited is an investment management firm whose primary account is the Rexmore Fund. Although management revenue from Bearhill is not anticipated to show material increases in the future, a steady increase in revenues is expected based upon management's performance. However, the primary asset of Bearhill remains its ownership of a computer software program, ITM Software. If the Bank of Nova Scotia exercises an option to purchase the ITM Software (see Exhibit 10(ii) at page E-55) this could produce major revenue for the Company. If the option is not exercised Bearhill will not be adversely affected nor will the Company.

Guardian Timing Services, Inc. is an investment management firm. The reason for increase in revenues from \$63,240 in fiscal 1995 to \$355,904 in fiscal 1996 is due primarily to the fact that income from Guardian is included in fiscal 1995 for only 3 months. In addition, assets under management for Guardian have risen from CDN\$20 million in fiscal 1995 to CDN\$80 million in fiscal 1996. Management expects a continued steady increase in management revenue.

Reeve, Mackay & Associates, Ltd. is an auction house that came into existence in fiscal 1996. The anticipated increase in revenues to \$3,200,000 for fiscal year 1997 from \$1,636,637 in fiscal 1996 is due to the fact that Reeve, Mackay only operated for 7 months in fiscal 1996. For fiscal year 1997 this company will be fully operational in staff and management feels that the projected result should be achieved.

Credifinance Capital Inc. primarily invests its own capital resources. There is no reason to expect any consequential change in attained and projected revenues.

Credifinance Securities, Ltd. is an investment bank. The projected revenues for fiscal year 1997 are approximately 22% lower than attained revenues in fiscal 1996. This loss is attributed directly to a major disruption in personnel resulting in the resignation of the President and a loss of several sales representatives on the institutional desk. It has taken Credifinance several months to replace its losses with experienced representatives. Management expects revenues to return to the \$4 million level by the end of fiscal 1998.

InterUnion Financial Corporation shows a projected decrease in revenues from \$911,904 in fiscal to \$500,000 for fiscal 1997, a decrease of approximately 45%. InterUnion derives its own revenues from primarily from bridge financing and the projected decrease is based on a decline in providing this financing.

Although the Company did secure certain bridge financing in the first half of fiscal 1997, in the latter portion of the fiscal year it became heavily involved in financial negotiations with two corporations:

1. New Researches Corporation is a Geneva based company whose primary asset is ownership of approximately 3.2 million shares and 200,000 warrants of Genesis Microchip, Inc. a Canadian corporation. Genesis has shown revenues of CDN\$1.9 million for fiscal 1996 and is projected to increase revenue to CDN\$6 million in fiscal 1997. The company anticipates that Genesis will file a public registration within the next 12 months.

The Company has acquired an option to purchase New Research Corporation.

2. Receptagen, Ltd. is a Canadian public corporation involved in biotechnology (drug discovery and development) and the sales of its products. InterUnion has entered into an agreement (subject to the approval by creditors of Receptagen) to provide a secured bridge loan to that company exchangeable

into a convertible debenture. Also, the Company will trade creditors of that company its common stock in exchange their debt and then plan to convert the debt into shares of Receptagen.

This plan has been agreed to by the companies but it has not been finalized.

There is no assurance that the Company will find acceptable companies for bridge financing in the future and there is no method of forecasting this probability except on a historical basis.

#### Cost of Revenues

The principal elements comprising costs of revenues are: Commissions paid out, Salaries paid to research analysis and auction specialists and Salaries paid to auction floor personnel. In general, non administrative personnel within InterUnion are remunerated solely on performance, as this permits the Company to keep overhead to a minimum and to have a high correlation between its revenues and its labor costs, as InterUnion and its subsidiaries are extremely labor extensive. The only exception to this remuneration policy is Reeve, Mackay, where the salaries are fixed but the marketing and research expense can fluctuate with the size of the auction. Therefore, commissions paid out and marketing expenses are the most important expense and generally rises and falls along with revenues of the related auction.

Across all of the companies subsidiaries, the contribution margin is 36.1% in 1996 versus 33.4% in 1995. The increase in margin is primarily explained by the increase in new financing that Credifinance Securities has completed as the margins are healthier in this type of agency activity versus the traditional commissions earned when trading via an exchange. The Company can expect to maintain these margins due to the growth in revenue that is mentioned above and because it does not expect any change in commission payouts.

#### Interest Income Net of Expenses

The Company's only debt that causes a revenue or an expense arises from its broker/dealer operation and from funds borrowed on a short term for its trading activity. This amount is not expected to be significant with respect to revenues on a yearly basis nor on a quarterly basis.

#### Discontinued Operations

The Company acquired Rosedale Realty Corporation in March 1995. Rosedale recorded operating losses of \$94,253 and \$184,845 in 1996 and 1995 respectively. As a result of these losses and further analysis, Management felt that the prospect of future profit was not sufficient for Rosedale to be retained as a subsidiary. Therefore, fiscal 1996 will be the last year in which the income statement will carry any item regarding Rosedale, as the Company disposed of it by way of an assignment in bankruptcy.

#### Exposure to International Operations

Although all of the Company's revenues are generated from North America, less than 15% is derived from the United States; the balance is primarily earned in Canada. Therefore, a small foreign exchange risk does exist. Do to the size of the risk and that each company within the InterUnion Group operates independly of each other, the Company does not purchase any derivative products to offset this risk. In addition, the Company considers North America as its domestic market.

#### Seasonalty

The Company's only activity which is seasonal is the auction business. Reeve, Mackay's high season is from October to April, with the two extremities being themselves the highs. The period from June to September is the period that the auction industry generally collects its inventory of consignments that are to be offered to the public during the next season.

(b) RESULTS OF OPERATIONS

Third Quarter of Fiscal Year 1997 Compared to Third Quarter of Fiscal Year 1996

(1) Overview

During the third quarter of fiscal 1997, InterUnion reported consolidated revenue of US \$2.55 million versus \$1.46 million a year earlier. Commission and fee revenues were \$1.29 million versus \$1.46 million a year earlier, or a decrease of just over 11.6%. Sales from Reeve, Mackay, the Company auction subsidiary, represented the balance in 1996. They are no comparative figures from Reeve, Mackay for the nine months of fiscal 1996 as it was created midway through that fiscal year and revenues and expenses for the first fiscal year were capitalized and are being charged to earnings over five years.

Revenues for the nine months to December 1996 were \$5,875,969 versus \$4,073,449, an increase of 44.3%.

InterUnion's revenue growth and financial overview (figures in 000's except per share data):

<TABLE>

<CAPTION>

	3 mo ended Dec-96	3 mo ended Dec-95	9 mo ended Dec-96	9 mo ended Dec-95
<S>	<C>	<C>	<C>	<C>
Commission Income	1,144	763	3,444	2,920
Sales	1,256	1,966		
Fee Revenue	149	697	466	1,153
Total Revenues	2,549	1,460	5,876	4,073
Cost of Goods Sold	1,256		1,966	
Net Revenues (i)	1,293	1,460	3,910	4,073
Net Profit (Loss)	(278)	(100)	(347)	172
EPS - Operations	(0.34)	(0.21)	0.43	(0.26)
EPS	(0.34)	(0.21)	0.43	0.35
Common Share, #	969,714	566,572	969,714	566,572
Working Capital	1,023	419	1,023	419
Cash Flow	(194)	(72)	(100)	(74)
Shareholders Equity	4,496	3,782	4,140	3,782
Book Value Per Share	4.64	6.68	4.64	6.68

</TABLE>

- (i) This amount is equal to Total Revenues under U.S. GAAP. In fiscal year 1996, Total Revenues, under U.S. GAAP would have been \$6,169,578.

(2) Net Revenues

During the third quarter of fiscal 1997, InterUnion reported consolidated revenue of US \$2.55 million versus \$1.46 million a year earlier. Commission and fee revenues were \$1.29 million versus \$1.46 million a year earlier, or a decrease of just over 11.6%. Revenues for the nine months to December 1996 were \$5,875,969 versus \$4,073,449, an increase of 44.3%. However, on the basis of commission and fee revenues alone, the Company's revenues (according to US GAAP) would be reduced to a decrease of 4% to \$3.9 million. The decrease is due to the fact that income derived from Credifinance Securities, the Company's Broker/Dealer, was adversely affected when its president and a number of sales people on the institutional desk left to create their own firm. The Company has subsequently replaced these individuals and has successfully completed a number of new financings.

Third quarter revenues increased from \$1.21 million in the second quarter to \$1.29 million, for a 26.3% growth rate. This increase is due to the

seasonal high that the auction business is exposed to. This season begins in October, otherwise revenue would have been unchanged, as Reeve, Mackay is the Company's only subsidiary that has seasonal swings in revenues.

### (3) Cost of Revenues

Costs of revenues for the quarter decreased 3.8% to \$1.28 million from \$1.33 million for the same quarter a year earlier. The decrease in dollars is attributable to the decrease in revenues (according to US GAAP) of 4%, since these costs tend to fluctuate in the same direction as revenues.

As a percentage of net revenues, costs did increase to 98.7% from 91.3%. The reason for this increase was due to the fact that the goods consigned to the auction house for sales that were held in the third quarter were at a lower commission rate than the published rate. This lower rate was given to attract goods from prominent individuals. Reeve, Mackay's marketing plan is to go after these types of consignors at first in order to receive additional coverage in both the local and national presses, then once it has established a presence, Reeve, Mackay will diminish its aggressiveness concerning this source of goods.

### (4) Net Earnings

Net loss from operations for the nine months ending December 31, 1996 was \$346,681 or \$0.43 per share versus a loss of \$143,533 or \$0.26 per share a year earlier. Net loss for the three months ending December 1996 is \$278,025 or \$0.34 per share versus a loss of \$100,197 or \$0.21 in 1995. These figures do not include an extra ordinary gain of \$409,418 in 1995 on the disposal of Rosedale Realty, nor does it include the operating loss of this unit's discontinued operation of \$94,252. The increase in the loss is due to the start-up of a new auction business, Reeve, Mackay. When Reeve, Mackay was launched, management did not anticipate to reach break-even until the third year of operations, fiscal 1998.

The average number of common shares outstanding for the nine months ending December 31, 1996 is 807,984 versus 490,866 a year earlier. The Company issued additional shares in the form of Regulation "D" during the year in order to finance the cash flow requirements of its subsidiaries.

## Second Quarter of Fiscal Year 1997 Compared to Second Quarter of Fiscal Year 1996

### (1) Overview

During the second quarter of fiscal 1997 (three months ending September 30, 1996), InterUnion reported consolidated revenues of \$1.2 million versus \$1.3 million a year earlier.

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

<TABLE>  
<CAPTION>

	3 mo ended Sept-96 <C>	3 mo ended Sept-95 <C>	6 mo ended Sept-96 <C>	6 mo ended Sept-95 <C>
<S> Commission Income		936	1,121	2,300
Sales	194		710	2,157
Fee Revenue	87	222	317	456
Total Revenues	1,217	1,343	3,327	2,613
Cost of Goods Sold	194			
Net Revenues (i)	1,023	1,343	3,910	4,073
Net Profit (Loss)	(127)	(94)	(347)	172
EPS - Operations	(0.10)	(0.20)	0.43	(0.26)

EPS	(0.10)	0.61	0.43	0.35
Common Share, #	969,714	531,588	969,714	566,572
Working Capital	1,143	534,210	1,023	419
Cash Flow	8	(27)	94	(74)
Shareholders Equity	4,773	3,826	4,773	3,826
Book Value Per Share	4.92	7.20	4.92	7.20

</TABLE>

- (i) This amount is equal to Total Revenues under U.S. GAAP. In fiscal year 1996, Total Revenues, under U.S. GAAP would have been \$6,169,578.

(2) Net Revenues

During the second quarter of fiscal 1997, InterUnion reported consolidated revenues of \$1.2 million versus \$1.3 million a year earlier. Commissions and fee revenues were \$1.02 million versus \$1.35 million a year earlier, for a decrease of 24.4%. Revenues for the six months to September 1996 were \$3,327,390 versus \$2,613,080, for an increase of 27.3%. If we exclude the sales revenues of Reeve, Mackay revenues, commissions and fees would have been substantially level, showing an increase of just over \$4,500.

The reduction in the revenues for the second quarter is due to the following factors:

- Credifinance Securities Limited: a number of sales people left the firm to join another.
- Reeve, Mackay & Associates Limited: there are two high seasons in the auction business: fall (October, November & December) and late spring (May, June). Reeve, Mackay incurred a great portion of the expenses related to important sales in the off season months: moving and storage of goods, marketing of consignments and cataloging.

(3) Cost of Revenues

Costs of revenues for the quarter decreased by \$310,059, to \$929,395 from \$1,239,454 for the same period a year earlier. This translates into a 25% reduction. This reduction is in line with the reduction for Commissions and fee revenues discussed above of 24.4%.

(4) Net Income

Net loss from operations for the six months ending September 30, 1996 was \$70,078 or \$0.09 per share versus a loss of \$41,009 or \$0.07 per share a year earlier. Net loss for the three months ending September 30, 1996 is \$127,343 or \$0.10 per share versus a loss of \$20,098 or \$0.03 in 1995. These figures do not include an extra ordinary gain of \$409,418 in 1995 on the disposal of Rosedale Realty, nor does it include the operating loss of this unit's discontinued operation of \$94,252. The increase in the loss is due to the start-up of a new auction business, Reeve, Mackay. When Reeve, Mackay was launched, management did not anticipate to reach break-even until the third year of operations, fiscal 1998.

The average number of common shares outstanding for the six months ending September 30, 1996 is 738,129 versus 482,140 a year earlier. The Company issued additional shares in the form of Regulation "D" during the year in order to finance the cash flow requirements of its subsidiaries.

First Quarter of Fiscal Year 1997 Compared to First Quarter of Fiscal Year 1996

(1) Overview

During the first quarter of fiscal 1997 (three months ending June



30, 1996), InterUnion reported consolidated revenues of \$2.11 million versus \$1.26 a year earlier.

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

<TABLE>

<CAPTION>

	3 mo ended Jun-96 <C>	3 mo ended Jun-95 <C>
<S>		
Commission Income	1,365	1,036
Sales	516	
Fee Revenue	230	223
Total Revenues	2,111	1,259
Cost of Goods Sold	516	
Net Revenues (i)	1,595	1,259
Net Profit (Loss)	64	(90)
EPS - Operations	0.01	(0.05)
EPS	0.01	(0.23)
Common Share, #	692,572	431,558
Working Capital	653	1,209
Cash Flow	94	(49)
Shareholders' Equity	4,146	3,659
Book Value Per Share	5.99	8.48

</TABLE>

(i) This amount is equal to Total Revenues under U.S. GAAP. In fiscal year 1996, Total Revenues, under U.S. GAAP would have been \$6,169,578.

(2) Net Revenues

During the first quarter of fiscal 1997, InterUnion reported consolidated revenues of \$2.1 million versus \$1.256 million a year earlier. Sales by the auction house produced \$515,000 in fiscal 1997 with no such income the year earlier. Commissions and fee revenues were \$1.59 million versus \$1.26 a year earlier for an increase of \$335,563 or 26.7%. The opening of the auction house helped generate \$128,000 of this variance, while the balance was due to revenues from Credifinance Securities. This increase did not continue into the second quarter, as Credifinance Securities had to replace a number of its sales personnel from its institutional desk when they left mid way through the second half of the first quarter, in order to join their previous president who started a new company.

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(3) Cost of Revenues

Costs of revenues for the quarter increased by \$233,304 or 21.9% to \$1,283,005 from \$1,052,701. This increase is in line with the increase for Commissions and fee revenues discussed above of 26.7%.

(4) Net Income

Net profits from operations for the three months ending June 30, 1996 was \$63,798 or \$0.01 per share versus a loss of \$90,002 or \$0.05 per share a year earlier. These figures do not include the operating loss of Rosedale's discontinued operation of \$75,000. The profit attained in the first quarter is due to the fact that Credifinance Securities was able to generate a higher level of commission and fee revenue then a year earlier.

The average number of common shares outstanding for the six months ending June 30, 1996 is 692,572 versus 419,400 a year earlier. The Company issued additional shares in the form of Regulation "D" during the year in order to finance the cash flow requirements of its subsidiaries.

Fiscal Year 1996 Compared to Fiscal Year 1995

### (1) Overview

In fiscal 1996 revenues increased by over \$1.8 million (or 45.4%) over fiscal year 1995. For the year, costs of revenues as a percentage of sales decreased to 63.9% from 66.6%. However, fixed overhead and non cash expenses increased to the point where profits from operations actually dropped 64.3% to \$14,631 from \$40,966. The Company overall reported a Net Income of \$301,566 in 1996 versus a loss of \$134,438 due to the gain on disposition of Rosedale Realty. Excluding this extra-ordinary gain, the Company's earnings per share from continuing operations was \$0.03 versus \$0.26 a year earlier.

### (2) Revenues

Revenues increased by over \$1.8 million (or 45.4%) over fiscal year 1995 (from \$4,028,067 to \$5,857,196). The majority of the increase came from the activities of InterUnion itself, as it had almost \$1 million in revenues on its own in 1996 versus only interest income of \$5,270 a year earlier. In addition, Guardian Timing's contribution to the Company increased to \$355,904 from \$63,240. Without these two revenue sources, InterUnion's growth in revenue would have been just 13.2%.

### (3) Cost of Revenues

Costs of revenues for the year increased by \$1,806,077 or 57.1% to \$5,857,196 from \$4,028,068. This increase is greater than the increase for Commissions and fee revenues discussed above of 45.4%. The cause for the increase is due to an increase in salaries paid out in our administrative personnel. The Company hired additional staff in anticipation of the increasing business that the bull market was providing. The hiring was done in advance of the business in order to be prepared for the higher volume.

### (4) Net Income

Net profits from operations for the year was \$14,631 or \$0.03 per share versus \$40,966 or \$0.26 per share a year earlier. The average number of common shares outstanding for the year ending March 31, 1996 is 501,335 versus 157,531 a year earlier. These figures do not include an extra ordinary gain of \$409,418 in 1995 on the disposal of Rosedale Realty, nor does it include the operating loss of this discontinued operation of \$94,252.

## (c) LIQUIDITY AND CAPITAL RESOURCES

The Company does not have any long term debt. In order to meet its growth plans and any operating cash requirement the Company's current policy is to issue additional capital stock. To date the Company has done this either through the issuance of Confidential Private Placement Offerings under Regulation "D" or Regulation "S". The following are details of these private placements:

<TABLE>

<CAPTION>

<S>	Date	# of Shares	Amount	Type
<S>	<C>	<C>	<C>	<C>
	April 1994	2,500	10,000	Regulation "D"
	May 1994	5,000	20,000	Regulation "D"
	July 1994	11,250	35,000	Regulation "D"
	August 1994	43,511	87,022	Regulation "D"
	October 1994	5,000	50,000	Regulation "D"
	March 1995	75,000	300,000	Regulation "D"
	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 "D"

</TABLE>

Reeve, Mackay has been in operation for approximately 18 months and InterUnion did not expect its operation to be profitable prior to its third year. Since inception, Reeve Mackay has posted a loss of approximately \$750,000,

of which \$438,000 was during the first year of operation. For the nine months ending December 31, 1997, Reeve Mackay lost over \$300,000 versus an anticipated loss of approximately \$145,000. During that period, Reeve, Mackay has broken even in just three separate months.

Reeve, Mackay's sales have been according to schedule, however, their expenses have exceeded pro-forma budgets. Reeve, Mackay was adversely affected due to negotiated commissions on two major collections. The cost of reducing the commission charged to the consignors was required in order to be awarded the mandate of selling the goods on behalf of the consignor. The success of the auctions that presented these collections to the public was instrumental to the Company's objective to gain industry approval as a viable alternative to the competition. Additional costs over-run was due to the larger than expected number of items in each of the autumn auctions which drastically increased the cost of cataloguing and processing. In addition, marketing and advertising expenditures ran over budget.

The continuous operating problem has caused the company to have a substantial working capital deficit of over \$325,000. The Company has managed to date to finance this deficit by deferring the payment on the goods sold on behalf of its consignors and delaying suppliers. To date certain consignors have requested to have their goods returned, however, Reeve, Mackay has been able to replace these consigned goods as the number of active consignors continues to grow. This is demonstrated by the fact that Reeve, Mackay has more collectors' auctions than any other competing auctioneer in Toronto.

To date, suppliers have not refused to provide services. However, should suppliers and particularly consignors as a group start to withdraw their goods the company's auction subsidiary's ability to operate would be in jeopardy unless the Company agrees to inject the additional cash as required. Currently, Reeve, Mackay's liabilities have not been guaranteed by any other subsidiary within the group nor by InterUnion, itself.

The auction house management team is currently investigating various strategies to reverse the current trend on the bottom line and the working capital deficit. Should no formal plan be adopted during the fourth quarter, the Company will write down the full amount that it is carrying as start-up costs in the amount of \$372,980 under Canadian GAAP. Under U.S. GAAP this amount has already been eliminated from the balance sheet, as it was charged to earnings when incurred.

#### 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.

In addition, there is no significant income or losses that has risen from the Company's continuing operations that has not been analyzed or discussed above. Nor has there been any material change in any line item that is presented on the financial statements which has also not been discussed above.

#### ITEM 3. DESCRIPTION OF PROPERTY

Neither the Company nor any of its subsidiaries owns real estate.

The Company and certain of its subsidiaries do have leasehold interests in real estate as shown below.

<TABLE>  
<CAPTION>

Lessee & Location of Premises	Gross Area (S. Ft.)	Term	Annual Rent (Per S. Ft.)
<S>	<C>	<C>	<C>

Credifinance Securities, Ltd. Suite 3303 130 Adelaide Street W Toronto, Ontario	3,310	Feb. 92-Jan. 97 Feb. 97-Jan. 02	\$16.00 \$22.00
Credifinance Securities, Ltd. Suite 3304 130 Adelaide Street W Toronto, Ontario	927	Feb. 93-Jan. 97 Jul. 97-Jan. 02	\$12.00 \$15.00
Credifinance Securities, Ltd. Suite 1580 1501 McGill College Ave. Montreal, Quebec	1,386	Jun. 92-Jan. 98	\$16.00
Reeve, MacKay & Associates, Ltd. Suite 400 163 Queen St. E Toronto, Ontario	3,375	Jul. 96-Jun. 97	\$ 5.00
Reeve, MacKay & Associates, Ltd. Suite 102 163 Queen St. E Toronto, Ontario	2,053	Jul. 96-Jun. 97	\$ 3.00
InterUnion Financial Corp. Suite 301 249 Royal Palm Way Palm Beach, Florida	1,000	Mar. 96-Feb. 97	US\$365 per month

</TABLE>

ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following persons (including any group as defined in Regulation S-B, Section 228.403) are known to InterUnion Financial Corporation, as the issuer, to be the beneficial owner of more than five percent of any class of the said issuer's voting securities.

<TABLE>  
<CAPTION>

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Owner	Percent of Class
<S> Common	<C> RIF Capital Inc.(1) Price Waterhouse Centre PO Box 634C St. Michael, Barbados, WI	<C> 354,121	<C> 51.13%
Common	Capital Securities & Credit Corp. 114 Belmont Street Toronto, Ontario, Canada M5R 1P8	52,144	7.53%
Common	Finance Research Development (FRD) Trust Icaza, Ruiz-Gonzalez & Alemen Vanterpool Plaza, 2nd Floor Wickhams Cay, PO Box 873 Road Town, Tortola, BVI	50,500	7.29%

Common	Financiera Hispano-Suiza, SA 10 Rue Pierre-Fatio Geneva, Switzerland CH1204	50,050	7.23%
	TOTAL	<u>506,815</u>	<u>73.18%</u>
Preferred A	RIF Capital Inc. Price Waterhouse Centre PO Box 634C St. Michael, Barbados, WI	1,500,000	100.00%

(1) RIF Capital Inc. is a wholly-owned subsidiary of Equibank Inc. which is wholly-owned by Central Investment Trust. Georges Benarroch is the sole protector of Central Investment Trust and is not a beneficiary of the Trust nor its subsidiaries.

(2) The principal and 100% beneficial owner of Capital Securities and Credit Corp. is Mrs. S. Benarroch, 68 Rue Spontini, 75116 Paris, France.

(3) The principal and 100% beneficial owner of Finance Research Development Trust is Mr. G. Serfati, Cogeser S.A.R.L., 11 bis Ave de Versaile, 75116 Paris, France.

(4) The principal and 100% beneficial owner of Franciera Hispano-Suiza, SA is Mrs. N. Balloul, 21 rue Curial, 75019.

(5) Mrs. S. Benarroch is the mother of Georges Benarroch. The 354,121 shares as listed for RIF Capital, Inc. do not include the 52,144 shares owned by Capital Securities & Credit Corp. Mr. Benarroch disclaims ownership of the 52,144 shares, directly or indirectly.

(b) SECURITY OWNERSHIP OF MANAGEMENT

The following information lists, as to each class, equity securities beneficially owned by all directors and nominees, and of the directors and nominees of the issuer, as a group.

<TABLE>  
<CAPTION>

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Owner	Percent of Class
Common	Georges Benarroch Suite 3303 130 Adelaide Street Toronto, Ontario Canada, M5H 3P5	354,121 Trustee (voting power) of Central Investment Trust	51.13%
Preferred A	Georges Benarroch Suite 3303	1,500,000 Trustee (voting	100.00%

130 Adelaide Street  
Toronto, Ontario  
Canada, M5H 3P5

power) of Central  
Investment Trust

Common	Directors and Executive Officers as a group (1 person)	354,121	51.13%
Preferred A	Directors and Executive Officers as a group (1 Person)	1,500,000	100.00%

</TABLE>

NOTE TO (A) AND (B): As to the beneficial owner(s) of the securities listed above in (a) and (b), no such owner has any right to acquire within sixty (60) days or otherwise, the right to acquire shares from options, warrants, rights, conversion privileges or similar obligations.

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ITEM 5. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS  
AND CONTROL PERSONS

(a) IDENTIFY DIRECTORS AND EXECUTIVE OFFICERS

<TABLE>  
<CAPTION>

Name, Municipality of Residence	Age	Length of Service
<S> Georges Benarroch Toronto, Ontario Canada	<C> 49	<C> Appointed as President and Chairman of the Board, March 21, 1994
T. Jack Gary, III West Palm Beach, Florida	55	Appointed as Secretary January 30, 1995
Ann Glover Toronto, Ontario Canada	46	Appointed to Board of Directors February 17, 1995
Jacques Meyer de Stadelhofen Geneva, Switzerland	48	Appointed to Board of Directors December 16, 1994
Karen Lynn Bolens Geneva, Switzerland	49	Appointed to Board of Directors December 16, 1994

</TABLE>

GEORGES BENARROCH is the President, Chief Executive Officer and Chief

Financial Officer of the Company. He is also the President, Chief Executive Officer, and Chairman of the Board of Credifinance Securities, Ltd., Credifinance Capital, Inc. and Reeve, Mackay & Associates, Ltd. -- all wholly-owned subsidiaries of the Company. He is also the president of Equibank.

Since 1977, Mr. Benarroch has held the position of officer and partner/director with various investment firms and private/public companies in the United States, Canada and Europe. He has been a senior partner and/or

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seat holder of a member firm of the Toronto Stock Exchange since 1982. His experience covers Euro-financings, venture capital, mining and high tech financings and bridge financings. Between 1988 and 1990, he was one of the largest foreign traders of Austrian and Eastern European securities. One of his holding companies, which indirectly is the largest current shareholder of InterUnion, owns or has owned substantial equity interest in financial companies in North America, mining companies in California and technology-oriented, venture capital firms.

T. JACK GARY, III is the Secretary of the Company. He is also Branch Manager of the West Palm Beach, Florida, office of Raymond James & Associates, a national brokerage firm, having held that position since 1995. He is the President of Crown Financial Advisors, Inc., an investment advisory firm. From April, 1988 to 1992 Mr. Gary was President and Chief Executive Officer of Crown Capital Advisors, Inc., a company registered as an investment advisor with the Securities and Exchange Commission and with the State of Florida under the Florida Securities and Investor Protection Act. From 1992, until his appointment with Raymond James, Mr. Gary served as Chief Executive Officer of Crown Financial and Executive Vice President of Crown Capital Advisors, Inc. Mr. Gary will devote approximately 10% of his time to his duties as Secretary at InterUnion.

ANN GLOVER serves as a Director of the Company. She is a Director, Secretary/Treasurer, and Chief Operating Officer of Credifinance Securities, Limited a subsidiary of the Company. Ms. Glover has been an employee of Credifinance Securities, Limited since 1991, having held the position of a Director, Secretary/ Treasurer, and Chief Compliance Officer. Ms. Glover will devote approximately 10% of her time to InterUnion as she is also a director and officer of Credifinance Securities Limited.

JACQUES MEYER DE STADELHOFFEN serves as a Director of the Company. Since 1981 through and including the present time, he has practiced as an attorney, specializing in tax and financial matters for international corporations and charitable organizations. Ms. Stadelhoffen's duties for InterUnion will be limited to her participation at Board Meetings.

KAREN LYNN BOLENS serves as a Director of the Company. Since 1985 through and including the present time, she has practiced as an associate attorney, specializing in corporate, estate and family law for international clients. Ms. Bolens' duties for InterUnion will be limited to her participation at Board Meetings.

- (1) No director of InterUnion is currently a director of any other reporting company.
- (2) Under Section 1, ARTICLE III, of the By-Laws, the directors serve until the next annual meeting of the stockholders, as prescribed by the Board of Directors, at which time directors are elected by the stockholders. A director shall hold office until his successor is selected and qualified.

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ITEM 6. EXECUTIVE COMPENSATION

(a) SUMMARY COMPENSATION TABLE

<TABLE>  
<CAPTION>

NAME & PRINCIPAL POSITION	FISCAL YEAR	SALARY	OTHER BONUS	LONG TERM COMPENSATION	ALL OTHER COMPENSATION	COMPENSATION
Georges Benarroch, President & CEO	1996 1997	None None	None None	None \$50,000*	None None	None None

</TABLE>

\*Georges Benarroch was paid \$50,000 as compensation for services subsequent to the end of the fiscal year ending March 31, 1996. No other officer was paid compensation. Mr. Benarroch was paid his compensation in the form of cash.

(B) ALL COMPENSATION COVERED

The Company's Board of Directors has approved payment of \$1,750 for the services of each of its directors for the fiscal year ending March 31, 1997. No payments to Directors have been made as of the date of this registration statement.

As of the date of this registration statement, the Company has no options, warrants, SARs, long-term incentive plans, pension or profit-sharing plans, insurance plans, medical reimbursement plans, or other compensation plans in any form, direct or indirect, in effect regarding any employees of the Company.

The Company feels that it does not have to include executive compensation for an executive officer of any subsidiary because under Rule 3b-7 under the Exchange Act (17 CFR 240.3b-7) no executive officer(s) of any subsidiary perform(s) policy making functions for the registrant.

As of the date of this registration statement, the Company has no agreement or understanding, express or implied, with any officer or director, or any other person regarding employment with the Company or compensation for services.

Section 14 of ARTICLE III of the By-Laws of InterUnion provides that directors do not receive any stated salary for their services as directors. However, by board resolution, a fixed fee and expenses of attendance may be allowed for each meeting. These limitations do not affect compensation for a person serving as an officer or otherwise for the Company and receiving compensation therefor.

It should be noted that, other than the \$50,000 paid in cash to Georges Benarroch for the 1996 fiscal year, no compensation was set or paid by the directors for fiscal 1996. Further, no annual compensation for directors has been set by the Board for fiscal 1997.

ITEM 7. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.



## ITEM 8. DESCRIPTION OF SECURITIES

### (A) COMMON STOCK

The Company is authorized to issue 100,000,000 (One Hundred Million) shares of common voting stock, each share having one vote, at \$.001 par value.

There are no fixed rights to dividends on the common stock. Dividends may be paid as authorized by the Board of Directors in cash, in property, or in shares of capital stock.

Section 102 of the General Corporation Law of Delaware provides that no stockholder shall have any preemptive right to subscribe to an additional issue of stock or to any security convertible into stock unless, and except to the extent that, such right is expressly granted to him in the certificate of incorporation. The Certificate of Incorporation of InterUnion Financial Corporation contains no provision for preemptive rights.

The General Corporation Law of Delaware, in Section 214, allows for cumulative voting if so provided in the certificate of incorporation of the Company. The Certificate of Incorporation for InterUnion Financial Corporation contains no provisions for cumulative voting rights.

### (B) PREFERRED STOCK

#### (1) CLASS A PREFERRED STOCK

The Company is authorized to issue 1,500,000 (One Million Five Hundred Thousand) shares of Class A preferred stock at \$.10 par value.

The Class A preferred stock is voting stock, each share having 100 votes.

In any given fiscal year in which the directors shall declare a dividend, the holder(s) of Class A preferred stock shall be entitled to a fixed yearly dividend in the percentage amount, which such amount shall be fixed and declared by the directors at the time of issuance of the Class A preferred stock. When such a dividend is declared, the holder(s) of the Class A preferred stock shall receive payment before any dividend shall be paid or set apart on the common stock. The dividends in respect to the Class A preferred stock shall be non-cumulative and shall be non-participating. These shares carry no terms of repayment and have no terms of conversion.

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In the event of dissolution of the Company, the holder(s) of Class A preferred stock shall be entitled to be paid in full the par value of the shares before any amount is to be paid to the holders of common stock or the holders of Class B and C preferred stock.

#### (2) CLASS B PREFERRED STOCK

The Company is authorized to issue 50,000,000 (Fifty Million) shares of Class B preferred stock. The par value of this stock and the yearly dividend in a percentage amount to which the holder(s) of this stock shall be entitled, shall be determined by the directors at the time of first issuance of any such shares. In any given year in which the directors shall declare a dividend, the holder(s) of the Class B preferred stock shall receive payment before any dividend shall be set apart or paid on the common stock.

The Class B preferred stock is non-voting, non-cumulative and non-participating. These shares carry no terms of repayment and have no terms of conversion.

In the event of dissolution of the Company, the holder(s) of the Class B preferred stock shall be entitled to be paid in full the par value of the shares before any amount is to be paid to the holders of common stock or the

holders of Class C preferred stock.

### (3) CLASS C PREFERRED STOCK

The Company is authorized to issue 50,000,000 (Fifty Million) shares of Class C preferred stock. The par value of this stock and the yearly dividend in a percentage amount to which the holder(s) of this stock shall be entitled, shall be determined by the directors at the time of first issuance of any such shares. In any given year in which the directors shall declare a dividend, the holder(s) of the Class C preferred stock shall receive payment before any dividend shall be set apart or paid on the common stock.

The Class C preferred stock is non-voting, non-cumulative and non-participating. These shares carry no terms of repayment.

The Class C preferred stock is convertible to common voting stock, provided, however, that the exchange ratio on such a conversion shall be subject to the price and terms as decided by the directors, and provided further, that the right of conversion shall be decided by the directors in their sole discretion. In the event, upon a conversion, it shall appear that a fraction of a common share

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shall be issued, the Company shall pay cash for the pro rata market value of any such fraction, market value being based upon the last sale price for a share of common stock on the business day next prior to the date such fair market value is to be determined.

In the event of dissolution of the Company, the holder(s) of the Class C preferred stock shall be entitled to be paid in full the par value of the shares before any amount is paid to the holders of common stock.

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## PART II

### ITEM 1. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND OTHER SHAREHOLDER MATTERS

#### (a) MARKET INFORMATION

The issuer's common equity is traded on the OTC Bulletin Board under the symbol: IUFC.

The high and low sale prices for each quarter within the last two fiscal years and the first quarter of fiscal year 1997 are listed below. Only two quarters are shown for fiscal year 1995 because the stock was not cleared by the NASD for trading until July 27, 1994.

<TABLE>

<CAPTION>

	Open	High	Low	Close	
	-----	-----	-----	-----	
<S>	<C>	<C>	<C>	<C>	
FY 95 Qtr 3	\$52.50	\$100.00	\$52.50	\$80.00	
FY 95 Qtr 4	\$80.00	\$102.50	\$77.50	\$80.00	
FY 96 Qtr 1	\$80.00	\$ 85.00	\$32.50	\$40.00	
FY 96 Qtr 2	\$40.00	\$ 50.00	\$15.00	\$30.00	
FY 96 Qtr 3	\$30.00	\$ 32.50	\$10.63	\$21.25	
FY 96 Qtr 4	\$21.25	\$ 21.25	\$ 5.00	\$13.75	
FY 97 Qtr 1	\$13.75	\$ 13.75	\$ 5.00		

</TABLE>

---

---

(b) HOLDERS

The approximate number of holders of record of each class of common equity is as follows:

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---

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<TABLE>

<CAPTION>

CLASS OF STOCK	NUMBER OF HOLDERS
<S>	<C>
Common	383
Class A Preferred	1
Class B Preferred	0
Class C Preferred	0

</TABLE>

---

---

(c) DIVIDENDS

The company has never declared or paid dividends on its common stock or its preferred stock. The Board of Directors does not anticipate paying any dividends in the foreseeable future. It intends to retain its distributable earnings, if any, for the expansion and development of its business.

ITEM 2. LEGAL PROCEEDINGS

A Statement of Claim was filed in Ontario Court (General Division) on May 31, 1996 against Credifinance Securities, Ltd., InterUnion Financial Corporation, and Georges Benarroch and Ann Glover, as Directors of those defendants. The claim was filed by John Illedge, a former President and Chief Operating Officer of Credifinance.

The plaintiff is seeking \$1,500,000 for loss of remuneration, \$697,000 for unpaid wages, severance pay in the amount of \$110,000 vacation pay of \$150,000, \$50,000 in punitive damages, and interest and costs. It is the contention of the plaintiff that he was constructively discharged on March 25, 1996, without notice, and that at the time of his discharge he was entitled to the amounts claimed and that he has not been paid for such items.

It is the position of the defendants that Mr. Illedge resigned from Credifinance Securities for the purpose of commencing a new business relationship, that there was no constructive dismissal, and there are no monies owing to him for past wages or otherwise as claimed. Further, Mr. Illedge is under investigation by the Investment Dealers Association of Canada as a result of client complaints and other regulator matters where infractions may have occurred. It is the opinion of the defendants and its counsel that the suit filed by Mr. Illedge has no merit in fact. As of this date the lawsuit was not progressed due to technical deficiencies in the Statement of Claim. When appropriate, counsel for the defendants has indicated that it will file a motion to strike the lawsuit for lack of merit.

The Investment Dealers Association of Canada, which is the self-regulatory body regulating all broker/dealers in Canada did not require InterUnion Financial Corporation or its subsidiary, Credifinance Securities Limited, to provide contingent liability for Mr. Illedge's claims nor disclosure of the details. The Company will not incur liability if the Association determines that the complaints against Mr. Illedge are valid.

The likelihood of a material effect on the results of operations or liquidity of the Company, or its subsidiaries as a result of the pending litigation is remote.

### ITEM 3. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS

Not applicable.

### ITEM 4. RECENT SALES OF UNREGISTERED SECURITIES

#### (a) SALES PURSUANT TO REGULATION D

The following sales were made by the Company within the past three (3) years in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended, as contained within Regulation D, Rule 504, promulgated by the Securities and Exchange Commission:

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<TABLE>  
<CAPTION>

Title of Class	Number Shares	Price per Share	Consideration	Date of Sale
<S>	<C>	<C>	<C>	<C>
Common	16,980,000	.00145 cents/share	\$ 24,621	April 1, 1994
Common	1,750,000	2 cents/share	\$ 35,000	April 22, 1994
Common	1,000,000	2 cents/share	\$ 20,000	May 16, 1994
Common	1,250,000	2 cents/share	\$ 25,000	July 26, 1994
Common	1,000,000	1 cent/share	\$ 10,000	July 26, 1994
Common	3,702,200	1 cent/share	\$ 37,022	Aug. 4, 1994
Common	5,000,000	1 cent/share	\$ 50,000	Aug. 17, 1994
Common	1,000,000	5 cents/share	\$ 50,000	Oct. 5, 1994
Common	1,500,000	20 cents/share	\$300,000	Mar. 23, 1994
Common	1,250,000	10 cents/share	\$125,000	June 5, 1995
Common	3,200,000	10 cents/share	\$320,000	Mar. 12, 1996

#### NOTES TO SALES PURSUANT TO REGULATION D

- (1) All sales of securities are shown based upon the shares at the date of sale and do not reflect subsequent reverse stock splits as approved by the shareholders.
- (2) All sales were made directly by the Company as issuer. No commissions or underwriting discounts were paid in connection with the sales.
- (3) The class of persons to whom the Company sold the above-referenced securities were individuals or entities whom the Company had reason to believe were either accredited investors within the meaning of Regulation Section 230.501 or were investors having such knowledge and experience in financial and business matters that the purchaser could properly evaluate the risks and merits of the investment.
- (4) All sales as shown above were made to non-U.S. persons.

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- (5) The company specifically relied upon compliance with Rule 504 of Regulation D (Regulation Section 230.504). The Company qualified for Rule 504 because all offers and sales were made

by the issuer, the Company was not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company was not an investment company, and the Company was not a development stage company. Further, the Company was in compliance with the conditions as set forth in Regulation Section 230.504(b).

(B) SALES PURSUANT TO REGULATION S

The following sales were made by the Company within the past three (3) years in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended, as contained within Regulation S promulgated by the Securities and Exchange Commission:

<TABLE>  
<CAPTION>

Title of Class	Number Shares	Price per Share	Consideration	Date of Sale
<S> Common	<C> 2,000,000	<C> .10 cents/share	<C> \$200,000	<C> Oct. 16, 1995

Title of Class	Number Shares	Price per Share	Consideration	Date of Sale
<S> Class A Preferred	<C> 1,500,000	<C> .10 cents/share	<C> \$150,000	<C> Dec. 21, 1994

</TABLE>

NOTES TO SALES PURSUANT TO REGULATION S

(1) All sales of securities are shown based upon the shares at the date of sale and do not reflect subsequent reverse stock splits as approved by the shareholders.

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(2) All sales were made directly by the Company as issuer. No commissions or underwriting discounts were paid in connection with the sales.

(3) The class of persons to whom the Company sold the above-referenced securities were individuals or entities whom the Company had reason to believe were either accredited investors within the meaning of Regulation Section 230.501 or were investors having such knowledge and experience in financial and business matters that the purchaser could properly evaluate the risks and merits of the investment.

(4) All sales as shown above were made to non-U.S. persons.

(5) The company specifically relied upon compliance with Regulation S as promulgated by the Securities and Exchanges Commission. The Company was in compliance with Category 3 of Rule 903 of Regulation S which provides an issuer safe harbor. Under this Category the Company complied with the two general conditions of Rule 903(a) and (b) and to transactional and offering restrictions by the execution of an investor Subscription Agreement, and the placing of the appropriate restrictive legend on the stock certificate(s).

ITEM 5. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 14 of the By-laws of the Company provides for Indemnification to directors and officers. This section is as follows:

"Section 14. The corporation shall indemnify and reimburse each present and future director and officer of the corporation for and against all or part of the liabilities and expenses imposed upon or reasonably incurred by him in connection with any claim, action, suit or proceeding in which he may be involved or with which he may be threatened by reason of his being or having been a director or officer of the corporation or of any other corporation of which he shall at the request of this corporation then be serving or theretofore have served as a director or officer, whether or not he continues to be a director or officer, at the time such liabilities or expenses are imposed upon or incurred by him, including but without being limited to attorney's fees, court costs, judgments and reasonable compromise settlements; provided, however, that such indemnification and reimbursement shall not

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cover: (a) liabilities or expenses imposed or incurred in connection with any matter as to which such director or officer shall be finally adjudged in such action, suit or proceeding to be liable by reason of his having been derelict in the performance of his duty as such director or officer, or (b) liabilities or expenses (including amounts paid in compromise settlements) imposed or incurred in connection with any matter which shall be settled by compromise (including settlement by consent decree or judgment) unless the board of directors of the corporation by resolution adopted by it (i) approves such settlement and (ii) finds that such settlement is in the best interest of the corporation and that such director or officer has not been derelict in the performance of his duty as such director or officer with respect to such matter. These indemnity provisions shall be separable, and if any portion thereof shall be finally adjudged to be invalid, or shall for any other reason be inapplicable or ineffective, such invalidity, inapplicability or ineffectiveness shall not affect any other portion or any other application of such portion or any other portion which can be given effect without the invalid, inapplicable or ineffective portion. The rights of indemnification and reimbursement hereby provided shall not be exclusive of other rights to which any director or officer may be entitled as a matter of law or by votes of stockholders or otherwise. As used in this paragraph, the terms "director" and "officer" shall include their respective heirs, executors and administrators."

This provision of the By-laws specifically does not provide any measure of indemnification under circumstances whereby the director or officer is adjudged to be derelict in the performance of his duty as an officer or director. There would be no indemnification of an officer or director for liabilities arising under the federal securities laws. It should be added, as a note of explanation, that the term "derelict" as used in Section 14 is synonymous with the term "negligent".

## PART F/S

### FINANCIAL STATEMENTS

The following audited consolidated financial statements for InterUnion Financial Corporation, covering fiscal years ending March 31, 1995 and March 31, 1996 are submitted in compliance with the requirements of Item 310 of Regulation S-B. In addition, unaudited financial statements for the period ending June 30, 1996 are included.

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PART III

ITEM 1. INDEX TO EXHIBITS

<TABLE>

<CAPTION>

<S>

<C>

<C>

Exhibit Table Number	Exhibit	Page No.
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(2)(i)	Unanimous Consent in Lieu of The First Meeting of the Board of Directors of AU 'N AG, INC. (A Delaware Corporation)	E-1
(2)(ii)	Pre-Organization Subscription and Letter of Non-Distributive Intent	E-5
(2)(iii)	Plan and Agreement of Merger	E-7
(2)(iv)	Certificate of Merger, dated February 15, 1994	E-12
(3)(i)	Certificate of Incorporation of AU 'N AG, INC. Dated February 15, 1994	E-14
(3)(ii)	Certificate of Amendment of Certificate of Incorporation of AU 'N AG, INC. Dated April 11, 1994	E-15
(3)(iii)	Certificate of Amendment of Certificate of Incorporation of InterUnion Financial Corporation dated October 17, 1994	E-16
(3)(iv)	Bylaws of InterUnion Financial Corporation	E-18
(4)	Instruments Defining the Rights of Security Holders Including Indentures	E-28
(10)(i)	ITM Software Development Agreement	E-35
(10)(ii)	Letter of Understanding	E-53
(10)(iii)	Investment Management Agreement	E-58
(10)(iv)	Agreements (Havensight/InterUnion)	E-76
(21)	Subsidiaries of InterUnion	E-78

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SIGNATURES

In accordance with Section 12 of the Securities Exchange Act of 1934, the registrant caused this first amendment to this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

INTERUNION FINANCIAL CORPORATION  
(Registrant)

Date: February 13, 1997 By: /s/ Georges Benarroch

-----  
Georges Benarroch  
President, Chief Executive Officer  
Chairman, Board of Directors

In accordance with the requirements of the Securities Exchange Act of 1934, this Registration Statement has been signed below by the following persons in their capacities on the dates indicated.

<TABLE>  
<CAPTION>

Signature	Title	Date
-----	-----	-----
<S>	<C>	<C>
/s/ Georges Benarroch ----- Georges Benarroch	President, Chief Executive Officer, Chairman, Board of Directors	February 13, 1997 -----
/s/ Georges Benarroch ----- Georges Benarroch	Chief Financial Officer	February 13, 1997 -----
/s/ Jacques Meyer de Stadelhofen ----- Jacques Meyer de Stadelhofen	Director	February 13, 1997 -----
/s/ Ann Glover ----- Ann Glover	Director	February 13, 1997 -----

</TABLE>

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INTERUNION FINANCIAL CORPORATION  
CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1996 AND 1995

INTERUNION FINANCIAL CORPORATION  
MARCH 31, 1996 AND 1995

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<CAPTION>

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	----
<S>	<C>
Auditors' Report	1

Consolidated Financial Statements:

Consolidated Balance Sheet	2
Consolidated Statement of Operations and Retained Earnings	3
Consolidated Statement of Changes in Financial Position	4



&lt;/TABLE&gt;

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## AUDITORS' REPORT

To The Directors,  
InterUnion Financial Corporation

We have audited the consolidated balance sheet of InterUnion Financial Corporation as at March 31, 1996 and 1995 and the consolidated statements of operations and retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform our audits to obtain reasonable assurance whether the financial statements are free of material misstatement. Audits include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Audits also include assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 1996 and 1995 and the results of operations and changes in financial position for the years then ended in accordance with generally accepted accounting principles.

Toronto, Ontario.  
May 10, 1996.  
(except as to Notes 2(b), 3, 5,  
9, 14 and 19 which are as of  
March 17, 1997)

/s/ Mintz & Partners  
CHARTERED ACCOUNTANTS

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INTERUNION FINANCIAL CORPORATION  
CONSOLIDATED BALANCE SHEET  
(EXPRESSED IN U.S. DOLLARS)

<TABLE>  
<CAPTION>

AS AT MARCH 31	1996	1995
-----		
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS		
Cash	\$ 722,795	\$ 490,681
Due from brokers and dealers (Note 2(c))		1,168,190
Client deposits (Note 2(c))	2,093,966	21,147,890
Marketable securities (Notes 2(b) and 3)	2,625,585	15,682,071
Accounts receivable	208,727	55,262
Income tax receivable	1,597	15,866
Prepaid expenses and sundry assets	75,906	31,615
	-----	-----
	6,896,766	37,596,329
	-----	-----
OTHER ASSETS		
Capital assets (Note 4)	948,892	933,380
Start-up costs	438,803	--
Long-term investments	913,834	900,361
Reorganization costs	184,944	234,574
Goodwill (Note 8)	1,086,461	1,143,982
Assets of discontinued operations (Note 15)	--	240,693
	-----	-----
	3,572,934	3,452,990
	-----	-----
	\$ 10,469,700	\$ 41,049,319
	=====	=====

APPROVED ON BEHALF OF THE BOARD:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

</TABLE>

See Accompanying Notes

(EXPRESSED IN U.S. DOLLARS)

<TABLE>  
<CAPTION>

AS AT MARCH 31

1996

1995

<S>

<C>

<C>

LIABILITIES

CURRENT LIABILITIES

Due to brokers and dealers (Note 2(c))	\$ 2,499,665	\$ 30,168,593
Due to clients (Note 2(c))	3,035,310	6,368,681
Accounts payable and accrued liabilities	675,623	283,459
	-----	-----
	6,210,598	36,820,733
LOANS PAYABLE (Note 6)	119,462	100,873
LIABILITIES OF DISCONTINUED OPERATIONS		-- 499,377
	-----	-----
	6,330,060	37,420,983
	-----	-----

SHAREHOLDERS' EQUITY

CAPITAL STOCK AND ADDITIONAL PAID-IN CAPITAL		3,972,512	3,762,774
RETAINED EARNINGS (DEFICIT)		167,128	(134,438)
	-----	-----	
	4,139,640	3,628,336	
	-----	-----	
	\$ 10,469,700	\$ 41,049,319	
	=====	=====	

</TABLE>

See Accompanying Notes

(EXPRESSED IN U.S. DOLLARS)

<TABLE>  
<CAPTION>

FOR THE YEAR ENDED MARCH 31	1996	1995
<S>	<C>	<C>
REVENUES		
Commissions, trading and investment income	\$ 4,500,899	\$ 3,971,160
Fee revenue	1,356,297	56,907
	-----	-----
	5,857,196	4,028,067
	-----	-----
EXPENSES		
Selling, marketing and research	4,207,289	2,868,886
Salaries and benefits	759,361	291,687
General and administration	702,938	796,673
Other	13,132	--
Gain on foreign exchange	(20,902)	(247)
Interest, bank charges and interest income, net	(37,337)	5,830
Amortization	218,084	24,272
	-----	-----
	5,842,565	3,987,101
	-----	-----
INCOME FROM CONTINUING OPERATIONS	14,631	40,966
LOSS FROM DISCONTINUED OPERATIONS	(94,252)	(184,845)
GAIN ON DISPOSITION OF SUBSIDIARY (Note 15)	409,418	--
	-----	-----
INCOME (LOSS) - Before income taxes	329,797	(143,879)
PROVISION FOR (RECOVERY OF) INCOME TAXES		28,231 (9,441)
	-----	-----
NET INCOME (LOSS)	301,566	(134,438)
DEFICIT - Beginning of year	(134,438)	--
	-----	-----
RETAINED EARNINGS (DEFICIT) - End of year	\$ 167,128	\$ (134,438)
	=====	=====
EARNINGS (LOSS) PER SHARE (Note 16)		
From continuing operations	\$ 0.03	\$ 0.26
	=====	=====
After discontinued operations and gain on disposition of subsidiaries	\$ 0.60	\$ (0.85)
	=====	=====

</TABLE>

See Accompanying Notes

INTERUNION FINANCIAL CORPORATION  
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION  
(EXPRESSED IN U.S. DOLLARS)

<TABLE> <CAPTION> FOR THE YEAR ENDED MARCH 31	1996	1995
<S>	<C>	<C>
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 301,566	\$ (134,438)
Items not affecting cash		
Amortization	218,084	24,272
Gain on disposition of subsidiary	(409,418)	--
	110,232	(110,166)
(Decrease) increase in due to brokers and dealers, net	(28,664,174)	29,995,649
Decrease (increase) in client deposits	15,720,553	(14,779,209)
Increase (decrease) in marketable securities	13,056,486	(15,682,071)
Increase in accounts receivable and sundry assets	(183,487)	(102,741)
Increase in accounts payable and accrued liabilities	392,164	283,460
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		431,774 (395,078)
<b>FINANCING ACTIVITIES</b>		
Proceeds on issuance of capital stock and additional paid-in capital	555,000	3,762,774
Increase in loans payable	18,589	100,872
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>		573,589 3,863,646
<b>INVESTING ACTIVITIES</b>		
Start-up costs	(438,803)	--
Long-term investments	(13,472)	(900,361)
Purchase of capital assets	(132,533)	(957,653)
Reorganization costs	(61,632)	(234,574)
Goodwill	--	(1,143,982)
Investment in subsidiaries (Note 7)	--	(507,457)
Discontinued operations	(126,809)	258,684
<b>CASH USED IN INVESTING ACTIVITIES</b>		(773,249) (3,485,343)
<b>INCREASE (DECREASE) IN CASH</b>		232,114 (16,775)
CASH - Beginning of Year	490,681	--
<b>CASH ACQUIRED ON ACQUISITION OF SUBSIDIARIES</b>		-- 507,456
CASH - End of Year	\$ 722,795	\$ 490,681

</TABLE>

See Accompanying Notes

INTERUNION FINANCIAL CORPORATION (NOTE 8)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1996  
(EXPRESSED IN U.S. DOLLARS)

---

1. CHANGE IN ACCOUNTING POLICY

During the year, the Company decided to apply, retroactively, Section 3840 of the Handbook of the Canadian Institute of Chartered Accountants. Therefore, the company changed its method of valuing certain subsidiaries from fair value of consideration paid, which was based on the market price of the share given up to the carrying value of the underlying assets to reflect that the effective control of these subsidiaries did not change on acquisition.

In accordance with Section 3840 of the Handbook of the Canadian Institute of Chartered Accountants, this change has been applied retroactively, and has resulted in a restatement of 1995 balances. The effect of this change in policy has resulted in a decrease in Goodwill as well as Additional Paid-In Capital, of \$7,103,020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP") and reflect the following policies:

a) Principles of consolidation

The attached consolidated financial statements of InterUnion Financial Corporation, a Delaware Corporation, ("the Company") contains the financial position, results of operations and changes in financial position of the Company and its subsidiaries, Bearhill Limited, Credifinance Capital Inc., Credifinance Securities Limited, Guardian Timing Services Inc., I & B Inc., and Reeve, Mackay & Associates Limited. All transactions and balances between the company and its subsidiaries have been eliminated.

b) Marketable securities inventory

Marketable securities carried on a short-term basis are classified as either "trading" or "available for sale" (Note 3) and are carried at fair market value in accordance with industry practice. Marketable securities being held as long-term investments are classified as "held-to maturity" (Note 3) and are carried at cost. All gains and losses are calculated using the average cost basis.

c) Security transactions

Security transactions are recorded in accordance with industry practice in the accounts on trade date. Commission income and related expenses for transactions executed but not yet settled are accrued as of the financial statement date.

In accordance with industry practice, the balances due from and to brokers, dealers and clients may include the trading balances of clients at the end of the reporting period and may not be an indication of the investment activity of the Company. These balances may fluctuate significantly.

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/Continued...

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INTERUNION FINANCIAL CORPORATION (NOTE 8)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1996  
(EXPRESSED IN U.S. DOLLARS)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

d) Capital assets

Capital assets are stated at cost less accumulated amortization. It is the company's policy to provide amortization over the estimated useful lives of the capital assets at the following rates:

<TABLE>

<S>	<C>
Automobile	30% on diminishing balance
Computer hardware	30% on diminishing balance
Computer software (internal use)	50% on straight-line basis
ITM computer software (Notes 7 and 14)	over 10 years
Furniture and fixtures	20% on diminishing balance
Leasehold improvements	over the lease term
Research materials	20% on diminishing balance
Start-up costs	over 5 years

</TABLE>

The computer software that is amortized over 10 years represents the fair market value of the consideration given at the time of acquiring the subsidiary. (Note 7)

e) Start-up costs

In accordance with Canadian Generally Accepted Accounting Principles, incremental costs incurred, net of any revenues recovered, in the period before the company's wholly-owned auction subsidiary became fully operational, will be amortized on a straight-line basis over 5 years commencing in the 1997 fiscal year. If at anytime, the Company determines these costs will not be recoverable from operations or on sale of the subsidiary they will be charged to income in the year such determination is made.

f) Reorganization costs

In accordance with Canadian Generally Accepted Accounting Principles, costs incurred in reorganizing the structure of the company are being amortized on a straight-line basis over 5 years commencing in the 1996 fiscal year.

g) Goodwill

In accordance with Canadian Generally Accepted Accounting Principles, the deficit that was in Au 'N Ag Inc. at acquisition date (Note 8) has been recorded as goodwill and is

being amortized on a straight-line basis over 20 years commencing in the 1996 fiscal year.

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/Continued...

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INTERUNION FINANCIAL CORPORATION (NOTE 8)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1996  
(EXPRESSED IN U.S. DOLLARS)

---

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

h) Long-Term Investments

Long-term investment in non-marketable securities where control or significant influence is not exercised are recorded at cost. The long-term investment in shares of the company held by a subsidiary at the date of acquisition by the Company of the particular subsidiary is included with long-term investments until sold. The sale of these shares will be accounted for as a capital transaction.

Stock exchange seats are recorded at cost and are included in long-term investments. Declines in market value are only recorded when there is an indication of permanent decline in value.

i) Valuation of Subsidiaries Acquired

Subsidiaries acquired from non-related parties are valued at acquisition based on the fair market value of the underlying assets acquired.

j) Additional Paid-in Capital

Additional paid-in capital represents the proceeds on issuance of common shares in excess of par value of shares issued, net of costs to issue such shares. Contribution of assets for which no liabilities were incurred, consideration paid or shares given up are also included as additional paid in capital at the value assigned to the assets at the time of receipt.

k) Translation of Foreign Currencies

Foreign currency amounts have been translated to U.S. funds as follows:

- i) Monetary assets and liabilities, at the rate of exchange prevailing on the balance sheet date.
- ii) Revenues and expenses, at average rate of exchange for the month of the transaction.

Gains and losses on translation of foreign currencies, which are not significant, are included in the statement of operations.



l) Capital Leases

Leases which transfer substantially all of the benefits and risks incident of ownership of the property to the company, are treated as "capital leases" and are recorded as the acquisition of an asset and the incurrence of an obligation.

/Continued...

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INTERUNION FINANCIAL CORPORATION (NOTE 8)  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 MARCH 31, 1996  
 (EXPRESSED IN U.S. DOLLARS)

3. MARKETABLE SECURITIES

<TABLE>  
 <CAPTION>

AS OF MARCH 31, 1996	Original ----- <C>	Carrying Cost ----- <C>	Market Value ----- <C>	Value
Trading securities	\$ 45,200	\$ 45,200	\$ 45,200	\$ 45,200
Available for sale				
Equity Investments	81,720	81,720	81,720	81,720
U.S. Treasury Bills (Maturing within 1 year)	2,499,665	2,499,665	2,499,665	2,499,665
Held to maturity	--	--	--	--
	-----	-----	-----	
Total	<u>\$ 2,626,585</u>	<u>\$ 2,626,585</u>	<u>\$ 2,626,585</u>	
AS OF MARCH 31, 1995				
Trading securities	\$ --	\$ --	\$ --	
Available for sale				
Equity Investments	27,797	27,797	27,797	27,797
U.S. Treasury Bills (Maturing within 1 year)	15,654,274	15,654,274	15,654,274	15,654,274
Held to maturity	--	--	--	--
	-----	-----	-----	
Total	<u>\$15,682,071</u>	<u>\$15,682,071</u>	<u>\$15,682,071</u>	

4. CAPITAL ASSETS

	Cost ----	Accumulated Amortization -----	1996 ----	Net Carrying Amount 1995 ----
Automobile	\$ 21,781	\$ 8,192	\$ 13,589	\$ 3,123
Computer hardware and software	104,024	47,944	56,080	44,573
ITM Computer software (Notes 7 and 14)	864,554	90,104	774,450	855,432
Furniture, fixtures and equipment	118,299	32,393	85,906	30,253
Leasehold improvements	1,273	1,273	--	--
Research materials	20,964	2,097	18,867	--
	-----	-----	-----	-----

\$ 1,130,895    \$ 182,003    \$ 948,892    \$ 933,381

</TABLE>

Automotive and furniture, fixtures and equipment includes amounts under capital leases with a cost of approximately \$21,000. The \$19,000 obligation under these capital leases is included in accounts payable.

The value of the computer software was determined in accordance with Canadian Generally Accepted Accounting Principles, based on the fair market value deemed paid for Bearhill Limited (Notes 7 and 14) at the time of acquisition.

/Continued...

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INTERUNION FINANCIAL CORPORATION (NOTE 8)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1996  
(EXPRESSED IN U.S. DOLLARS)

5. START-UP COSTS

Start-up cost recorded in accordance with Canadian Generally Accepted Accounting Principles, represent the net of the expenses incurred net of the revenues recovered in the formation and organization of the Company's auction business during its first 7 months of activities. The revenues and expenses are summarized as follows:

<TABLE>

<S>	<C>
Marketing and catalogue development	\$ 229,300
Salaries and Benefits	305,874
Other Expenses	218,574
	-----
Total Expenses	753,748
Commissions and other revenues, net	(314,945)
Net Capitalized Amount	\$ 438,803

</TABLE>

6. LOANS PAYABLE

These amounts are due to controlling shareholders or parties that are directly or indirectly related to controlling shareholders. These loans are non-interest bearing and have no specific repayment terms.

7. ACQUISITION OF SUBSIDIARIES

During 1995, the company acquired the subsidiaries described in Note 2(a). The consideration for these acquisitions was a combination of common shares of the company and 27,828 common share purchase warrants (Note 9 and 10).

The acquisition of the subsidiaries is summarized as follows:

<TABLE>

<S>		<C>	
	Cash	\$ 507,456	
	ITM computer software (Notes 4 and 14)		855,432
	Non-Cash Liabilities Assumed in Excess of Assets Acquired	(40,542)	
		-----	
		\$ 1,322,346	
		=====	

</TABLE>

8. CHANGE OF NAME

Effective, April 17, 1994, subsequent to the controlling interest being acquired by the company's shareholders on April 11, 1994, the name of the company was changed to InterUnion Financial Corporation from Au 'N Ag, Inc.

/Continued...

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INTERUNION FINANCIAL CORPORATION (NOTE 8)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1996  
(EXPRESSED IN U.S. DOLLARS)

8. CHANGE OF NAME - Continued

Because effective control was acquired by the shareholders of the company in an arm's length transaction the deficit of \$1,143,643 in Au 'N Ag at April 11, 1994 has been included in goodwill in the attached consolidated balance sheet, in accordance with Canadian Generally Accepted Accounting Principles.

9. CAPITAL STOCK AND ADDITIONAL PAID-IN CAPITAL

Authorized

- 1,500,000 Non-cumulative, non-participating, (\$0.10 par value)  
Class A Preference shares entitled to 100 votes for every one share issued
- 50,000,000 Non-cumulative, non-participating, non-voting Class B preference shares with a par value to be determined at the date of first issuance
- 50,000,000 Non-cumulative, non-participating, non-voting, convertible into common shares at a conversion rate to be determined at the date of first issuance
- 100,000,000 Common shares (\$0.001 par value)

Issued

<TABLE>  
<CAPTION>

	Number of Shares	Additional Capital Stock	Paid-in Capital	Total
	-----	-----	-----	-----
CLASS A PREFERENCE SHARES				
<S> March 31, 1996 and 1995	<C> 1,500,000	<C> \$ 150,000	<C> \$ --	<C> \$ 150,000
	=====	=====	=====	=====

COMMON SHARES (adjusted for reverse stock splits):				
Balance, April 15, 1994 (note 8)	122,739	\$ 24,546	\$ 1,122,059	\$ 1,146,605
Shares issued during 1995, net of costs	246,319	49,264	2,416,905	2,466,169
Common shares, March 31, 1995	369,058	73,810	3,538,964	3,612,774
Common shares issued during 1995, net of costs and other adjustments	323,500	64,700	145,038	209,738
Common shares, March 31, 1996	692,558	\$ 138,510	\$ 3,684,002	\$ 3,822,512

</TABLE>

During 1995, a reverse stock split of 10 (ten) to 1 (one) was approved. In addition, subsequent to the 1996 year-end, as explained in note 16 a reverse stock split of 20 (twenty) to 1 (one) was approved.

/Continued...

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INTERUNION FINANCIAL CORPORATION (NOTE 8)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1996  
(EXPRESSED IN U.S. DOLLARS)

9. CAPITAL STOCK AND ADDITIONAL PAID-IN CAPITAL (continued)

The common shares were issued is as follows:

<TABLE>  
<CAPTION>

	For Cash		For Acquisitions	
	Shares	Amount	Shares	Amount
	<C>	<C>	<C>	<C>
April 1994	2,500	\$ 10,000		
May 1994	5,000	20,000		
July 1994	6,250	25,000		
July 1994	5,000	10,000		
August 1994	18,511	37,022		
August 1994	25,000	50,000		
October 1994	5,000	50,000		
January 18, 1995, for Guardian Timing Services Inc.			5,566	173,160
January 18, 1995, for Bearhill Limited			22,262	725,229
March 20, 1995, for I & B Inc.			75,000	1,108,316
March 20, 1995, for 5% of Rosedale Realty Corporation			1,230	106,782
March 1995	75,000	300,000		
Total	142,261	\$ 502,022	104,058	\$ 2,113,487

June 1995	62,500	\$ 125,000
October 1995	100,000	200,000
March 1996	160,000	320,000

Total	322,500	\$ 645,000
-------	---------	------------

</TABLE>

In January 1996, 1,000 shares were issued for services valued at \$20,000. Issuing costs of \$110,000 in 1996 and \$149,340 in 1995 were incurred and charged to common stock.

The changes to capital stock and additional paid-in capital are summarized as follows:

<TABLE>  
<CAPTION>

	Year Ending March 31, 1996		Year Ending March 31, 1995	
	Shares	Amounts	Shares	Amounts
	<C>	<C>	<C>	<C>
For cash, as above	322,500	\$ 645,000	142,261	\$ 502,022
For acquisitions, as above			104,058	2,113,487
For services	1,000	20,000		
Issuing costs		(110,000)		(149,340)
Write down of Rosedale Realty Corporation (Note 19(b))		(345,262)		
Total	323,500	\$ 209,738	246,319	\$ 2,466,169

</TABLE>

/Continued...

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INTERUNION FINANCIAL CORPORATION (NOTE 8)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1996  
(EXPRESSED IN U.S. DOLLARS)

10. OPTIONS AND WARRANTS

Subsequent to year-end, options for 40,250 shares (adjusted for the 20 to 1 reverse stock split described in Note 9) at \$40.00 and warrants for 102,828 (adjusted for the 20 to 1 reverse stock split described in Note 9) at \$40.00 outstanding as at March 31, 1995 and 1996 were cancelled.

11. INCOME TAX MATTERS

The company has available operating and capital losses, the benefits of which have not been recorded, of approximately \$650,000 to be applied against future income. The operating losses expire in 2003.

12. CONTRACTS AND COMMITMENTS

a) Agreement with Canada Trust Securities Inc.

The company has entered into an agreement with Canada Trust Securities Inc. ("CT") whereby CT will perform certain securities trading and clearing activities and record-keeping as agent for and on behalf of the company in various securities markets. The agreement requires CT to hold securities and/or cash of the clients of the company in segregation or safekeeping as the case may be, as and when required by regulatory requirements. In summary, the services provided by CT are merely administrative in nature and all obligations to pay for securities purchased and to deliver securities sold for the company's clients rests with the company and not CT.

b) Lease Commitments

The total annual rent obligations under the operating leases for equipment is approximately \$13,000.

Minimum annual rentals, exclusive of additional operating costs, under the leases for the company's premises in each of the next five years are approximately:

<S>	<C>	<C>
	1996	\$100,000
	1997	115,000
	1998	135,000
	1999	120,000
	2000	120,000

</TABLE>

13. WARRANTS HELD

The company, holds warrants for common shares in public companies received as fees in connection with underwritings and other services provided. No value has been recorded in respect of these warrants.

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/Continued...

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INTERUNION FINANCIAL CORPORATION (NOTE 8)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1996  
(EXPRESSED IN U.S. DOLLARS)

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14. SALES COMMITMENT

The company entered into an option agreement with a major international financial institution whereby software ("ITM Software") owned by its subsidiary, Bearhill Limited ("Bearhill") may be sold for proceeds to the company of approximately \$15,000,000 CDN (March 31, 1996 - \$11,000,000 USD). The company's interest in this software through its interest in Bearhill is valued at \$774,454 (Note 7) and is included in capital assets (Note 4).

During the life of the non-transferable option, Bearhill will receive an option premium from the option holder annually in order to maintain the option. The option premium is CDN\$25,000, CDN\$50,000 and CDN\$75,000, starting in fiscal 1996. The decision to exercise this option is at the full and unlimited discretion of the option holder.

15. DISCONTINUED OPERATIONS

During 1996, the company disposed, by way of an assignment in bankruptcy of its real estate sales subsidiary, Rosedale Realty Corporation ("Rosedale").

Accordingly, the assets and liabilities of Rosedale as at March 31, 1995 and the results of operations for the year ended March 31, 1995 and until the effective date of disposition (September 26, 1995) are accounted for as discontinued operations in the attached consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles.

As a result of the disposition of Rosedale, the company has recorded a gain, in accordance with Canadian Generally Accepted Accounting Principles, to the extent that the deficit of Rosedale exceeds the company's net investment at disposition date. There are no tax charges required in respect of this gain.

At March 31, 1995, Rosedale's summarized financial position is as follows:

<TABLE>	
<S>	
	<C>
Current assets	\$ 168,000
Capital assets	72,000
	-----
	\$ 240,000
	=====
Current liabilities	\$ 240,000
Long-term debt	260,000
	-----
	500,000
	-----
Share capital	300,000
Deficit	(560,000)
	-----
	(260,000)
	-----
	\$ 240,000
	=====

</TABLE>

-----

/Continued...

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15. DISCONTINUED OPERATIONS - Continued

Revenues of Rosedale up to September 26, 1995 were approximately \$400,000 (\$1,300,000 for the year ended March 31,1995).

16. EARNINGS PER SHARE

Earnings (loss) per share have been calculated on a weighted average number of common shares outstanding, which amounted to 501,335 shares (1995 - 157,531 shares), adjusted for the reverse stock split described in Note 9.

Fully diluted earnings per share for 1995 have not been computed as the effect would have been antidilutive. All options and warrants that were outstanding at the end of 1995 have been cancelled as described in Note 10.

17. INCOME TAXES

The company's approximate income tax charges (recovery) and approximate effective rates are as follows:

<TABLE>  
<CAPTION>

	1996		1995		
	Amount	%	Amount	%	
<S>	<C>	<C>	<C>	<C>	
Statutory income tax rate (recovery)	\$ 149,000	45	\$(64,000)	(45)	
Non-taxable gains	(176,000)	(53)	(5,000)	(3)	
Other non-deductible items	13,000	4	--	--	
Losses on tax affected	42,000	12	60,000	42	
Net taxes (recovery) and effective rate	\$ 28,000	8	\$(9,000)	(6)	

</TABLE>

18. 1995 FINANCIAL STATEMENTS

1995 financial statements have been restated and classified in accordance with Canadian Generally Accepted Accounting Principles to reflect the change in accounting policy described in Note 1.

/Continued...



19. RECONCILIATION TO US GAAP FROM CANADIAN GAAP

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). In certain respects, Canadian GAAP differs from accounting principles and practices generally accepted in the United States ("US GAAP") and from practices prescribed by the United States Securities and Exchange Commission. The effects on the Company's consolidated financial statements resulting from these differences are as follows:

<TABLE>  
<CAPTION>

	Fiscal Year 1996		Fiscal Year 1995	
	Canadian Basis	U.S. Basis	Canadian Basis	U.S. Basis
<S>	<C>	<C>	<C>	<C>
<b>BALANCE SHEET</b>				
Current assets	\$ 6,896,766	\$ 6,896,766	\$37,596,329	\$37,596,429
Total assets	10,469,700	9,364,007	41,049,319	40,404,189
Common stock	3,972,512	4,361,976	3,762,774	3,806,977
Retained earnings	167,128	(1,328,128)	(134,438)	(823,502)
Total shareholders' equity	4,139,640	3,033,848	3,628,336	2,983,475
Total liabilities and shareholders' equity	10,469,700	9,364,007	41,049,319	40,404,189
<b>STATEMENT OF OPERATIONS</b>				
Revenues	\$ 5,857,196	\$ 6,169,578	\$ 4,028,067	\$ 4,028,067
Profit from continuing operations	14,631	(499,437)	40,966	(189,069)
Net income (loss) before extraordinary items	301,566	(527,669)	(134,438)	(178,468)
Net income (loss) for the period	301,566	(504,626)	(134,438)	(364,313)
Income (Loss) per share	0.03	(1.05)	0.26	(1.14)
<b>STATEMENT OF CASH FLOW</b>				
Operating activities				
Cash provided (used) by operations	431,774	(68,661)	(395,078)	(716,063)
Financing Activities				
Cash provided by financing activities	573,589	573,859	3,863,646	602,894
Investing Activities				
Cash provided by investing activities	(773,249)	(272,814)	(3,485,343)	96,394

</TABLE>

/Continued...

19. RECONCILIATION TO US GAAP FROM CANADIAN GAAP - Continued

The variances are due to the different treatment of the following:

The following is a reconciliation of Net Income under Canadian GAAP to U.S. GAAP for the years ending March 31.

<TABLE>

	1996	1995		
	----	----		
<S>	<C>	<C>		
Net Income (loss), in accordance with Canadian GAAP		\$ 301,566	\$ (134,438)	
Start-up Costs (Note 19(b))		(438,803)	--	
Reorganization Costs (Note 19(c))		49,630	(229,875)	
Acquisitions (Note 19(e))		(417,019)	--	
	-----	-----		
Net Income (loss), in accordance with U.S. GAAP		(504,626)	(364,313)	
Retained Earnings - Beginning		(823,502)	(459,189)	
	-----	-----		
Retained Earnings - Ending		\$ (1,328,128)	\$ (823,502)	
	=====	=====		

</TABLE>

The following is a reconciliation of Shareholders' Equity under Canadian GAAP to U.S. GAAP as at March 31.

<TABLE>

<CAPTION>

	1996	1995		
	----	----		
<S>	<C>	<C>		
Shareholders' Equity, in accordance with Canadian GAAP		\$ 4,139,640	\$ 3,628,336	
Start-up Costs (Note 19(b))		(438,803)	--	
Reorganization Costs (Note 19(c))		(180,245)	(229,875)	
Long-term Investments (Note 19(d))		(773,834)	(773,834)	
Acquisitions (Note 19(e))		287,090	358,848	
	-----	-----		
Shareholders' Equity, in accordance with US GAAP		\$ 3,033,848	\$ 2,983,475	
	=====	=====		

</TABLE>

/Continued...

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1996  
(EXPRESSED IN U.S. DOLLARS)

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19. RECONCILIATION TO US GAAP FROM CANADIAN GAAP - Continued

The variances are due to the different treatment of the following:

a) Marketable Securities

In addition to note 3, US GAAP requires that the following information be disclosed as required by SFAS 115.

<TABLE>

<CAPTION>

For the year ending	1996	1995	
	----	----	
<S> Proceeds from Securities classified as Available for sale	<C>	<C>	16,032,500
Gross Realized Gains (losses) from securities classified as Available for sale	5,000,000		
Gross Realized Gains (losses) due to change in classification to Trading from Available for sale	335	67,585	
Net Unrealized Gains (losses)	--	--	--
Change in Net Unrealized Gains (losses)	--	--	--
Change in Net Realized Gains (Losses) on Trading Securities	--	--	--

</TABLE>

b) Start-up Costs

The Company's policy has been to capitalize the result of the first year of operation for the auction house, as it determined that the net costs was part of the formation and organization of a new business segment. Under Canadian GAAP (Emerging Issue Abstract No. 27), these costs, \$438,803 (net of revenues) maybe amortized over a period commencing when the pre-opening period is over. The Company has decided to amortized these costs over a period of five (5) years starting in fiscal 1997. Under US GAAP, these costs must be charged to operations immediately. Therefore, under U.S. GAAP revenues and expenses have been increased to reflect items that have been capitalized (Notes 2(e) and 5).

In addition, as is permissible under Canadian GAAP, it is the Company's practice to include in revenues and expenses the value of the goods acquired and resold in addition to the commissions charged to the buyers and consignors. Whereas, under U.S. GAAP only the amount of commission earned is recorded on the face of the financial statements.

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/Continued...

INTERUNION FINANCIAL CORPORATION (NOTE 8)  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 MARCH 31, 1996  
 (EXPRESSED IN U.S. DOLLARS)

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19. RECONCILIATION TO US GAAP FROM CANADIAN GAAP - Continued

c) Reorganization Costs

Costs totalling \$307,701 at the end of 1996 and \$242,804 at the end of 1995 were incurred in reorganization of the Company. As permissible under Canadian GAAP, these amounts have been capitalized and are being amortized on a straight line basis commencing in the 1996 fiscal year (Note 2(f)). Whereas, under U.S. GAAP costs incurred in reorganization have been expensed in the period in which they were incurred.

<TABLE>  
 <CAPTION>

	1996	1995			
	----	----			
	<C>	<C>			
<S> Reorganization Costs incurred	\$	307,701	\$	242,804	
Charged to current earning under Canadian GAAP			127,456	12,929	
	-----	-----			
Cumulative amount to be charged to Earnings under US GAAP	\$	180,245	\$	229,875	
	=====	=====			
Change in Net Income for the year	\$	49,630	\$	(229,875)	
	=====	=====			

</TABLE>

d) Long-term Investments

Shares of the company held by a subsidiary that have not been eliminated as they are being held for resale and therefore are classified as long-term investments (Note 2(h)) at a value of \$773,834. Under U.S. GAAP, these shares have been eliminated in consolidation. As described in Note 2(h), the sale of these shares will be treated under Canadian GAAP as a capital transaction. Under U.S. GAAP, the sale of these shares will not be accounted for as a capital transaction.

e) Acquisitions

Under US GAAP, the Company's acquisitions of its subsidiaries are required to be accounted for either as a purchase or a pooling of interest depending on whether or not there is any beneficial change in control. U.S. GAAP requires the value of the assets acquired to be based on the value of the consideration given under the purchase method. Whereas, under Canadian GAAP, assets acquired are valued on the basis of the fair market value of the assets at the date acquired. In the pooling of interest method where there is no effective change in beneficial ownership the assets are consolidated using their historical values and retained earnings are carried forward with no adjustments.

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/Continued...

INTERUNION FINANCIAL CORPORATION (NOTE 8)  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 MARCH 31, 1996  
 (EXPRESSED IN U.S. DOLLARS)

## 19. RECONCILIATION TO US GAAP FROM CANADIAN GAAP - Continued

## e) Acquisitions - Continued

Details of subsidiaries acquired under U.S. GAAP are as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

Subsidiaries Acquired	Guardian Bearhill Limited	Timing Services Inc.	I & B Inc.,	Rosedale Realty Corporation (iii)	
<S>	<C>	<C>	<C>	<C>	
Date of Acquisition	January 1995	January 1995	March 1995	March 1995	
Method of accounting	Purchase	Purchase	Pooling	Pooling	
Cash acquired	\$ --	\$ 14,017	\$ 493,429	\$ 10	
Fair market value of non cash assets acquired	1,924,443	75,037	33,302,071	11,990	
Non cash liabilities assumed	--	46,097	32,685,200	50,000	
Excess fair market value of assets over liabilities	1,924,443	42,957	1,110,300	--	
Consideration paid	1,924,443	481,115	1,110,300	--	
Goodwill	--	438,138	--	--	
Method of payment	Common stock and Warrants(i)	Common stock and warrants (i)	Common Stock(i)	Common Stock(i)	Common stock(i)
Number of common shares (ii)	22,262	5,566	75,000	1,230	
Value per common shares	86.44	86.44	14.80	--	
Number of Warrants					
(ii) (Note 9)	22,222	5,586	--	--	

&lt;/TABLE&gt;

- (i) Assets acquired under the pooling of interest method are valued at historical costs.
- (ii) Common stock and warrants have been adjusted for reverse stock splits (Note 10).
- (iii) This transaction represents the 5% of Rosedale that the Company acquire from the minority shareholders, as I & B was already the beneficial owner of 95%.

This difference in GAAP in the application of the purchase method described above would have caused the Company to carry the ITM software (Note 4, 7 and 14) at a greater value under US GAAP. The original carrying value under Canadian GAAP is \$864,554, while under US GAAP that amount is \$1,924,443, for an increase of \$1,059,889. The value of the software was determined at acquisition on the basis that Bearhill Limited ("Bearhill") had no liabilities and no other asset except the ITM Software that was created in-house. Therefore, since the

transaction was done at arms length, the fair market value of the ITM Software was determined to be the value of the transaction. Under both Canadian and US GAAP, this amount is being charged to earnings on a straight line basis.

/Continued...

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INTERUNION FINANCIAL CORPORATION (NOTE 8)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1996  
(EXPRESSED IN U.S. DOLLARS)

19. RECONCILIATION TO US GAAP FROM CANADIAN GAAP - Continued

e) Acquisitions - Continued

After recognizing the new value for the software and evaluating the carrying cost in accordance with SFAS 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of", it was decided that no reduction in the carrying value was required. The cash flow stream that justifies the Company to maintain the current carrying value is the revenues that Guardian Timing Services receive on a continuous basis by utilizing the ITM Software. The Company did not consider the Option Agreement (Note 14) that was entered into in its cash flow stream.

In accounting for the purchase of Guardian Timing Services Inc. ("Guardian") under US GAAP, Goodwill in the amount of \$438,138 would have been recorded as a result in the difference in the purchase accounting described above. Under U.S. GAAP, this Goodwill must be charged to operations over a period not to exceed forty (40) years. The Company's policy is to amortize this amount over a period of twenty (20) years starting in fiscal 1996, on a straight-line basis under U.S. GAAP as it is under Canadian GAAP (Note 2(g)). No Goodwill for Guardian was recognized under Canadian GAAP as the Guardian and Bearhill purchase was treated as a single acquisition due to their common beneficial controlling shareholder. Therefore, in accordance with Canadian GAAP, all value in excess of the carrying amounts was attributed to the ITM Software.

I & B Inc. and its subsidiaries, Credifinance Capital Inc., Credifinance Securities Limited and 95% of Rosedale Realty Corporation ("Rosedale") were acquired on a tax free basis. In connection with these transactions the company incurred costs ("reorganization costs") (Note 2(f)). It is the Company's policy, in accordance with Canadian GAAP to capitalize and to amortize them over a period of five (5) years, on a straight-line basis. Under US GAAP, these costs must be charged to operations when incurred.

Under Canadian GAAP, Goodwill in the amount of \$1,143,982 was recorded as described in Note 8. This amount represented the Au 'N Ag deficit at the time of the change in control. Under US GAAP, this amount is recorded as a reduction in Additional Paid-In Capital.

The table below summarizes the cumulative effect discussed above:

<TABLE>  
<CAPTION>

Net Income		Shareholders Equity	
1996	1995	1996	1995
----	----	----	----

<S>	<C>	<C>	<C>	<C>
Fair value of ITM software			\$ 1,059,889	\$ 1,059,889
Amortization of fair value	\$ (111,700)		(111,700)	
Goodwill arising from purchase of Guardian Timing Services Inc.			438,138	438,138
Amortization	(21,908)		(21,908)	
Au N'Ag deficit			(1,143,643)	(1,143,643)
Amortization	57,182		57,182	
Rosedale disposition (Note 15)		(345,262)		
Other	4,669		9,132	4,464
	-----	-----	-----	-----
Total	\$ (417,019)	\$ --	\$ 287,090	\$ 358,848
	=====	=====	=====	=====

</TABLE>

Other represents foreign exchange translation and differences that occur due to different historical cost basis under Canadian GAAP and U.S. GAAP.

/Continued...

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INTERUNION FINANCIAL CORPORATION (NOTE 8)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1996  
(EXPRESSED IN U.S. DOLLARS)

19. RECONCILIATION TO US GAAP FROM CANADIAN GAAP - Continued

f) Shareholders Equity and Extra-Ordinary Items

The variances between Canadian GAAP and US GAAP are due to the different methods of accounting for the disposition of Rosedale Realty Corporation ("Rosedale")(Note 15). Under Canadian GAAP, the acquiring cost was reversed out of Common Stock and the deficit eliminated by recognizing a gain on the disposition to the extent that Rosedale's deficit exceeded the company's investment in and advances to Rosedale. The reduction to common stock was \$345,262 (Note 9) and the resulting gain was \$409,418. Under US GAAP, the loss in respect of the carrying cost of the investment in and advances to Rosedale would be charged to income as an extraordinary item. In addition, the company would have recognized a gain due to the forgiveness of the debt. The net resulting gain under US GAAP from the company's divestiture of Rosedale was \$117,296.

g) Income Taxes

Under Canadian GAAP the deferral method is used to account for the timing differences between accounting and taxable income. U.S GAAP (SFAS 109, "Accounting for Income Taxes"), requires the use of the liability method to account for the differences between the accounting basis and the income tax basis of assets and liabilities. Under the liability method, deferred assets and liabilities are recognized for temporary differences between the accounting basis and the taxes basis for the respective assets and liabilities based on currently enacted tax rates.

Temporary differences, therefore, would arise from the

requirements under SFAS 109 to provide for deferred income taxes on the difference between book value of assets and liabilities recorded under U.S. GAAP and their respective tax values.

In addition, Canadian GAAP requires that the tax benefit of net operating losses available to reduce future tax liabilities only be recorded when "virtual certainty" (as defined by section 3470 of the Handbook of the Canadian Institute of Chartered Accountants) of their use to reduce taxable income in the carry-forward period exists. FSAS 109 requires that such benefits be recorded if it is more likely than not that such losses will be used to reduce future income tax liabilities in the carry forward period.

There are no significant items that would have a difference between their carrying value based on U.S. GAAP and their respective tax values.

h) Statement of Changes In Financial Position

Canadian GAAP presentation requires a Statement of Changes in Financial Position. U.S. GAAP requires a Statement of Changes in Cash Flows. The Canadian GAAP presentation contains similar information and disclosures except as described below to that required by U.S. GAAP.

Under U.S. GAAP, investing and financing activities of an enterprise that do not result in cash receipts or cash payments are reported in supplemental information to the Statement of Cash Flows and not in the Statement of Cash Flows. Consequently, under U.S. GAAP, the acquisitions of subsidiaries described above and in Notes 7 and 9 through the issuance of common stock would be presented as supplemental information.

/Continued...

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INTERUNION FINANCIAL CORPORATION  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 MARCH 31, 1996  
 (EXPRESSED IN U.S. DOLLARS)

19. RECONCILIATION TO US GAAP FROM CANADIAN GAAP - Continued

h) Statement of Changes in Cash Flows (continued)

INTERUNION FINANCIAL CORPORATION  
 CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION  
 (EXPRESSED IN U.S. DOLLARS)

<TABLE>

FOR THE YEAR ENDED MARCH 31

		1996	1995
OPERATING ACTIVITIES			
Net income (loss)	\$ (504,626)	\$ (364,313)	
Items not affecting cash			
Amortization	255,638	24,272	
Gain on disposition of subsidiary (Note 19(f))		(117,296)	--



	(366,284)	(340,041)	
(Decrease) increase in due to brokers and dealers, net	(28,663,907)	16,812,293	
Decrease (increase) in client deposits	15,720,553	(5,041,127)	
Increase (decrease) in marketable securities	13,056,486	(11,971,854)	
Increase in accounts receivable and sundry assets	(207,773)	(12,394)	
Increase in accounts payable and accrued liabilities	392,264	(162,940)	
	-----	-----	
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		(68,661)	(716,063)
	-----	-----	
FINANCING ACTIVITIES			
Proceeds on issuance of capital stock and additional paid-in capital (Note 9)		555,000	502,022
Increase in loans payable	18,589	100,872	
	-----	-----	
CASH PROVIDED BY FINANCING ACTIVITIES		573,589	602,894
	-----	-----	
INVESTING ACTIVITIES			
Long-term investments	(13,472)	(126,527)	
Purchase of capital assets	(132,533)	(35,763)	
Discontinued operations	(126,809)	258,684	
	-----	-----	
CASH USED IN INVESTING ACTIVITIES		(272,814)	96,394
	-----	-----	
INCREASE (DECREASE) IN CASH		232,114	(16,775)
CASH - Beginning of Year	490,681	493,439	
CASH ACQUIRED ON ACQUISITION OF SUBSIDIARIES		--	14,017
	-----	-----	
CASH - End of Year	\$ 722,795	\$ 490,681	
	=====	=====	

</TABLE>

/Continued...

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INTERUNION FINANCIAL CORPORATION (NOTE 8)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1996  
(EXPRESSED IN U.S. DOLLARS)

19. RECONCILIATION TO US GAAP FROM CANADIAN GAAP - Continued

- h) Statement of Changes In Financial Position As per US GAAP  
(continued)

Supplemental information to be included as required by US GAAP are the non cash transactions discussed in Note 7 - Acquisitions and Note 19(e) - Acquisitions. Note 7 and Note 19(e) discuss the 104,058 shares issued for all of the

outstanding shares of Guardian Timing Services Inc., Bearhill Limited, I & B Inc. and Rosedale Realty Corporation (that portion not owned by I & B Inc.) In 1995.

In addition, as discussed in Note 9 - Capital Stock and Additional Paid-in Capital, 1,000 shares were issued for services valued at \$20,000 in 1996.

i) Earnings (Loss) Per Share

Under Canadian and U.S GAAP, the earnings (loss) per share is computed on the basis of weighted average number of common shares outstanding. The effect of common shares equivalents arising from stock options was not included as they are anti-dilutive using the treasury method.

j) Segmented Information

The need to supply Segmented Information is determined by different measurements under Canadian GAAP and US GAAP. Therefore, to adhere to US GAAP the Company needs to disclose information in the following manner:

The Company currently operates in two segments. Although only one segment was identical for both of the previous fiscal periods. In 1995, the segments in which the company operated in were Financial Services and Real Estate. In 1996, the Company's interest in Real Estate was disposed of (Note 15) and a new segment, Auctioneer Services, was created.

The Real Estate segment included only the activities carried out by Rosedale Realty Corporation. The Auctioneer Services segment includes all of the activities carried out by Reeve, Mackay and Associates Limited. The Financial Services segment includes the bridge financing, dealer/brokerage, investment management and trading activities of the Company and all other subsidiaries.

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/Continued...

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INTERUNION FINANCIAL CORPORATION (NOTE 8)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 1996  
(EXPRESSED IN U.S. DOLLARS)

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19. RECONCILIATION TO US GAAP FROM CANADIAN GAAP - Continued

For the year ended and as of March 31, 1996:

<TABLE>  
<CAPTION>

Adjustments

	Auctioneer Services	Financial Services	Real Estate	& Elimination	Consolidated
<S>	<C>	<C>	<C>	<C>	<C>
Revenue from unaffiliated customers	\$ 294,057	\$ 5,875,521	\$ 463,215	\$ 463,215	\$ 6,169,578
Revenue from intersegments	--	--	--	--	--
Total revenue	294,057	5,875,521	463,215	(463,215)	6,169,578
Operating profit	(437,090)	125,976	--	--	(311,441)
General corporate expenses				225,000	
Interest expenses, net				(36,677)	
Losses from continuing operations before income taxes				(499,437)	
Identifiable assets	216,743	9,147,264	--	--	9,364,007

</TABLE>

For the year ended and as of March 31, 1995:

<TABLE>  
<CAPTION>

	Auctioneer Services	Financial Services	Adjustments Real Estate	& Elimination	Consolidated
<S>	<C>	<C>	<C>	<C>	<C>
Revenue from unaffiliated customers	\$ --	\$ 4,028,068	\$ 1,323,633	\$ 1,323,633	\$ 4,028,068
Revenue from intersegments	--	42,882	--	(42,882)	--
Total revenue	--	4,070,950	1,323,633	1,366,515	4,028,068
Operating profit	--	146,672	--	--	146,762
General corporate expenses				330,000	
Interest expenses, net				5,831	
Losses from continuing operations before income taxes				(189,069)	
Identifiable assets	--	40,163,496	240,693	--	40,404,189

</TABLE>

/Continued...

19. RECONCILIATION TO US GAAP FROM CANADIAN GAAP (continued)

Geographical segmentation

<TABLE>  
<CAPTION>

	Canada	United States	Other	Adjustments & Elimination	Consolidated
<S>	<C>	<C>	<C>	<C>	<C>
For the year ended and as of March 31, 1996:					
Revenue from unaffiliated customers	\$ 5,690,948	\$ 911,094	\$ 30,751	\$ (463,215)	\$ 6,169,578
Revenue from intersegments	17,606	--	--	(17,606)	--
Total revenue	5,708,554	911,094	30,751	(480,821)	6,169,578
Operating profit	(431,565)	92,513	27,938	--	(311,114)
General corporate expenses				225,000	
Interest expenses, net				(36,677)	
Loss from continuing Operations before income taxes				(499,437)	
Identifiable assets	6,378,703	2,956,765	28,539	--	9,364,007

For the year ended and as of March 31, 1995

Revenue from unaffiliated customers	\$ 5,351,431	\$ 270	\$ --	\$ (1,323,633)	\$ 4,028,068
Revenue from intersegments	--	5,000	--	5,000	--
Total revenue	5,351,431	5,270	--	(1,328,633)	4,028,068
Operating profit	200,022	(53,260)	--	--	146,762
General corporate expenses				5,831	
Interest expenses, net				(36,677)	
Loss from continuing Operations before income taxes				(189,069)	
Identifiable assets	35,283,176	5,121,013	--	--	40,404,189

</TABLE>

For both fiscal years ending March 31, 1996 and March 31, 1995 the company did not have any customers that represented revenues in excess of 10%.



EXHIBIT 2(i)

UNANIMOUS CONSENT IN LIEU OF THE FIRST MEETING  
OF THE  
BOARD OF DIRECTORS  
OF  
AU 'N AG, INC.

(A DELAWARE CORPORATION)

The undersigned, constituting all of the directors of AU 'N AG, INC. (the "Company"), hereby adopt the following resolutions in lieu of the first meeting of the Board of Directors of the Company:

INCREASE IN DIRECTORS

RESOLVED, that Ronald N. Vance, the sole director set forth in the articles of incorporation of the Company filed this date with the State of Delaware (file number 23779-73), hereby increases the number of directors to three persons and appoints Neville Hawken and Gaylon W. Hansen to fill the vacancies created by such increase in the number of directors, each such appointed director to serve until the next annual meeting of the shareholders and to hold office until his successor is elected and qualified; and

FURTHER RESOLVED, that the acceptance of such appointment by said persons and consent to serve as directors shall be evidenced by their signatures set forth on this document.

DISCHARGE OF INCORPORATOR

RESOLVED, that the incorporator of the Company be and hereby is forever discharged and indemnified by the Company from and against any liability incurred by the incorporator by reason of having been incorporator of the Company.

BYLAWS

RESOLVED, that the Bylaws attached to this consent be and hereby are adopted as the Bylaws of the Company and that the secretary of the Company shall place such Bylaws in the minute book of the Company.

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OFFICERS

RESOLVED, that Ronald N. Vance be and hereby is appointed to be the president and secretary of the Company, and that Neville Hawken be and hereby is appointed to be the treasurer of the Company, each to serve until removed by the Board of Directors.

REGISTERED AGENT

RESOLVED, that the registered agent for the Company in the State of Delaware shall be The Company Corporation, Three Christina Centre, 201 North Walnut Street, Wilmington, Delaware.

ISSUANCE OF SHARES

WHEREAS, the Company had received subscriptions in an aggregate of \$10.00 as subscription for ten (10) shares of common stock of the Company from AU 'N AG, INC., a Utah Corporation, pursuant to a Plan and Agreement of Merger as set forth below; and

WHEREAS, it was reported that such entity had offered to acquire Company shares and had made certain representations to the Company and had entered into certain agreements with the Company, and that said corporation

represented to and agreed with the Company as follows:

(a) The shares being acquired have not been registered under the Securities Act of 1933, as amended, (the "Act") or any state securities laws, and such shares are being issued by the Company in reliance upon the exemption from the registration requirements of the Act contained in Section 4(2) of the Act and upon a similar exemption contained in applicable state securities laws;

(b) At the time it acquired the shares in the Company, it had full information concerning the Company's affairs as a result of its relationship with officers and directors of the Company, the stock was acquired for its own account and for purposes other than of distribution, and the certificate evidencing its common stock is to be stamped with a restrictive legend;

(c) The Company is newly formed, has no operating history, has no assets other than what the initial shareholder will contribute to the Company, has not paid any dividends and does not anticipate paying any dividends in the foreseeable future;

(d) It has received and carefully read copies of the organizational documents of the Company and has had access to full information concerning the Company, its officers and directors in order to evaluate the merits and risks of an investment in the Company's shares;

(e) The shares which the corporation is receiving are "restricted securities" which may not be sold into the market for a period of two years after the date upon which the restricted securities are fully paid for and delivered, and after two years, he

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may or may not be in a position to sell restricted securities pursuant to Rule 144 promulgated under the Act, the guidelines of which provide, among other things, that (i) the restricted securities may not be resold for a period of two years, (ii) thereafter the owner can sell up to 1 percent of the outstanding shares (or an amount based upon trading volume) of the Company, (iii) in a 3-month period, (iv) if the transaction is unsolicited, (v) there is current information available, (vi) the broker (or dealer in certain circumstances) received no more than the customary compensation, and (vii) a Form 144 is filed with the United States Securities and Exchange Commission (if required).

NOW, THEREFORE, BE IT

RESOLVED, that the Company hereby accepts the offer described above to purchase Company shares and the officers of the Company hereby are authorized to take whatever action they deem necessary to issue such shares to such corporation upon receipt from such entity of the consideration indicated to be received by Company, the certificates evidencing such shares to be stamped with a restrictive legend substantially as follows:

The shares of stock represented by this certificate have not been registered under the Securities Act of 1933, as amended, and may not be sold or transferred unless a compliance with the registration provisions of such Act has been made or unless availability of an exemption from such registration provisions has been established, or unless sold pursuant to Rule 144 under the Securities Act of 1933.

FORM OF CERTIFICATE

RESOLVED, that the form of certificate to represent the common shares of the Company shall be the same form as currently used by AU 'N AG, INC., a Utah corporation, except that the Company shall be designated as a Delaware corporation.

FISCAL YEAR

FURTHER RESOLVED, that the fiscal year of the Company shall end on the

same day each year as the current year-end of AU 'N AG, INC, a Utah corporation.

#### PLAN AND AGREEMENT OF MERGER

WHEREAS, each of the directors has reviewed a form of Plan and Agreement of Merger with AU 'N AG, INC., a Utah corporation, the purpose of which was to change the domicile of said corporation; and

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WHEREAS, the sole purpose of incorporating and organizing the Company is to effect such change of domicile;

NOW, THEREFORE, BE IT

RESOLVED, that the form of Plan and Agreement of Merger with AU 'N AG, INC., a Utah corporation, be and hereby is adopted and approved, and that the officers of the Company be and hereby are authorized and directed to execute and deliver said document;

FURTHER RESOLVED, that upon approval of said agreement by the shareholders of AU 'N AG, INC. and the shareholder of the Company, the officers of the Company be authorized to file a certificate of merger with the state of Delaware to complete the merger transaction;

FURTHER RESOLVED, that upon the effective date of such merger, the ten shares of the stock of the Company issued to AU 'N AG, Inc. shall be immediately and automatically cancelled, and such shares shall be returned to the authorized but unissued shares of the Company; and

FURTHER RESOLVED, that the officers and directors of the Company be and hereby are authorized and directed to execute, deliver, file, or prepare such other and further documents may be reasonably necessary to complete said merger transaction and to effectuate the terms and conditions of such merger.

#### FILING OF CONSENT

RESOLVED, that the consent shall be placed into the minute book of the Company with the proceedings of the board of directors and that this consent shall have the same force and effect as if a meeting of the directors were held.

IN WITNESS WHEREOF, the undersigned have executed this consent document to be effective this 15th day of February 1994.

/S/ Ronald N. Vance, Director  
-----  
RONALD N. VANCE, Director

/S/ Gaylon W. Hansen, Director  
-----  
GAYLON W. HANSEN, Director

/S/ Neville Hawken, Director  
-----  
NEVILLE HAWKEN, Director

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EXHIBIT 2(ii)

PRE-ORGANIZATION SUBSCRIPTION AND  
LETTER OF NON-DISTRIBUTIVE INTENT

THE UNDERSIGNED hereby offers to purchase ten (10) shares of common stock of AU 'N AG, INC., a Delaware corporation (the "Company") in connection with the proposed merger between the Company and AU 'N AG, INC. and in return for the following consideration: \$10.00; provided however that the undersigned understands and acknowledges that said shares shall immediately and automatically be cancelled upon the effective date of the merger between the Company AU 'N AG, INC., a Utah corporation. In addition, the undersigned represents to and agrees with the Company as follows:

(a) The shares being acquired have not been registered under the Securities Act of 1933, as amended, (the "Act") or any state securities laws, and such shares are being issued by the Company in reliance upon the exemption from the registration requirements of the Act contained in Section 4(2) of the Act and upon a similar exemption contained in applicable state securities laws;

(b) At the time it acquired the shares in the Company, it had full information concerning the Company's affairs as a result of its relationship with officers and directors of the Company, the stock was acquired for its own account and for purposes other than of distribution, and the certificate evidencing its common stock is to be stamped with a restrictive legend;

(c) The Company is newly formed, has no operating history, has no assets other than what the initial shareholders will contribute to the Company, has not paid any dividends and does not anticipate paying any dividends in the foreseeable future;

(d) It has received and carefully read copies of the organizational documents of the Company and has had access to full information concerning the Company, its officers and directors in order to evaluate the merits and risks of an investment in the Company's shares;

(e) The shares which the corporation is receiving are "restricted securities" which may not be sold into the market for a period of two years after the date upon which the restricted securities are fully paid for and delivered, and after two years, he may or may not be in a position to sell restricted securities pursuant to Rule 144 promulgated under the Act, the guidelines of which provide, among other things, that (i) the restricted securities may not be resold for a period of two years, (ii) thereafter the owner can sell up to 1 percent of the outstanding shares (or an amount based upon trading volume) of the Company, (iii) in a 3-month period, (iv) if the transaction

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is unsolicited, (v) there is current information available, (vi) the broker (or dealer in certain circumstances) received no more than the customary compensation, and (vii) a Form 144 is filed with the United States Securities & Exchange Commission (if required).

Dated: February 15, 1994

AU 'N AG, INC.  
(A Utah Corporation)

By /S/ R.G. Listul, President  
-----  
R.G. Listul, President



EXHIBIT 2(iii)

PLAN AND AGREEMENT OF MERGER

OF

AU 'N AG, INC.  
(A UTAH CORPORATION)

INTO

AU 'N AG, INC.  
(A DELAWARE CORPORATION)

Plan and Agreement of Merger (hereinafter called "Agreement of Merger") dated this 15th day of February 1994, by and between AU 'N AG, INC., a corporation organized and existing under the laws of the state of Utah (hereinafter sometimes referred to as "AU 'N AG (Utah)") and AU 'N AG, INC., a corporation organized and existing under the laws of the state of Delaware (hereinafter sometimes referred to as "AU 'N AG (Delaware)"): These two parties are herein sometimes referred to collectively as the "merging corporations," witnesseth:

WHEREAS, AU 'N AG (Delaware) is the wholly owned subsidiary of AU 'N AG (Utah);

WHEREAS, AU 'N AG (Utah) wishes to change the state of its domicile by merger into AU 'N AG (Delaware); and

WHEREAS, Section 252 of the Delaware General Corporation Law and Section 16-10a-1104 of the Utah Business Corporation Act each authorize the merger of AU 'N Ag (Utah) and AU 'N AG (Delaware);

NOW, THEREFORE, the merging corporations have agreed, and do hereby agree, each with the other in consideration of the premises and the mutual agreements, provisions, covenants and grants herein contained and in accordance with the laws of the state of Delaware, and in accordance with the laws of the state of Utah, that AU 'N AG (Utah) and AU 'N AG (Delaware) be merged into a single corporation and that AU 'N AG (Delaware) shall be the continuing and surviving corporation and do hereby agree upon and prescribe that the terms and conditions of the merger hereby agreed upon and the mode of carrying the same into effect and the manner of converting the presently outstanding shares of each of the merging corporations into the shares of AU 'N AG (Delaware) are and shall be hereinafter set forth.

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ARTICLE I  
Manner of Conversion of Shares

a. The manner and basis of converting the shares of AU 'N AG (Utah) into shares of AU 'N AG (Delaware) are as follows: at the effective time of the merger, each share of common stock of AU 'N AG (Utah) shall thereupon be converted into one share of AU 'N AG (Delaware). Each holder of outstanding common stock of AU 'N AG (Utah) upon surrender to AU 'N AG (Delaware) of one or more certificates for such shares for cancellation shall be entitled to receive one or more certificates for the number of shares of common stock of AU 'N AG (Delaware) of one or more certificates for such shares for cancellation shall be entitled to receive one or more certificates for the number of shares of common stock of AU 'N AG (Delaware) represented by the certificates of AU 'N AG (Utah) so surrendered for cancellation by such holder. Until so surrendered, each such certificate representing outstanding shares of common stock of AU 'N AG (Utah) shall represent the ownership of a like number of shares of AU 'N AG (Delaware) for all corporate and legal purposes.

b. As of the effective time of the merger, all of the outstanding

shares of common stock of AU 'N AG (Delaware), which shares are held by AU 'N AG (Utah), shall be redeemed by AU 'N AG (Delaware) for the sum of one dollar (\$1) and such redeemed shares shall be cancelled and returned to the status of authorized and unissued shares. None of such redeemed shares shall be retained by AU 'N AG (Delaware) as treasury shares and such shares shall be reissued in accordance with paragraph (b) of this Article I.

## ARTICLE II Effective Time

The effective time of the merger shall be upon the issuance of the certificate of merger by the Division of Corporations of the State of Utah and filing the agreement of merger in accordance with Section 252 of the Delaware General Corporation Law with the Secretary of State of Delaware and recording such agreement of merger in the office of the recorder of deeds. Prior to said date, this plan and agreement of merger shall (1) have been submitted to approved by the board of directors of each of the merging corporations; (2) have been approved by the stockholders of each of the merging corporations in accordance with law.

## ARTICLE III Effect of Merger

When the merger shall have been effected:

(a) The merging corporations shall be a single corporation known as AU 'N AG, INC., a Delaware corporation.

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(b) The separate existence of AU 'N AG (Utah) shall cease.

(c) AU 'N AG (Delaware) shall have all rights, privileges, immunities and powers and shall be subject to all the duties and liabilities of a corporation organized under the Delaware General Corporation Law.

(d) AU 'N AG (Delaware) shall thereupon and thereafter possess all the rights, privileges, immunities and franchises of a public as well as of a private nature of each of the merging corporations and all property, real, personal, and mixed, and all debts due on whatever account, including subscriptions to shares and all other choices in action, and all and every other interest of and belonging to or due to each of the merging corporations shall be taken and deemed to be transferred to and vested in AU 'N AG (Delaware) without further act or deed, and the title to any real estate or any interest therein vested in either of the merging corporations shall not revert or be in any way impaired by reason of the merger.

(e) AU 'N AG (Delaware) shall thenceforth be responsible and liable for all the liabilities and obligations of each of the merging corporations and any claim existing or action or processing pending by or against either of the merging corporations may be prosecuted to judgment as if such merger had not taken place, or AU 'N AG (Delaware) may be substituted in its place. Neither the rights of creditors nor any liens upon the property of either of the merging corporations shall be impaired by reason of the merger.

(f) After the effective time of the merger, the earned surplus of AU 'N AG (Delaware) shall equal the aggregate of the earned surpluses of the merging corporations immediately prior to the effective time of the merger. The earned surplus determined as above provided shall continue to be available for payment of dividends by AU 'N AG (Delaware).

(g) The certificate of incorporation of AU 'N AG (Delaware) as in effect on the date of the merger provided for in this agreement of merger, shall continue in full force and effect as the certificate of incorporation of the corporation surviving this merger.

(h) The by-laws of AU 'N AG (Delaware) as they shall exist on the effective date of this agreement of merger shall be and remain the by-laws of

the surviving corporation until the same shall be altered, amended or repealed as therein provided.

(i) The directors and officers of AU 'N AG (Delaware) shall continue in office until the next annual meeting of stockholders and until their successors shall have been elected and qualified.

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#### ARTICLE IV

##### Service of Process; Rights of Dissenting Shareholders

AU 'N AG (Delaware) hereby agrees that it may be served with process in the State of Utah in any proceeding for enforcement of any obligation of AU 'N AG (Utah), and in any proceeding for the enforcement of the rights of a dissenting shareholder of AU 'N AG (Utah). AU 'N AG (Delaware) irrevocably appoints the director of the Division of Corporations and Commercial Code as its agent to accept service of process in any such proceeding. The address to which a copy of the process may be mailed is 6 Fay Court, Wayne, NJ 07470. AU 'N AG (Delaware) will promptly pay to the dissenting shareholders of AU 'N AG (Utah) the amount, if any, to which they shall be entitled under the provisions of the Utah Business Corporation Act with respect to the rights of dissenting shareholders.

#### ARTICLE V

##### Termination

If, at any time prior to the effective date hereof, events or circumstances occur which in the opinion of a majority of the board of directors of either constituent corporation renders it inadvisable to consummate the merger, this Agreement of Merger shall not become effective even though previously adopted by the shareholders of the corporation as herein before provided. The filing of the merger shall conclusively establish that no action to terminate this plan has been taken by the board of directors of either corporation.

#### ARTICLE VI

##### Amendment

The boards of directors of the constituent corporations may amend the Agreement of Merger at any time prior to the filing of the Agreement (or a certificate in lieu thereof) with the states of Utah and Delaware provided that an amendment made subsequent to the adoption of the Agreement of Merger by the stockholders of any constituent corporation shall not (1) alter or change the amount of any kind of shares, securities, cash, property and/or rights to be received in exchange for or on conversion of all or any of the shares of any class or series thereof of such constituent corporation, except to correct manifest error as may be permitted by law; (2) alter or change any term of the Certificate of Incorporation of the surviving corporation to be effected by the merger; or (3) alter or change any of the other terms and conditions of the Agreement of Merger if such alteration or change would adversely affect the holders of any class or series thereof such constituent corporation.

IN WITNESS WHEREOF, AU 'N AG (Delaware), a Delaware corporation, has caused this Plan and Agreement of Merger to be signed by its president and its secretary in accordance with the requirements of Section 252 of the Delaware General Corporation Law and AU 'N AG, INC., a Utah corporation, has caused this Plan and

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Agreement of Merger to be signed by its president and its secretary in accordance with the requirements of Section 16-10a-1104 of the Utah Revised Business Corporation Act all as of the 15th day of February, 1994.

Attest:

AU 'N AG, INC.  
A Utah Corporation

/s/ Max Morrill

By: /s/ R.G. Listul

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Max Morrill, Secretary

R.G. Listul, President

Attest:

AU 'N AG, INC.  
A Delaware Corporation

/s/ Ronald N. Vance

By: /s/ Ronald N. Vance

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EXHIBIT 2(iv)

STATE OF DELAWARE

CERTIFICATE OF MERGER      SECRETARY OF STATE  
DIVISION OF CORPORATIONS

of  
 FILED 10:51 AM 3/10/1994  
 AU 'N AG, INC.      944037960 - 2377973  
 (A Delaware Corporation)  
 into  
 AU 'N AG, INC.  
 (A Delaware Corporation)

The undersigned officers, president and secretary of AU 'N AG, INC., a Utah corporation, and AU 'N AG, INC., a Delaware Corporation hereby certify that the Plan and Agreement of Merger between the parties to the merger has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations in accordance with the requirements of Section 252 of the General Corporation Law of Delaware by the shareholders of AU 'N AG, INC., a Utah corporation, at a special shareholders' meeting which was duly called and was held on the 7th day of February 1994, after due notice had been given to the shareholders, and was approved by the sole shareholder of AU 'N AG, INC., a Delaware corporation, by consent action. The surviving corporation shall be AU 'N AG, Inc., a Delaware corporation. The executed copy of the Plan is on file at the principal place of business of the surviving corporation 357 South 200 East, Suite 300, Salt Lake City, Utah 34111. A copy of the Plan will be furnished by the surviving corporation, on request and without cost, to any stockholder of any constituent corporation. The authorized capital stock of AU 'N AG, INC., a Utah Corporation, is 50,000,000 shares of common stock, \$.001 par value.

The number of shares outstanding of each class of each corporation which were entitled to vote on the Plan and the number of shares of each class of each corporation consenting and not consenting to the Plan, is as follows:

<TABLE>  
<CAPTION>

Class	Number of Shares Outstanding	Number of Shares		
		Consenting	Not Consenting	
AU 'N AG, INC. (a Utah Corporation)	Common stock (\$ .001 par)	23,297,800	17,005,000	0
AU 'N AG, INC. (a Delaware Corporation)	Common stock (\$ .001 par)	10	10	

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The certificate of incorporation of the AU 'N AG, INC., a Delaware corporation, the surviving corporation, shall be the certificate of incorporation of the surviving corporation.

All of the presently outstanding shares of AU 'N AG, INC., a Delaware corporation are owned and held by AU 'N AG, INC., a Utah corporation.

IN WITNESS WHEREOF, AU 'N AG, INC., a Utah corporation, and AU 'N AG, INC., a Delaware corporation, have caused this Certificate of Merger to be executed in their respective corporate names by their respective presidents and their respective secretaries this 15th day of February 1994.

Attest: AU 'N AG, INC.  
A Utah Cororation

/s/ Max Morrill, Secretary      /s/ R.G. Listul, President  
-----  
Max Morrill, Secretary      R.G. Listul, President

Attest: AU 'N AG, INC.  
A Delaware Corporation

/s/ Ronald N. Vance, Secretary      /s/ Ronald N. Vance, President  
-----  
Ronald N. Vance, Secretary      Ronald N. Vance, President



EXHIBIT 3(i)

STATE OF DELAWARE  
SECRETARY OF STATE  
DIVISION OF CORPORATIONS  
FILED 09:00 AM 2/15/94  
944020578 - 2377973

CERTIFICATE OF INCORPORATION  
OF

AU 'N AG, INC.

FIRST: The name of this corporation is AU 'N AG, INC.

SECOND: Its registered office in the state of Delaware is to be located at Three Christina Centre, 201 N. Walnut Street, Wilmington, DE 19801, New Castle County. The registered agent in charge thereof is The Company Corporation, address "same as above."

THIRD: The nature of the business and, the objects and purposes proposed to be transacted, promoted and carried on, are to do any or all the things herein mentioned as fully and to the same extent as natural persons might or could do, and in any part of the world, viz: The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The amount of the total authorized capital stock of this corporation is divided into 50,000,000 shares of stock at \$.001 par value.

FIFTH: The name and mailing address of the incorporator is as follows:  
Vanessa Foster, Three Christina Centre, 201 N. Walnut Street, Wilmington DE 19801.

SIXTH: The Directors shall have power to make and to alter or amend the By-Laws; to fix the amount to be reserved as working capital, and to authorize and cause to be executed mortgages and liens without limit as to the amount, upon the property and franchise of the Corporation.

With the consent in writing, and pursuant to a vote of the holders of a majority of the capital stock issued and outstanding, the Directors shall have the authority to dispose, in any manner, of the whole property of this corporation.

The By-Laws shall determine whether and to what extent the accounts and books of this corporation, or any of them shall be open to the inspection of the stockholders; and no stockholder shall have any right of inspecting any account, or book or document of this Corporation, except as conferred by the law or the By-Laws, or by resolution of the stockholders.

The stockholders and directors shall have power to hold their meetings and keep the books, documents, and papers of the Corporation outside of the State of Delaware, at such places as may be from time to time designated by the By-Laws or by resolution of the stockholders or directors, except as otherwise required by the laws of Delaware.

It is the intention that the objects, purposes and powers specified in the Third paragraph hereof shall, except where otherwise specified in said paragraph, be nowise limited or restricted by reference to or inference from the terms of any other clause or paragraph in this certificate of incorporation, that the objects, purposes and powers specified in the Third paragraph and in each of the clauses or paragraphs of this charter shall be regarded as independent objects, purposes and powers.

SEVENTH: Directors of the corporation shall not be liable to either the corporation or its stockholders for monetary damages for a breach of fiduciary duties unless the breach involves: (1) a director's duty of loyalty to the corporation or its stockholders; (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (3) liability for unlawful payments of dividends or unlawful stock purchase or redemption by the corporation; or (4) a transaction from which the director derived an improper personal benefit.

I, THE UNDERSIGNED, for the purpose of forming a Corporation under the laws of the State of Delaware, do make, file and record this Certificate and do certify

that the facts herein are true; and I have accordingly hereunto set my hand.

DATED: February 15, 1994

/s/ Vanessa Foster

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Vanessa Foster

EXHIBIT 3(ii)  
CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

AU 'N AG, INC., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware.

DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of AU 'N AG, INC., a resolution was duly adopted setting forth a proposed amendment of the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and calling a meeting of the stockholders of said corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the Certificate of Incorporation of this corporation be amended by changing the Article thereof numbered "FIRST" so that, as amended said Article shall be and read as follows:

"FIRST: The name of the corporation is INTERUNION FINANCIAL CORPORATION."

SECOND: That thereafter, pursuant to resolution of its Board of Directors, a special meeting of the stockholders of said corporation was duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting of the necessary number of shares as required by statute were voted in favor the amendment.

THIRD: That said amendment as duly adopted is in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

FOURTH: That the capital of said corporation shall not be reduced under or by reason of said amendment.

IT WITNESS WHEREOF, said AU 'N AG, INC. has caused its corporate seal to be hereunto affixed and this certificate to be signed by Georges Benarroch, its President and John J. Illidge, its Secretary, this 11th day of April, 1994.

/s/ John J. Illidge

/s/ Georges Benarroch

-----  
John J. Illidge  
Secretary

-----  
Georges Benarroch  
President

EXHIBIT 3(iii)  
CERTIFICATE OF AMENDMENT  
OF  
CERTIFICATE OF INCORPORATION

InterUnion Financial Corporation, a corporation organized and existing under and by virtue the General Corporation Law of the State of Delaware.

DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Board of Directors of InterUnion Financial Corporation, a resolution was duly adopted setting forth a proposed amendment of the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and calling a meeting of the stockholders of said corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the Certificate of Incorporation of this corporation be amended by changing the Article thereof numbered "FOURTH" so that, as amended said Article shall be and read as follows:

"FOURTH: This corporation is authorized to issue one class of common stock and three classes of preferred stock, under the terms, conditions, limitations, preferences and characteristics as hereinafter set forth:

1. The total amount of common voting stock, each share of stock having one vote, authorized by this corporation is 100,000,000 (One Hundred Million) shares of stock at \$.001 par value.

2. The corporation is authorized to issue 1,500,000 (One Million Five Hundred Thousand) shares of Class A preferred stock at \$.10 par value.

The Class A preferred stock shall be voting stock, each share of stock having 100 votes. In any given fiscal year in which the directors of the corporation shall declare a dividend out of the surplus net profits of the corporation, the holder(s) of Class preferred shall be entitled to a fixed yearly dividend in the percentage amount, which such amount shall be fixed and declared by the directors of the corporation at the time of issuance of the Class A preferred stock. When such a dividend is declared, the holder(s) of the Class A preferred stock. When such a dividend is declared, the holder(s) of the Class A preferred stock shall receive payment before any dividend shall be set apart or paid on the common stock. The dividends in respect to the Class A preferred stock shall be non-cumulative and shall be non-participating.

In the case of liquidation or the dissolution of the corporation, the holder(s) of Class A preferred shall be entitled to be paid in full the par value of the shares before any amount shall be paid to the holders of the common stock or the holders of Class B and C preferred stock.

3. The corporation is authorized to issue 50,000,000 (Fifty Million) shares of Class B preferred stock. The par value of this stock and the fixed yearly dividend in a percentage amount to which the holder(s) of this stock shall be entitled, shall be determined by the directors of the corporation at the time of first issuance of any such shares. In any given fiscal year in which the directors of the corporation shall declare a dividend out of the surplus net profits of the corporation, the holder(s) of Class B preferred shall receive payment before any dividend shall be set apart or paid on the common stock.

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CERTIFICATE OF AMENDMENT  
OF  
CERTIFICATE OF INCORPORATION

The Class B preferred stock shall be non-voting, non-cumulative and non-participating.

In the case of liquidation or the dissolution of the corporation, the holder(s) of Class B preferred shall be entitled to be paid in full the par value of the shares before any amount shall be paid to the holders of the common stock or the holders of Class C preferred stock.

4. The corporation is authorized to issue 50,000,000 (Fifty Million) shares of Class C preferred stock. The par value of this stock and the fixed yearly dividend in a percentage amount to which the holder(s) of this stock shall be entitled, shall be determined by the directors of the corporation at the time of first issuance of any such shares. In any given fiscal year in which the directors of the corporation shall declare a dividend out of the surplus net profits of the corporation, the holder(s) of Class C preferred shall receive payment before any dividend shall be set apart or paid on the common stock.

The Class C preferred stock shall be non-voting, non-cumulative and non-participating.

The Class C preferred stock shall be convertible to common voting stock, provided, however, that the exchange ratio on such a conversion shall be subject to the price and terms as decided by the directors, and provided further, that the right of conversion shall be decided by the directors in their sole discretion. In the event, upon a conversion, it shall appear that a fraction of a common share shall be issued, the corporation shall pay cash for the pro rata market value of any such fraction, market value being based upon the last sale price for a share of common stock on the business day next prior to the date such fair market value is to be determined.

In the case of liquidation or the dissolution of the corporation, the holder(s) of Class B preferred shall be entitled to be paid in full the par value of the shares before any amount shall be paid to the holders of the common stock."

SECOND: That thereafter, pursuant to resolution of its Board of Directors, a special meeting of the stockholders of said corporation was duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

THIRD: That said amendment as duly adopted is in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said InterUnion Financial Corporation has caused its corporate seal to be hereunto affixed and this certificate to be signed by Georges Benarroch, its President and John J. Illidge, its Secretary this 17th day of October, 1994.

/s/ Georges Benarroch  
-----  
Georges Benarroch, President

/s/ John J. Illidge  
-----  
John J. Illidge, Secretary

EXHIBIT 3(iv)

BYLAWS  
OF  
INTERUNION FINANCIAL CORPORATION  
(A DELAWARE CORPORATION)

ARTICLE I  
OFFICES

Section 1. The principal office in the State of Delaware shall be at the address of the registered agent for the corporation in the State of Delaware.

Section 2. The corporation may also have offices at such other places both within and without the State of Delaware and within or without the United States of America as the board of directors may from time to time determine as the business of the corporation may require.

ARTICLE II  
MEETINGS OF STOCKHOLDERS

Section 1. All meetings of the stockholders for the election of directors shall be held at such place as may be fixed from time to time by the board of directors, either within or without the State of Delaware. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual meetings of stockholders shall be held at times designated by the board of directors, and at such meetings the stockholders shall elect by a plurality vote a board of directors, and transact such other business as may properly be brought before the meeting.

Section 3. Written notice of the annual meeting shall be given to each stockholder entitled to vote thereat at least ten days and not more than sixty days before the date of the meeting.

Section 4. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every election of directors, a complete list of the stockholders entitled to vote at said election, arranged in alphabetical order, showing the address of and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, during ordinary business hours, for a period of at least ten days prior to the election, either at a place within the city, town, or village where the election is to be held and which place shall be specified in the notice of the meeting, or if not specified, at the place where said meeting is to be held, and the list shall be produced and kept at the time and place of election during the whole time thereof, and subject to the inspection of any stockholder who may be present.

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Section 5. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the president and shall be called by the president or secretary at the request in writing of the board of directors, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Written notice of a special meeting of stockholders, stating the time, place and object thereof, shall be given to each stockholder entitled to vote thereat, at least ten days before the date fixed for the meeting.

Section 7. Business transacted at any special meeting of stockholders

shall be limited to the purposes stated in the notice.

Section 8. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 9. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation, a different vote is required in which case such express provision shall govern and control the decision of such question.

Section 10. Each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted on after six months from its date, and, except where the transfer books of the corporation have been closed or a date has been fixed as a record date for the determination of its stockholders entitled to vote, no share of stock shall be voted on at any election for directors which has been transferred on the books of the corporation within twenty days next preceding such election of directors.

Section 11. Whenever the vote of stockholders at a meeting thereof is required or permitted to be taken in connection with any corporate action by any provisions of the statutes or of the certificates of incorporation, the meeting and vote of stockholders may be dispensed with, if all the stockholders who would have been entitled to vote upon the action if such meeting were held, shall consent in writing to such corporate action being taken.

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### ARTICLE III DIRECTORS

Section 1. The number of directors which shall constitute the whole board shall be not less than three and not more than seven, unless approved by all of the directors. The directors shall be elected at the annual meeting of the stockholders, except as provided in Section 2 of this article, and each director elected shall hold office until his successor is elected and qualified. Directors need not be stockholders.

Section 2. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced.

Section 3. The business of the corporation shall be managed by its board of directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

### MEETINGS OF THE BOARD OF DIRECTORS

Section 4. The board of directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 5. The first meeting of each newly elected board of directors shall be held immediately following the final adjournment of the annual meeting of the stockholders. No notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present.

Section 6. Regular meetings of the board of directors may be held without notice at such time and such place as shall from time to time be determined by the board.

Section 7. Special meetings of the board may be called by the president on forty-eight hours notice to each director, either personally or by mail or by telegram setting forth the time and place thereat; special meetings shall be called by the president or secretary in like manner and on like notice on the written request of two directors.

Section 8. At all meetings of the board a majority of the directors then in office shall constitute a quorum for the transaction of business and the act of a majority of the directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the board of directors the directors present thereat may adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum shall be present.

Section 9. Unless otherwise restricted by the certificate of incorporation of these by-laws, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting, if prior to such action a

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written consent thereto is signed by all members of the board or of such committee as the case may be, and such written consent is filed with the minutes of proceedings of the board or committee.

Section 10. Unless otherwise restricted by the certificate of incorporation of these by-laws, members of the board of directors or any committee designed by the board may participate in a meeting of such board or committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and participation in a meeting in this manner shall constitute presence in person at such meeting.

#### COMMITTEES OF DIRECTORS

Section 11. The directors may appoint an executive committee from their number. The executive committee may make its own rules of procedure and shall meet where and as provided by such rules, or by a resolution of the directors. A majority shall constitute a quorum, and in every case the affirmative vote of a majority of all the members of the committee shall be required for the adoption of any resolution.

Section 12. During the intervals between the meetings of the directors, the executive committee may exercise all the powers of the directors in the management and direction of the business of the corporation, in such manner as such committee shall deem best for the interest of the corporation, and in all cases in which specific directions shall not have been given by the directors.

Section 13. The Board of directors may, by resolution passed by a majority of the whole board, designate one or more other committees, each committee to consist of two or more of the directors of the corporation, which, to the extent provided in the resolution, shall have and may exercise the powers of the board of directors in the management of the business and affairs of the corporation and may authorize the seal of the corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors.



## COMPENSATION OF DIRECTORS

Section 14. Directors shall not receive any stated salary for their services as directors, but by resolution of the board, a fixed fee and expenses of attendance may be allowed for attendance at each meeting. Nothing herein contained shall be construed to preclude any director from serving the corporation in any capacity as an officer or otherwise and receiving compensation therefor.

## ARTICLE IV NOTICES

Section 1. Notices to directors and stockholders shall be in writing and delivered personally or mailed to the directors or stockholders at their addresses appearing in the

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books of the corporation. Notice by mail shall be deemed to be given at the time when the same shall be mailed. Notice to directors may also be given by telegram.

Section 2. Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation or of these by-laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

## ARTICLE V OFFICERS

Section 1. The officers of the corporation shall be chosen by the board of directors and shall be a president, a vice-president, a secretary and treasurer. The board of directors may also choose additional vice-presidents, and one or more assistant secretaries and assistant treasurers. Two or more offices may be held by the same person.

Section 2. The board of directors at its first meeting after each annual meeting of stockholders may choose a president, one or more vice-presidents, a secretary and a treasurer.

Section 3. The board of directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board.

Section 4. The salaries of all officers of the corporation, if any, shall be fixed by the board of directors.

Section 5. The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the board of directors may be removed at any time by the affirmative vote of a majority of the board of directors. Any vacancy occurring in any office of the corporation shall be filled by the board of directors.

## THE PRESIDENT

Section 6. The president shall be the chief executive officer of the corporation, shall preside at all meetings of the stockholders and the board of directors, shall have general and active management of the business of the corporation and shall have power to call meetings of the directors and stockholders in accordance with these by-laws, appoint and remove, subject to the approval of the directors, servants, agents and employees of the corporation and fix their compensation, make and sign contracts and agreements in the name and on behalf of the corporation; he shall see that the books, reports, statements and certificates required by the statute under which the corporation is organized or any other laws applicable thereto are properly

kept, made and filed according to law; and he shall generally do and perform all acts incident to the office of president, or which are authorized or required by law.

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#### THE VICE-PRESIDENTS

Section 7. The vice-president, or if there shall be more than one, the vice-presidents in the order determined by the board of directors, shall, in the absence or disability of the president, perform the duties and exercise the powers of the president and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

#### THE SECRETARY AND ASSISTANT SECRETARIES

Section 8. The secretary shall attend all meetings of the board of directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and the board of directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the board of directors, and shall perform such other duties as may be prescribed by the board of directors or president, under whose supervision he shall be. He shall have custody of the corporate seal of the corporation and he, or an assistant secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such assistant secretary. The board of directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

Section 9. The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the board of directors, shall, in the absence or disability of the secretary, perform such other duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

#### THE TREASURER AND ASSISTANT TREASURERS

Section 10. The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all monies and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors.

Section 11. He shall disburse the funds of the corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render to the president and the board of directors, at its regular meeting, or when the board of directors so requires, an account of all his transactions as treasurer and of the financial condition of the corporation.

Section 12. If required by the board of directors, he shall give the corporation a bond (which shall be renewed every six years) in such sum and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation,

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retirement or removal from office, of all books, papers, vouchers, money and

other property of whatever kind in his possession or under his control belonging to the corporation.

Section 13. The assistant treasurer, or if there shall be more than one, the assistant treasurers in the order determined by the board of directors, shall, in the absence or disability of the treasurer, perform the duties and exercise the powers of the treasurer and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

#### INDEMNIFICATION

Section 14. The corporation shall indemnify and reimburse each present and future director and officer of the corporation for and against all or part of the liabilities imposed upon or reasonably incurred by him in connection with any claim, action, suit or proceeding in which he may be involved or with which he may be threatened by reason of his being or having been a director or officer of the corporation or of any other corporation of which he shall at the request of this corporation then be serving or theretofore have served as a director or officer, whether or not he continues to be a director or officer, at the time such liabilities or expenses are imposed upon or incurred by him, including but without being limited to attorney's fees, court costs, judgments and reasonable compromise settlements; provided, however, that such indemnification and reimbursement shall not cover: (a) liabilities or expenses imposed or incurred in connection with any matter as to which such director or officer shall be finally adjudged in such action, suit or proceeding to be liable by reason of his having been derelict in the performance of his duty as such director or officer, or (b) liabilities or expenses (including amounts paid in compromise settlements) imposed or incurred in connection with any matter which shall be settled by compromise (including settlement by consent decree or judgment) unless the board of directors of the corporation by resolution adopted by it (i) approves such settlement and (ii) finds that such settlement is in the best interest of the corporation and that such director or officer has not been derelict in the performance of his duty as such director or officer with respect to such matter. These indemnity provisions shall be separable, and if any portion thereof shall be finally adjudged to be invalid, or shall for any other reason be inapplicable or ineffective, such invalidity, inapplicability or ineffectiveness shall not affect any other portion or any other application of such portion or any other portion which can be given effect without the invalid, inapplicable or ineffective portion. The rights of indemnification and reimbursement hereby provided shall not be exclusive of other rights to which any director or officer may be entitled as a matter of law or by votes of stockholders or otherwise. As used in this paragraph, the terms "director" and "officer" shall include their respective heirs, executors and administrators.

#### ARTICLE VI CERTIFICATES OF STOCK

Section 1. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by, the president or a vice-president or a vice-president and the treasurer or an assistant treasurer, or the secretary

or an assistant secretary of the corporation, certifying the number of shares owned by him in the corporation.

Section 2. Where a certificate is signed (1) by a transfer agent or an assistant transfer agent (other than the corporation or a transfer clerk who is an employee of the corporation) or (2) by a registrar (other than the corporation or its employee), all other signatures may be a facsimile. In case any officer or officers, transfer agent, or registrar, whether because of death, resignation, or otherwise, before such certificate or certificates have been delivered by the corporation, such certificate or certificates may nevertheless be adopted by the corporation and be issued and delivered as though the person or persons who signed such certificate or certificates or

whose facsimile signature or signatures have been used thereon had not ceased to be such officer, transfer agent or registrar.

#### TRANSFER AGENT AND REGISTRAR

Section 3. The corporation may have such transfer agents and registrars as the board of directors may designate and appoint.

#### LOST CERTIFICATES

Section 4. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost or destroyed, upon the making of an affidavit of the fact by the person claiming the certificate of stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost or destroyed.

#### TRANSFERS OF STOCK

Section 5. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

#### CLOSING OF TRANSFER BOOKS

Section 6. The board of directors may close the stock transfer books of the corporation for a period not exceeding forty-five days preceding the date of any meeting of stockholders or the date for payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect, or for a period of not exceeding forty-five days in connection with obtaining the consent of stockholders for any purpose. In lieu of closing the stock transfer books as

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aforesaid, the board of directors may fix in advance a date, not exceeding forty-five days preceding the date of any meeting of stockholders, or the date for payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to give such consent and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid.

#### REGISTERED STOCKHOLDERS

Section 7. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of

Delaware.

ARTICLES VII  
GENERAL PROVISIONS

DIVIDENDS

Section 1. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of capital stock, subject to the provisions of the certificate of incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, for such other purposes as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

RESIGNATIONS

Section 3. Any director, member of any committee or other officer may resign at any time. Such resignation shall be made in writing, and shall take effect at the time specified

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therein, and if no time be specified therein at the time of its receipt by the president or secretary, the acceptance of a resignation shall not be necessary to make it effective.

CHECKS

Section 4. All checks or demands for money and notes of the corporation shall be signed by such officers or such other person or persons as the board of directors may from time to time designate.

FISCAL YEAR

Section 5. The fiscal year of the corporation shall be as determined by the Board of Directors.

ARTICLE VIII  
AMENDMENTS

Section 1. These by-laws may be altered or repealed at any regular meeting of the stockholders or of the board of directors or at any special meeting of the stockholders or of the board of directors if notice of such alteration or repeal be contained in the notice of such special meeting.

CERTIFICATE OF SECRETARY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned does hereby certify that the undersigned is the secretary of AU 'n AG, INC. a corporation duly organized and existing under and by virtue of the laws of the State of Delaware; that the above and foregoing Bylaws of said corporation were duly and regularly adopted as such by the Board of Directors of said corporation by unanimous consent on the 15th day of February 1994; and that the above and foregoing Bylaws are now in full force and effect.

Dated this 15th day of February 1994.

/s/ Ronald N. Vance

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Ronald N. Vance, Secretary

EXHIBIT 4  
INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS  
INCLUDING INDENTURES

InterUnion Financial Corporation is registering its common stock, par value \$.001, under Section 12(g) of the Securities Exchange Act of 1934, as amended.

All rights of the owners of common stock of the Company are defined in the Certificate of Incorporation, as amended, and the By-laws of the Company. These rights are listed as follows:

I. CERTIFICATE OF INCORPORATION

ARTICLE FOURTH

"FOURTH: This corporation is authorized to issue one class of common stock and three classes of preferred stock, under the terms, conditions, limitations, preferences and characteristics as hereinafter set forth:

1. The total amount of common voting stock, each share of stock having one vote, authorized by this corporation is 100,000,000 (One Hundred Million) shares of stock at \$.001 par value.

2. The corporation is authorized to issue 1,500,000 (One Million Five Hundred Thousand) shares of Class A preferred stock at \$.10 par value.

The Class A preferred stock shall be voting stock, each share of stock having 100 votes. In any given fiscal year in which the directors of the corporation shall declare a dividend out of the surplus net profits of the corporation, the holder(s) of Class preferred shall be entitled to a fixed yearly dividend in the percentage amount, which such amount shall be fixed and declared by the directors of the corporation at the time of issuance of the Class A preferred stock. When such a dividend is declared, the holder(s) of the Class A preferred stock. When such a dividend is declared, the holder(s) of the Class A preferred stock shall receive payment before any dividend shall be set apart or paid on the common stock. The dividends in respect to the Class A preferred stock shall be non-cumulative and shall be non-participating.

In the case of liquidation or the dissolution of the corporation, the holder(s) of Class A preferred shall be entitled to be paid in full the par value of the shares before any amount shall be paid to the holders of the common stock or the holders of Class B and C preferred stock.

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3. The corporation is authorized to issue 50,000,000 (Fifty Million) shares of Class B preferred stock. The par value of this stock and the fixed yearly dividend in a percentage amount to which the holder(s) of this stock shall be entitled, shall be determined by the directors of the corporation at the time of first issuance of any such shares. In any given fiscal year in which the directors of the corporation shall declare a dividend out of the surplus net profits of the corporation, the holder(s) of Class B preferred shall receive payment before any dividend shall be set apart or paid on the common stock.

The Class B preferred stock shall be non-voting, non-cumulative and non-participating.

In the case of liquidation or the dissolution of the corporation, the holder(s) of Class B preferred shall be entitled to be paid in full the par value of the shares before any amount shall be paid to the holders of the common stock or the holders of Class C preferred stock.

4. The corporation is authorized to issue 50,000,000 (Fifty Million) shares of Class C preferred stock. The par value of this stock and the fixed yearly dividend in a percentage amount to which the holder(s) of this stock shall be entitled, shall be determined by the directors of the corporation at the time of first issuance of any such shares. In any given fiscal year in which the directors of the corporation shall declare a dividend out of the surplus net profits of the corporation, the holder(s) of Class C preferred shall receive payment before any dividend shall be set apart or paid on the common stock.

The Class C preferred stock shall be non-voting, non-cumulative and non-participating.

The Class C preferred stock shall be convertible to common voting stock, provided, however, that the exchange ratio on such a conversion shall be subject to the price and terms as decided by the directors, and provided further, that the right of conversion shall be decided by the directors in their sole discretion. In the event, upon a conversion, it shall appear that a fraction of a common share shall be issued, the corporation shall pay cash for the pro rata market value of any such fraction, market value being based upon the last sale price for a share of common stock on the business day next prior to the date such fair market value is to be determined.

In the case of liquidation or the dissolution of the corporation, the holder(s) of Class B preferred shall be entitled to be paid in full the par value of the shares before any amount shall be paid to the holders of the common stock."

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#### ARTICLE SIXTH:

"SIXTH: The Directors shall have power to make and to alter or amend the By-Laws; to fix the amount to be reserved as working capital, and to authorize and cause to be executed mortgages and liens without limit as to the amount, upon the property and franchise of the Corporation.

With the consent in writing, and pursuant to a vote of the holders of a majority of the capital stock issued and outstanding, the Directors shall have the authority to dispose, in any manner, of the whole property of this corporation.

The By-Laws shall determine whether and to what extent the accounts and books of this corporation, or any of them shall be open to the inspection of the stockholders; and no stockholder shall have any right of inspecting any account, or book or document of this Corporation, except as conferred by the law or the By-Laws, or by resolution of the stockholders.

The stockholders and directors shall have power to hold their meetings and keep the books, documents, and papers of the Corporation outside of the State of Delaware, at such places as may be from time to time designated by the By-Laws or by resolution of the stockholders or directors, except as otherwise required by the laws of Delaware."

## II. BY-LAWS

### "ARTICLE II: MEETINGS OF STOCKHOLDERS

Section 1. All meetings of the stockholders for the election of directors shall be held at such place as may be fixed from time to time by the board of directors, either within or without the State of Delaware. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual meetings of stockholders shall be held at times



designated by the board of directors, and at such meetings the stockholders shall elect by a plurality vote a board of directors, and transact such other business as may properly be brought before the meeting.

Section 3. Written notice of the annual meeting shall be given to each stockholder entitled to vote thereat at least ten days and not more than sixty days before the date of the meeting.

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Section 4. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every election of directors, a complete list of the stockholders entitled to vote at said election, arranged in alphabetical order, showing the address of and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, during ordinary business hours, for a period of at least ten days prior to the election, either at a place within the city, town, or village where the election is to be held and which place shall be specified in the notice of the meeting, or if not specified, at the place where said meeting is to be held, and the list shall be produced and kept at the time and place of election during the whole time thereof, and subject to the inspection of any stockholder who may be present.

Section 5. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the president and shall be called by the president or secretary at the request in writing of the board of directors, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Written notice of a special meeting of stockholders, stating the time, place and object thereof, shall be given to each stockholder entitled to vote thereat, at least ten days before the date fixed for the meeting.

Section 7. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 9. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of

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incorporation, a different vote is required in which case such express provision shall govern and control the decision of such question.

Section 10. Each stockholder shall at every meeting of the stockholders

be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted on after six months from its date, and, except where the transfer books of the corporation have been closed or a date has been fixed as a record date for the determination of its stockholders entitled to vote, no share of stock shall be voted on at any election for directors which has been transferred on the books of the corporation within twenty days next preceding such election of directors.

Section 11. Whenever the vote of stockholders at a meeting thereof is required or permitted to be taken in connection with any corporate action by any provisions of the statutes or of the certificates of incorporation, the meeting and vote of stockholders may be dispensed with, if all the stockholders who would have been entitled to vote upon the action if such meeting were held, shall consent in writing to such corporate action being taken."

#### "ARTICLE III: DIRECTORS

Section 1. The number of directors which shall constitute the whole board shall be not less than three and not more than seven, unless approved by all of the directors. The directors shall be elected at the annual meeting of the stockholders, except as provided in Section 2 of this article, and each director elected shall hold office until his successor is elected and qualified. Directors need not be stockholders."

#### "ARTICLE VI: CERTIFICATES OF STOCK:

Section 1. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by, the president or a vice-president or a vice-president and the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation, certifying the number of shares owned by him in the corporation.

Section 2. Where a certificate is signed (1) by a transfer agent or an assistant transfer agent (other than the corporation or a transfer clerk who is an employee of the corporation) or (2) by a registrar (other than the corporation or its employee), all other signatures may be a facsimile. In case any officer or officers, transfer agent, or registrar, whether because of death, resignation, or otherwise, before such certificate or certificates have been delivered by the corporation, such certificate or certificates may nevertheless be adopted by the corporation and be

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issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures have been used thereon had not ceased to be such officer, transfer agent or registrar.

#### LOST CERTIFICATES

Section 4. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost or destroyed, upon the making of an affidavit of the fact by the person claiming the certificate of stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost or destroyed.

#### TRANSFERS OF STOCK

Section 5. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be

the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

#### CLOSING OF TRANSFER BOOKS

Section 6. The board of directors may close the stock transfer books of the corporation for a period not exceeding forty-five days preceding the date of any meeting of stockholders or the date for payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect, or for a period of not exceeding forty-five days in connection with obtaining the consent of stockholders for any purpose. In lieu of closing the stock transfer books as aforesaid, the board of directors may fix in advance a date, not exceeding forty-five days preceding the date of any meeting of stockholders, or the date for payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to give such consent and in such case such stockholders and

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only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid.

#### REGISTERED STOCKHOLDERS

Section 7. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware."

#### "ARTICLE VII: GENERAL PROVISIONS

##### DIVIDENDS

Section 1. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of capital stock, subject to the provisions of the certificate of incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, for such other purposes as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created."

#### "ARTICLE VIII: AMENDMENTS

Section 1. These by-laws may be altered or repealed at any regular meeting of the stockholders or of the board of directors or at any special meeting of the stockholders or of the board of directors if notice of such alteration or repeal be contained in the notice of such special meeting."



EXHIBIT 10(i)  
ITM SOFTWARE DEVELOPMENT AGREEMENT

THIS ITM SOFTWARE DEVELOPMENT AGREEMENT (the "Agreement") is made and entered into this 9th day of September, 1994 by and between BEARHILL LIMITED, A British Virgin Islands corporation ("Bearhill") with its principal place of business at Vanterpool Plaza, P.O. Box 873, Wickhams Cay I, Road Town, Tortola, British Virgin Islands and GUARDIAN TIMING SERVICES, INC., an Ontario corporation ("GTS") with its principal place of business at 130 Adelaide Street West, Suite 3303, Toronto, Ontario, Canada.

RECITALS

- A. Bearhill wishes to market investment advisory services internationally, using market timing techniques to produce better return for its investors.
- B. Bearhill requires computer software in order to generate market timing signals.
- C. Bearhill has selected GTS to perform the development of Release I of the ITM Software and the related documentation upon the terms and subject to the conditions of the Agreement.

NOW THEREFORE, the parties hereto agree as follows:

1. DEFINITIONS

- 1.1 "ACCEPTANCE CRITERIA" shall mean the technical and operational performance criteria as described in Schedule A.
- 1.2 "ACCEPTANCE DATE" shall mean the date when a Deliverable has been duly accepted by Bearhill as per Section 3.4.
- 1.3 "ACCEPTANCE TEST PLAN" shall mean the detailed test plan created by GTS for development of the ITM software as described in Schedule A.
- 1.4 "CHANGE ORDER" shall mean an amendment to the ITM Specifications or Project Plan meeting the requirements set forth in Section 2.1.
- 1.5 "CONFIDENTIAL INFORMATION" shall mean proprietary information as described in Section 7.
- 1.6 "DELIVERABLE" shall mean a specific, tangible, numbered component of the ITM Software, as described in the Project Plan, including, but not limited to, source or object code, or Documentation. All Deliverables will be in English.

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- 1.7 "DELIVERY DATE" shall mean the actual date on which GTS delivers a Deliverable to Bearhill pursuant to Section 3.3 to enable acceptance testing for the Deliverable in accordance with Section 3.4.
- 1.8 "DERIVATIVE WORK" shall mean a work which is based upon one or more pre-existing works, such as a revision, modification, translation, abridgement, condensation, expansion, collection, compilation or any other form in which such pre-existing works may be recast, transformed or adapted, and which, in the absence of this Agreement or other authorization by the owner of the pre-existing work, would constitute a copyright infringement or other infringement of proprietary rights of the owner therein.
- 1.9 "DOCUMENTATION" shall mean the documents indicated in the Project Plan.
- 1.10 "FINAL ACCEPTANCE DATE" shall mean the date when all Deliverables have been completed by GTS.

1.11 "ITM SOFTWARE" shall mean the proprietary computer software program as described in Exhibit B, "Description of Software".

1.12 "PROJECT PLAN" shall mean that part of Schedule A described as the "Project Plan", which describes the phases into which the ITM Project is divided.

## 2. SPECIFICATIONS

### 2.1 Specifications and Acceptance Test Plan

- (a) The ITM Specifications are described in Schedule A.
- (b) Bearhill shall, with the assistance of GTS conduct the acceptance tests in accordance with the Acceptance Test Plan and the Acceptance Criteria.

### 2.2 Change Orders

Any amendment to the ITM Specifications or Project Plan shall be valid and binding only if effected by a Change Order approved as hereinafter set forth.

- (a) Bearhill may initiate a Proposed Change Order by delivering to GTS a written request signed by an officer of Bearhill requesting GTS to prepare information to substantiate the Proposed Change Order. Such writing shall specify the requested change and cross-reference the portion of the ITM Specifications or Project Plan which is proposed to be amended.

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- (b) Upon receipt of a written request pursuant to this Section, GTS shall, within fifteen (15) days, prepare a good faith estimate of the effort required to complete the Proposed Change Order for Bearhill's review. Such estimate shall be limited to those adjustments that GTS reasonably requires to implement the requested change and shall contain:
  - (i) a detailed description of the proposed amendment to the ITM Specifications or Project Plan (including, as necessary, the Deliverables and technical information); and
  - (ii) the change, if any, to the terms of this Agreement;
- (c) GTS may initiate a Proposed Change Order by delivering a Proposed Change Order meeting the requirements of Section 2.2(b) to Bearhill. Bearhill shall evaluate and respond to GTS with respect to any Proposed Change Order on or before the fifteenth (15th) day after receipt.
- (d) Proposed Change Orders shall become effective as Change Orders and shall act as amendments to this Agreement and to portions of the ITM Specifications and Project Plan specified in such Proposed Change Order upon their execution by an officer of Bearhill and by an officer of GTS.

## 3. DEVELOPMENT OF SOFTWARE

### 3.1 Creation of Software

GTS agrees to design, develop and complete the ITM Software and Documentation in accordance with the Project Plan, so that the ITM Software conforms to, and operates in accordance with, the ITM Specifications set out in Schedule A.

### 3.2 GTS's Obligations

During development of the ITM Software, GTS shall:

- (a) Provide Bearhill with reasonably detailed written progress reports monthly and as otherwise requested;
- (b) Provide Bearhill with access to the ITM Software and Documentation on GTS's premises;

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- (c) Develop the ITM Software with diligence in a competent, timely and professional manner.
- (d) Commit and utilize sufficient resources and qualified personnel to complete development of the ITM Software and Documentation within the development timetable set forth in the Project Plan and ITM Specifications:
- (e) Not engage in any activity to:
  - (i) sell, assign, encumber, restrict or otherwise transfer the ITM Software, in whole or in part, or any rights therein, or
  - (ii) impede the marketing of licenses to use the ITM Software;
- (f) Notify Bearhill promptly of any factor, occurrence or event coming to its attention that may affect GTS's ability to meet any of its obligations hereunder or that is likely to occasion any material delay in delivery of any of the Deliverables.

### 3.3 Delivery

In accordance with the Project Plan, GTS shall create the Deliverables and deliver them to Bearhill for approval and acceptance in accordance with Section 3.4.

With respect to each Deliverable, GTS hereby grants to Bearhill a limited, fully paid and exclusive license to use the Deliverables as follows:

- (1) To use and reproduce the Deliverables for the purposes of performing acceptance testing in accordance with Section 3.4 of this Agreement;
- (2) To use and reproduce the Deliverables for the purposes of marketing and demonstration of the ITM Software including, but not limited to, developing preliminary market contacts and further developing end user prospects and excluding installations or sales of the ITM Software.

This license shall terminate on the date Bearhill accepts delivery of the ITM Software as set forth in Section 3.4(d) or upon termination of this Agreement, whichever is earlier.

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### 3.4 Acceptance Testing

- (a) Each Deliverable will be created by GTS and delivered to Bearhill for approval. For those Deliverables requiring

machine execution, acceptance tests shall be run by Bearhill as set forth in the Acceptance Test Plan with the assistance of GTS. Deliverables not requiring machine execution will be compared by Bearhill to criteria as set forth in the Acceptance Test Plan.

- (b) Bearhill shall promptly notify GTS in writing of any failure or failures of a Deliverable discovered in testing or of any discrepancy of a Deliverable against the checklist. Upon such notification, GTS shall immediately undertake to correct such failure or discrepancies. Upon such correction, acceptance testing shall again be performed to determine that the Deliverable complies with the requirements set forth in subsection 3.4(a) above. Failure of a Deliverable that is material to the development of the ITM Software to satisfy any such criteria after the second round of acceptance testing shall constitute a material breach of this Agreement by GTS entitling Bearhill to pursue its remedies on default set forth under Article 9 unless GTS has provided Bearhill with a reasonably acceptable plan to satisfy the Acceptance Criteria.
- (c) Bearhill shall make every reasonable effort to promptly deliver written acceptance of a Deliverable in a time frame that is consistent with the approved detailed Project Plan, but shall in any event deliver such notification within twenty (20) days (or such other number of days set forth in the Project Plan) after the Delivery Date.
- (d) The Final Acceptance Date for the ITM Software shall be determined by the successful completion, by Bearhill, of the final acceptance tests. The precise time, date, and place of these tests shall be mutually agreed by the parties. Bearhill shall deliver written notification to GTS in not less than fifteen (15) days following the tests of any failure or failures of the ITM Software discovered in testing or any deficiencies or errors found. GTS shall have thirty (30) days to remedy any deficiencies or errors to Bearhill's reasonable satisfaction or if such deficiencies or errors cannot be remedied within such thirty (30) day period, GTS shall present Bearhill within such period a remedial plan of action which shall have a reasonable opportunity for success. Failure of the ITM Software to satisfy the final acceptance tests according to the above procedures shall constitute a material breach of this Agreement by GTS.

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### 3.5 GTS's Representations, Warranties and Covenants

- (a) GTS represents and warrants to Bearhill that:
  - (i) the ITM Software and Documentation are and shall be original with GTS in every and all respect;
  - (ii) Neither the ITM Software and Documentation nor any rights therein have been or shall be, in any way, encumbered, restricted, conveyed, granted or otherwise diminished; and
  - (iii) The ITM Software and its use, marketing and distribution does not and will not infringe any patent, copyright, trade secret or other proprietary rights of any third party.
- (b) GTS covenants for the benefit of Bearhill that:
  - (i) GTS shall itself perform all of its duties under this Agreement and will not subcontract for any work to be performed by other parties; and



- (ii) For a period of five (5) years following the date of this Agreement, GTS will not develop or acquire any software product or service similar to the ITM Software for companies that compete with Bearhill.

#### 4. DEVELOPMENT CONSIDERATION

##### 4.1 Fixed Price for Development

For the performance of all of GTS's obligations hereunder (other than Section 6.4) Bearhill shall pay to GTS 12.5% of all revenues earned by Bearhill, including, without limitation, revenue from all licenses of the ITM Software and revenue from investment management services performed by Bearhill (whether or not such investment management services are dependent on the use of the ITM Software).

##### 4.2 Taxes

GTS will be responsible for all taxes arising from payments and advances from Bearhill pursuant to this Agreement.

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##### 4.3 GTS Right to Use

In addition, notwithstanding any other provisions of this Agreement, GTS shall have the non-exclusive right to use the ITM Software in GTS's investment management business, but in such case GTS shall pay to Bearhill 15% of all revenues directly attributable to the exploitation of the ITM Software.

#### 5. OWNERSHIP OF INTELLECTUAL PROPERTY

##### 5.1 Title

Bearhill has, and at all times shall retain, all right, title and interest in and to the Project Plan and the ITM Specifications, any modification and Derivative Works thereof, and all intellectual property rights relating thereto, All rights, title and interest in and to the ITM Software, any modification and Derivative Works thereof, the Documentation and all intellectual property rights relating thereto shall be owned exclusively by Bearhill upon the Final Acceptance Date.

##### 5.2 Filings or Registrations - Notices

GTS shall assist Bearhill in making any filings or registrations which Bearhill deems appropriate to protect Bearhill's interest in the ITM Software and/or Documentation. In addition, GTS agrees to affix appropriate copyright or other proprietary notices on the ITM Software and/or Documentation as directed by Bearhill.

#### 6. GTS'S SUPPORT

When Bearhill becomes the owner of the ITM Software pursuant to Section 5.1, the following provisions shall apply:

##### 6.1 Error Correction

GTS shall maintain the ITM Software free of all "bugs" and errors as long as Section 6.4 remains in effect.

##### 6.2 New Techniques

GTS shall, on a best effort basis, promptly inform Bearhill of any new techniques, procedures, or other developments which may necessitate updating the ITM Software.

### 6.3 Marketing

Bearhill shall have sole responsibility and rights to price and market the ITM Software and Documentation and any requested signals derived therefor. GTS shall provide assistance in the preparation of such marketing materials, including providing Bearhill with such information regarding the ITM Software as Bearhill shall reasonably request.

### 6.4 GTS Management Agreement

Bearhill hereby appoints GTS as the manager of the ITM Software, for a term of one year on the date of acceptance of the ITM Software. As manager GTS shall input all necessary data, run the ITM Software and indicate forthwith to Bearhill when the ITM Software indicates a buy, sell, hold or short signal in respect of any stock market being monitored. Bearhill shall, from time to time, instruct GTS which stock markets are to be monitored using the ITM Software. In consideration of its services under this Section 6.4, GTS shall receive a fee of 2.5% of the gross revenues earned by Bearhill from its investment management and advisory business (such fee to be in addition to the fee set out in section 4.1). The provisions of this Section 6.4 may be renewed annually, at the option of Bearhill. If Bearhill does not terminate the provisions of this Section 6.4 by written notice given at least thirty days before the end of the term, the provisions of this Section 6.4 shall continue for a further year.

## 7. CONFIDENTIALITY

### 7.1 Definition

Bearhill and GTS have and will develop, own and disclose to each other certain proprietary techniques and confidential information ("Confidential Information") which have great value in their respective businesses. Except as provided in this Agreement, each party shall retain sole and exclusive ownership, right, title and interest in and to all of its Confidential Information.

### 7.2 Protection of Confidential Information

Should either party disclose to the other party any of its Confidential Information, the party receiving the Confidential Information shall maintain the Confidential Information in confidence, shall use at least the same degree of care to maintain the secrecy of the Confidential Information as it uses in maintaining the secrecy of its own proprietary, confidential and trade secret information, shall always use at least a reasonable degree of care in maintaining the secrecy of the Confidential Information, shall use the information only for the purpose of performing its obligations under this Agreement unless otherwise agreed in writing

by the other party, and shall deliver to the other party, in accordance with any request from the other party, all copies notes, packages, diagrams, computer memory media and all other materials containing any portion of the other party's Confidential Information. Neither party shall disclose any such Confidential Information to any person except those of its employees having a need to know in order to accomplish the purposes and intent of this Agreement, and shall require each employee, before he or she receives direct or indirect access to the Confidential Information, to acknowledge the confidential, proprietary and trade secret nature of the Confidential Information and to agree to be bound by this Section 7.2.

### 7.3 Limitation of Obligations

Neither party shall have any obligation with respect to any portion of such Confidential Information which:

- (i) was known to it prior to receipt from the other party,
- (ii) is lawfully obtained by either party from a third party under no obligation of confidentiality or
- (iii) is or becomes publicly available other than as a result of any act or failure to act of the receiving party.

#### 7.4 Injunctive Relief

GTS and Bearhill acknowledge that:

- (i) the restrictions contained in Section 7.2 are reasonable and necessary to protect the other party's legitimate interests,
- (ii) in the event of a violation of these restrictions, remedies at law will be inadequate and such violation will cause irreparable damages to the other party within a short period of time, and
- (iii) the disclosing party will be entitled to injunctive relief against each and every violation.

#### 7.5 Protection of Proprietary Rights

GTS shall at its own cost and expense, protect and defend Bearhill's ownership of the ITM Software and Documentation and all copyrights, trademarks and trade secrets associated therewith, against all claims, liens and legal processes

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of creditors of GTS and misappropriations by third parties from GTS, its agents, subdistributors or employees and keep the same free and clear from all such claims, liens, processes, and misappropriations.

### 8. INFRINGEMENT INDEMNITY

#### 8.1 Indemnity

GTS agrees to provide Bearhill with the following protection against claim of proprietary right infringement of the ITM Software or Documentation.

Subject to Bearhill's compliance with its obligations set forth in this Section, GTS shall:

- (1) indemnify Bearhill from and against any liability, cost, loss or expense of any kind;
- (2) hold harmless Bearhill and save it from any liability, cost, loss or expense of any kind; and
- (3) defend any suit or proceeding against Bearhill arising out of or based on any claim, demand or action alleging that the ITM Software or Documentation or any portion thereof as furnished under this Agreement and used as herein contemplated infringes any third-party rights in copyright or patent or the trade secret rights of any third party.

In addition, GTS shall pay any costs, damages or awards of settlement, including court costs, arising out of any such claim, demand or action, provided that Bearhill promptly gives written notice of the claim, demand or action to GTS and that GTS may direct and fully participate in the defense or any settlement of such claim, demand or action.

#### 8.2 Undertakings If Infringement Found

In the event that the ITM Software or Documentation or any portion

thereof developed by GTS, as furnished under this Agreement and used within the scope hereof, is held in such a suit or proceeding to infringe a third party proprietary right as set forth in Section 8.,1, and that the use of the ITM Software and/or Documentation or any portion thereof is enjoined, GTS shall, at its sole option and expense:

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- (1) procure for Bearhill the right to continue using the ITM Software and/or Documentation or portion thereof, or
- (2) replace the same with non-infringing software or documentation of equivalent functions and efficiency.

### 8.3 Bearhill's Obligations

Bearhill shall promptly notify GTS in writing of any claim hereunder and shall cooperate with and provide all reasonable assistance to GTS, at GTS's expense, in the defense or settlement of such claim.

## 9. TERM AND TERMINATION

### 9.1 Term

This Agreement shall commence as of the date of this Agreement set forth on its first page and will include all work done on ITM Software prior to such date and shall remain in effect, unless terminated as provided in this Article.

### 9.2 Termination

This Agreement will terminate upon the occurrence of any one of the following events before the Final Acceptance Date as follows:

- (a) In the event that either party is adjudged insolvent or bankrupt, or if any proceedings are instituted by or against it seeking relief, reorganization or arrangement under any laws relating to insolvency, or upon any assignment for the benefit of its creditors, or upon the appointment of a receiver, liquidator or trustee of any of its property or assets, or upon the liquidation, dissolution or winding up of its business, then and in any such event this Agreement may be terminated or cancelled immediately by the other party upon the giving of written notice.
- (b) Upon the other party's default as set forth in Sections 9.1 and 9.2, the non-defaulting party may terminate this Agreement following fifteen (15) days' written notice to the other party.

### 9.3 Survival

The provisions of Section 3.5, 4, 5, 7, 8, 9, 10 and 11 shall survive termination of this Agreement for any reason.

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## 10. MISCELLANEOUS

### 10.1 Governing Laws

It is the intention of the parties hereto that the laws of the Province of Ontario (irrespective of its choice of law principles) shall govern the validity of this Agreement, the construction of its terms, and the interpretation and enforcement of the rights and duties of the parties hereto.

The parties agree to exclude the United Nations Convention on Contracts for the International Sale of Goods from this Agreement and from any agreement that may be executed to implement this Agreement.

#### 10.2 Binding Upon Successors and Assigns

Subject to, and unless otherwise provided in this Agreement, each and all of the covenants, terms, provisions and agreements contained in this Agreement shall be binding upon, and inure to the benefit of, the permitted successors, executors, heirs, representatives, administrators and assigns of the parties hereto; provided, however, that this Agreement shall not be assignable by either party without the prior written consent of the other party.

#### 10.3 Severability

If any provisions of this Agreement, or the application thereof, shall for any reason and to any extent be invalid or unenforceable, the remainder of this Agreement and application of such provision to other persons or circumstances shall be interpreted so as best to reasonably effect the intent of the parties hereto.

#### 10.4 Entire Agreement

This Agreement, and the documents referred to in this Agreement, along with their exhibits, constitute the entire understanding and agreement of the parties with respect to their subject matter and supersede all prior and contemporaneous agreements or understandings.

#### 10.5 Amendment and Changes

No amendment, modification, supplement or other purported alteration of this Agreement shall be binding upon the parties unless it is in writing and is signed on behalf of the parties by their own authorized representatives.

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#### 10.6 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be an original as against any party whose signature appears thereon and all of which together shall constitute one and the same instrument.

#### 10.7 Other Remedies

Any and all remedies expressly conferred upon a party by this Agreement shall be deemed cumulative with and not exclusive of any other remedy conferred by this Agreement or by law on such party, and the exercise of any one remedy shall not preclude the exercise of any other.

#### 10.8 No Waiver

The failure of any party to enforce any of the provisions of this Agreement shall not be construed to be a waiver of the right of such party thereafter to enforce such provisions.

#### 10.9 Notices

Whenever any party desires or is required to give any notice, demand, or request with respect to this Agreement, each such communication shall be in writing and shall be effective only if it is delivered by overnight messenger services, express or electronic means (with confirmed receipt), addressed as follows:

<TABLE>

<S>

GTS:

<C>

Jean-Pierre Fruchet  
Guardian Timing Services  
130 Adelaide Street West

Toronto, Ontario  
M5H 3P5  
(416) 364-3752

Fax Number:

Bearhill:

Bearhill Limited  
Vanterpool Plaza  
P.O. Box 873  
Wickhams Cay I  
Road Town, Tortola  
British Virgin Island  
(809) 494-5880

Fax Number:

</TABLE>

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Such communications shall be effective when they are received by the addressee. Any party may change its address for such communications by giving an appropriate notice to the other party in conformity with this Section.

10.10 No Joint Venture

Nothing contained in this Agreement shall be deemed or construed as creating a joint venture or partnership between the parties. Except as expressly set forth, no party is by virtue of this Agreement authorized as an agent, employee or legal representative of any other party, and the relationship of the parties is, and at all times will continue to be, that of independent contractors.

10.11 Further Assurances

Each party agrees to cooperate fully with the other party and to execute such further instruments, documents and agreements and to give such further written assurance, as may be reasonably requested by the other party, to better evidence and reflect the transactions described in and contemplated by this Agreement, and to carry into effect the intents and purposes of this Agreement.

10.12 Force Majeure

Neither party will be liable for any failure or delay in performing an obligation under this Agreement that is due to cause beyond its reasonable control, such as natural catastrophes, governmental acts or omissions, laws or regulations, labour strikes or difficulties, transportation stoppages or slowdowns or the inability to procure parts or materials.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first hereinabove written.

BEARHILL LIMITED  
INC.

GUARDIAN TIMING SERVICES,

By: /s/ Harmodio Herrera

By /s/ J.P. Fruchet

Title: Director

Title: President

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The Project Plan for the ITM Software describes the phases into which the ITM Project is divided.

#### Overview of Project

The objective of the Project is to create a disciplined timing model using a proprietary computer software program - the ITM Software - to generate, buy, sell, hold or short signals in respect of any stock market being monitored. The stock markets that will be monitored are the U.S. stock market (U.S. Standard and Poor's Index), the Japanese Stock Market (Nikkei 225 Average), the United Kingdom Stock Market (FTSE 100 Share Index) and the German Stock Market (Frankfurt Dax Index).

Release I of the ITM Software will relate only to the U.S. stock market. Release II, III and IV will relate to the Japanese, United Kingdom and German stock markets respectively. Release II, III and IV will be undertaken only the Final Acceptance Date and upon specific request by Bearhill to proceed with a further Release. There are no specific acceptance criteria or acceptance test plans with respect to Release II, III or IV.

#### Project Plan

##### Phase I

The creation and testing of the Main Computer Program taking into consideration the ITM specifications, the Acceptance Criteria and the Acceptance Test Plan. Phase I will be completed within sixty days.

##### Phase II

The Documentation of the ITM Software will be completed within a further thirty days.

##### Phase III

Final Acceptance by Bearhill's testing of the ITM Software.

##### Deliverables

There will be four Deliverables.

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## SCHEDULE B

### DESCRIPTION OF SOFTWARE

The ITM Software is a proprietary computer software program which is used to generate buy and sell signals with respect to any stock market being monitored.

The stock markets that will be monitored are the U.S. stock market (U.S. Standard and Poor's Index), the Japanese Stock Market (Nikkei 225 Average), the United Kingdom Stock Market (FTSE 100 Share Index) and the German Stock Market (Frankfurt Dax Index).

The ITM Software is based on a disciplined decision process on inputs that are based on fundamental and technical elements. Once the data has been entered, the ITM Software generates objective buy, hold, sell or short signals for any monitored stock market as a whole.

The date that will be used in the ITM Software will be obtained from sources in the public domain, mostly from Ned Davis Research, a company which specializes in providing economic and market information. What is unique about the ITM Software is the proprietary manner in which the data is treated by the

software to generate timing signals.

Release I will provide timing signals for the U.S. stock market (S & P 500 Index). Market timing signals for the Japanese, United Kingdom, and German markets will be developed by combining the U.S. timing signals with timing signals for these three markets as obtained from Ned Davis Research, but treated by GTS in a proprietary manner. Bearhill shall indicate to GTS the order in which the software for each of the Japanese, United Kingdom and German markets is to be developed. Development for each will be completed within thirty days.

DELIVERABLE #1: This will be the Main Computer Program which generates all buy, hold, sell or short signals on the basis of the individual inputs and the decision rules included in the Computer Program. The Main Computer Program will be available on a diskette.

DELIVERABLE #2: The Documentation will describe each individual input and the source, frequency of the input as well as the decision rules to reach buy and sell signals.

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DELIVERABLE #3: The Main Printout will show all the individual inputs entered on a daily or weekly basis as well as all buy and sell signals during the Test Periods.

DELIVERABLE #4: The Summary of Results will show the individual buy and sell dates and the corresponding level of the S & P 500.

#### ITM Specifications

The ITM Software, as applied to the Standard and Poor's 500 Index ("S&P 500") must meet the following specifications, using backtesting methods to apply the buy and sell signals over the period from January 5, 1979 to December 31, 1993 (the "Test Period"):

- (a) a maximum number of 100 buy and sell signals during the Test Period;
- (b) a ratio of profitable trades to unprofitable trades of at least 2 to 1;
- (c) a ratio of points gain in profitable trades to points lost in unprofitable trades of at least 3 to 1;
- (d) a compound annual return for the simulation which outperforms a buy-and-hold strategy for the Standard and Poor's 500 Index by at least 6% per annum on average over the period.

#### Acceptance Criteria

##### (a) Technical Criteria

1. The software must be able to run on an IBM compatible personal computer using 386 processor and a hard disk with 3M free disk space.
2. The buy and sell signals must be generated by the computer software program using a constant set of programming rules.

##### (b) Operational Performance Criteria

1. Source of inputs to the software. All elements entering the software must be in the public domain and readily available to institutional investors.
2. At least eighty percent of all individual inputs must be available on a weekly or daily basis.



3. The maximum number of individual inputs per daily input into the software program must not exceed fifty.

#### Acceptance Test Plan

The Acceptance Test Plan for the development of the ITM Software will be conducted by Bearhill with the assistance of GTS as follows:

- (a) the Acceptance Test Plan will cover the Test Period;
- (b) GTS will enter the data for each of the individual elements, as described in the Documentation, entering into the ITM Software which will generate the Main Printout;
- (c) The buy and sell signals, including the dates and the corresponding S & P 500 level generated by the ITM Software, as shown on the Main Printout, will be entered by GTS into the Summary of Results.

The Summary of Results, the Documentation and the Main Printout will be compared by Bearhill to the ITM Specifications and the Acceptance Criteria. Bearhill will have the right to verify that data entered is accurate.

November 30, 1995

Mr. J.P. Fruchet  
Guardian Timing Services, Inc.  
130 Adelaide Street West  
Suite 3303  
Toronto, Ontario  
M5H 3P5

Dear Mr. Fruchet:

Re: Letter of Understanding (the "Letter")

As a condition precedent to our execution of an Investment Management Agreement pursuant to which The Bank of Nova Scotia (BNS) will retain the services of your firm with regard to the management of an investment portfolio with a minimum size of \$10,000,000, we wish to obtain your confirmation of our understanding of the agreement amongst Bearhill Limited ("Bearhill"), Guardian Timing Services Inc. ("GTS"), InterUnion Financial Corporation ("InterUnion"), Havensight Holdings Corp. ("Havensight") and ourselves with regard to the ITM Software ("ITM") and certain related matters.

ITM was developed by GTS on behalf of Bearhill pursuant to the ITM Software Development Agreement, dated September 9, 1994, (the "ITM Agreement") and Bearhill has absolute title to ITM. GTS has agreed and is bound to continue to develop and operate (the "Services") the ITM for an indefinite period and GTS has retained J.P. Fruchet in such regard and is entitled to certain compensation as contemplated in sections 4.1, 4.3, and 6.4 of the ITM Agreement. Upon the exercise of the Option, GTS shall be entitled to receive 15% of Bearhill's gross revenues for providing the Services until the Note is satisfied in full and GTS and Bearhill have agreed that neither will be entitled to receive compensation as contemplated in sections 4.1, 4.3 and 6.4 of the ITM Agreement in such regard.

In consideration of BNS entering into the Investment Management Agreement, Bearhill grants to BNS an irrevocable option (the "Option") to acquire the ITM as it may be modified from time to time in furtherance of the ITM Agreement. In the event that BNS wishes to exercise the Option, BNS shall acquire 100% of the Class B Shares of Bearhill, which Class B shares shall represent 30% of equity of Bearhill for \$750,000 and shall enter into an agreement to acquire the ITM for \$30 million. The acquisition price of \$30 million shall be financed by \$10 million in cash and a \$20 million dollar 15 year

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non-recourse note bearing interest at 8.00 percent per annum, with the principal amount payable at the end of the term (the "Note"), provided that BNS shall have the right to accelerate payment of part or all of the Note at anytime without penalty and without notice. The principal terms of the Option are outlined in Schedule "A" hereto. All interest paid on the Note shall be credited to the Trust Account. GTS and Bearhill have advised that the ITM is Class 12 software for purposes of the Income Tax Act (Canada) and have agreed to provide a legal opinion in form satisfactory to BNS, in such regard, at the closing of the exercise of the Option.

Notwithstanding the exercise of the Option, GTS shall, provided that J.P. Fruchet is in its employment, have the right to be provided and use the market signals generated by the ITM at no charge or cost, provided that no more than \$200 million of assets or such larger amount of assets as may then be managed by GTS at the time of the giving of notice of the exercise of the Option (the "Limit on Assets"), at book value, are managed using such signals. The Limit on Assets shall not apply on the occurrence of either of the events described in clauses (c) or (d) below.

Upon acquisition of the ITM, BNS shall enter into a non-exclusive agreement with Bearhill to provide Bearhill with the timing signals generated by the ITM, and Bearhill shall use such signals in managing the Nirvana Fund, and may use such signals in the management of funds for third parties. Bearhill will not be permitted to disclose the timing signals to any third party, without the prior written consent of BNS. The Nirvana Fund will be managed by Bearhill, and the management of the Nirvana Fund may not be assigned or changed without the prior written consent of the Bank.

Bearhill shall apply the funds obtained from BNS as follows. The \$750,000 obtained for the Class B Shares shall be used as working capital. The proceeds of \$10 million shall be divided with \$1.6 million being placed in a trust account (the "Trust Account") and \$8.4 million invested in Class 1 Shares of the Nirvana Fund (the "Fund"). All principal amounts received by Bearhill on the Note shall be invested in Class 1 Shares. The Class 1 Shares cannot be redeemed prior to the Note being satisfied or without the approval of the Board of Directors.

Class 1 Shares shall rank superior to all other shares issued by the Fund. The Fund shall be managed by GTS on behalf of Bearhill using market signals generated by the ITM. Bearhill shall pay to BNS for use of the timing signals generated by the ITM, 15% of its gross revenue as a user fee (the "Fee"). In the event that the Fee is not sufficient to satisfy BNS interest obligations under the Note, any deficiency (a "Deficiency") shall be satisfied by Bearhill, first from the interest earned on the Trust Account, and then from its own assets.

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Bearhill may not give any security to any party in order to borrow funds to satisfy a Deficiency. In the event that Bearhill cannot satisfy a Deficiency, Bearhill will be deemed to be in default, for purposes of clause (c) below.

The monies held within the Trust Account shall be retained in such account, along with any interest earned thereon, until the Note is satisfied in full, provided that in the event that any portion of the principal amount of the Note is repaid, a pro-rata share of the balance of the Trust Account as of the date of such repayment shall be released to Bearhill and Bearhill shall use such funds to acquire Class 1 Shares.

The Class 1 Shares shall distribute all earned interest, dividends received and crystallized capital gains annually.

The only other securities, either equity or debt, issued, or to be issued, by Bearhill are Class A Shares, currently representing 100% of the equity of Bearhill. The Class A Shares are held equally by InterUnion and Havensight. The holdings of Class A Shares may not be altered prior to the exercise of the Option. The Class A Shares and the Class B Shares shall have identical share provisions, save for entitlement to dividends. The Class B Shareholder shall receive 80% of all dividends paid by Bearhill, to such point in time (the "Preferred Period") as Class B Shareholder has received \$20 million, after which time Class B shareholders shall rank evenly with Class A Shareholders. During the Preferred Period, all dividends received from the Class B Shares shall be applied to the principal amount of the Note. After the Preferred Period, dividends received on both Class A and Class B Shares shall be invested in Class 2 Shares.

Each of the three shareholders shall have equal representation on the Board of Directors of Bearhill, and matters coming to the Board of Directors shall require unanimous approval. All dividends received by Class A and Class B shareholders once they rank equally shall be invested in Class 2 Shares of the Nirvana Fund, which will rank equally with the Class 1 Shares, save that the Class 2 Shares will not distribute interest, dividends or capital gains. Class 2 Shares may be redeemed.

InterUnion and Havensight, each grant to BNS an immediate option to acquire their respective Class A Shares at a price equal to 90% of book value, upon the occurrence of one or more of the following:

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- (a) the Note is satisfied in full prior to its maturity,
- (b) the Class B Shareholders have received and aggregate of \$25,000,000 in dividends from Bearhill,
- (c) Bearhill defaults on any of its obligations to BNS, becomes insolvent or commits an act of bankruptcy, or
- (d) the Nirvana Fund underperforms.

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The Nirvana Fund shall be deemed to have underperformed if its return averages less than 10% per annum compounded annually over any 36 month period.

It is agreed that BNS can assign its rights and obligations hereunder to any subsidiary or affiliate without the consent of any other party.

It is also agreed that notwithstanding that Bearhill is currently incorporated under the laws of the British Virgin Islands, that Bearhill will at the request of BNS take such steps as may be necessary to change the laws pursuant to which it is incorporated and/or continued, provided that such action is acceptable to all shareholders.

All documentation required to complete the transactions and other steps contemplated above shall be prepared in accordance with normal commercial terms. In the event that the parties are unable to come to an agreement on any term or terms, the parties agree to submit to binding arbitration in accordance with the terms of the Arbitrations Act (Ontario).

If the above conforms to your understanding of the agreement reached amongst ourselves, please execute the four enclosed copies of this letter, and return same to the undersigned.

Yours truly,

The Bank of Nova Scotia

-----  
/s/ Robert L. Brooks

Agreed and accepted,

/s/ J.P. Fruchet

-----  
Guardian Timing Services, Inc.

/s/ Georges Benarroch

-----  
InterUnion Financial Corporation

/s/ F.P. Polo

-----  
Havensight Holdings Corp.

/s/ F.P. Polo

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Bearhill Limited

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SCHEDULE A

The Option shall be exercised in accordance with the following terms:

The Bank of Nova Scotia shall give notice to Bearhill of its intention to exercise the Option in writing. Such notice shall be accompanied by a bank draft in an amount equal to ten times the then current option fee. This sum shall be a non-refundable deposit to be held in escrow and is to be applied against the purchase price upon closing of the Option. In the event that The Bank of Nova Scotia fails to proceed to the closing of the Option within 90 days of giving notice of its intention to exercise the Option, for any reason other than the failure of Bearhill or any other interested party to negotiate in good faith and/or to abide by the terms of any decision of any arbitration panel, then the deposit shall be released from escrow to Bearhill.

The Option shall be renewable for a three year indefinite term at the discretion of the Bank of Nova Scotia subject to the payment of an option fee annually, in advance, in accordance with the following schedule commencing on January 1, 1996.

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For the 1996 calendar year	\$25,000
For the 1997 calendar year	\$50,000
For the 1998 calendar year	\$75,000

</TABLE>

In the event that Bearhill should receive a bona fide offer to acquire the ITM Software from a third party, which Bearhill is prepared to accept, Bearhill shall immediately forward a copy of such offer to the Bank and the Bank shall have a period of three weeks from the time it receives a copy of such offer to match such offer or exercise the Option by giving notice in accordance with the first paragraph above, at its sole discretion. If the Bank fails to match such offer, then Bearhill shall pay to the Bank a sum equal to ten times the then current option fee, and the Option shall terminate immediately thereafter.

This Option shall terminate in the event the Investment Management Agreement between the Bank of Nova Scotia and Guardian Timing Service, dated as of December 20, 1995 is terminated by either party thereto, provided that the Bank shall have a three week period after the date of termination of the Investment Management Agreement to exercise the Option by giving notice in accordance with the first paragraph above.

INVESTMENT MANAGEMENT AGREEMENT

THIS AGREEMENT dated as of the 20th day of December 1995

BETWEEN:

THE BANK OF NOVA SCOTIA, a Canadian chartered bank, having its executive offices in the City of Toronto, in the Province of Ontario

(The "Bank"),

-and-

GUARDIAN TIMING SERVICES, INC., a corporation incorporated under the laws of Canada, having its registered office in the City of Toronto, in the Province of Ontario,

(the "Investment Manager")

RECITALS:

A. Whereas the Bank wishes to have the Investment Manager manage an investment portfolio (the "Portfolio") on behalf of the Bank or one or more of its subsidiaries in Ontario using market timing signals generated by the software developed by the Investment Manager and/or Bearhill Limited, known as "ITM Software" (the "Software") and the parties desire to set forth certain terms relating to the activities and responsibilities of the Bank and the Investment Manager in such regard.

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NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter contained, it is agreed by and between the parties hereto as follows:

DEFINITIONS AND INTERPRETATIONS

1. In this Agreement, except where the context otherwise requires:
  - (a) "Agreement" means this Investment Management Agreement as the same may be amended from time to time and "herein", "hereof", "hereby", "hereunder" and similar expressions refer to this Agreement and include every instrument supplemental or ancillary to this Agreement and, except where the context otherwise requires, not to any particular article, section or subsection thereof;
  - (b) "Bank" shall include such subsidiaries and affiliates of The Bank of Nova Scotia, where the Bank has requested that the Portfolio be managed by the Investment Manager on behalf of such subsidiaries and affiliates;
  - (c) "business day" shall mean each day on which The New York Stock Exchange is open for business;
  - (d) "Custodian" shall mean the custodian of the assets of the Portfolio as appointed by the Bank from time to time.

- (e) "Person" means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted; and
- (f) "Securities Authorities" means the Ontario Securities Commission and equivalent regulatory authorities in each Province and Territory of Canada.

#### APPOINTMENT OF THE INVESTMENT MANAGER

2. The Bank hereby appoints the Investment Manager as the investment manager of the Portfolio with full authority and responsibility to provide or cause to be provided to the Portfolio, the investment management and related administrative services hereinafter set forth and the Investment Manager hereby accepts such appointment and agrees to act in such capacity and to provide or cause to be provided such investment management and related administrative services upon the terms set forth in this Agreement.

#### DUTIES OF THE INVESTMENT MANAGER

3. The Investment Manager shall, during the term of this Agreement and any renewal thereof:

- (a) manage the Portfolio and shall cause to be made the decisions as to the purchase and sale of the Portfolio's securities in accordance with the indicators provided by the Software and decisions as to the execution of all portfolio transactions, including selection of market, dealer or broker and the negotiation, where applicable, of commissions or service charges, provided that the Investment Manager shall use Scotia McLeod, Inc. and/or its affiliates as the dealer for the Portfolio whenever it is convenient and reasonable to do so;
- (b) provide written instructions to the Custodian respecting the delivery and acceptance of the Portfolio's securities on the purchase or sale of such securities;
- (c) comply with and enter into contracts with all sub-investment managers and advisors appointed by it, with the prior written approval of the Bank, with respect to the Portfolio;
- (d) in accordance with the instructions of the Bank, execute and deliver, or cause to be executed and delivered, proxies and vote or withhold from voting, or cause to be voted or withheld from voting, securities held as part of the Portfolio from time to time.

- (f) ensure that all securities legislation is complied with in connection with the operation of the Portfolio and the execution and delivery of all necessary documents and certificates in connection therewith, as may be requested by the Bank from time to time;
- (g) to provide any assistance to the Bank which may be required to prepare and file or cause to be prepared and filed all returns, reports and filings which may be required from time

to time by any municipal, provincial, federal or other governmental authority and including, without limitation, such returns, reports and filings which may be required pursuant to the Income Tax Act (Canada) and applicable laws, regulations, requirements or policies of the Securities Authorities; and

- (h) provide or cause to be provided services as may be reasonably requested by the Bank in respect of the Portfolio's daily operation, including providing the prices of individual securities as often as may be reasonably required by the Bank.

With regard to paragraphs (g) and (h) above the Bank shall pay to the Investment Manager its reasonable costs and expenses incurred by the Investment Manager with regard to meeting its obligations thereunder.

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- 4. The Investment Manager may engage or retain any persons for the provision of certain portfolio management services in connection with the Portfolio, with the prior written approval of the Bank.

#### STANDARD OF CARE

- 5. The Investment Manager shall exercise the powers granted hereunder and discharge its duties hereunder honestly, in good faith, and in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent investment manager would exercise in the circumstances.

The Investment Manager represents and warrants that as at the date hereof it has, and covenants that it has, and covenants that it will maintain during the currency of this Agreement, for its own account, all necessary licenses or registrations which it is required to have in order to perform its duties and obligations pursuant to this Agreement.

#### REPORTING OBLIGATION OF THE INVESTMENT MANAGER

- 6. The Investment Manager agrees that it shall maintain or cause to be maintained complete records of all transactions in respect of the Portfolio as may be required under applicable laws and as the Bank may otherwise reasonably request, and to provide or cause to be provided to the Bank, on a timely basis, such reports as the Bank may reasonably require. The Bank shall pay to the Investment

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Manager, its reasonable costs and expenses incurred by the Investment manager with regard to meeting its obligations thereunder.

#### FEES AND EXPENSES

- 7. In consideration of the duties performed by the Investment Manager pursuant to the terms of this Agreement, the Investment Manager shall receive from the Bank, either directly or as a charge to the Portfolio, as the Bank may direct an investment management fee (the "Investment Management Fee") as determined in accordance with Schedule "A" hereto.

#### LIABILITY OF THE INVESTMENT MANAGER

- 8. The Investment Manager shall not be liable to the Bank for any loss or damage relating to any matter regarding the Portfolio, including any loss or diminution in the value of the Portfolio. Nothing herein shall be deemed to protect the Investment Manager against any liability to the Bank in any circumstance where there has been negligence, willful default or dishonesty on the part of the Investment Manager or to the extent the Investment Manager may have failed to fulfill its duties and obligations as set forth in this



9. The Investment Manager shall not be liable to the Bank for the acts, omissions, receipts, neglects or defaults of any person, firm or corporation employed or engaged by it as permitted hereunder, or for any loss, damage or expense caused to the Portfolio or the Bank through the insufficiency or deficiency of any security in or upon which any of the monies of or belonging to the Portfolio shall be laid out or invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or corporation with whom or which any monies, securities or property of the Portfolio shall be lodged or deposited, or for any loss occasioned by error in judgment on the part of the Investment Manager, or for any other loss, damage or misfortune which may happen in the execution by the Manager of its duties hereunder, except to the extent set out in the last sentence of paragraph 8.

10. The Investment manager may rely and act upon any statement, report or opinion prepared by or any advice received from auditors, solicitors, notaries or other professional advisors of the Investment Manager and shall not be responsible or held liable for any loss or damage resulting from relying or acting thereon if the advice was within the area of professional competence of the person from whom it was received and the Investment Manager acted reasonably in relying thereon.

#### TERM

11. This Agreement shall continue in full force and effect until Agreement is terminated by either party by giving at least 30 days notice prior to the last business day of a calendar month (or such shorter period as the parties may agree) to the other of such termination.

12. During the term of this Agreement the Investment Manager shall make available to the Bank for inspection on reasonable notice, and upon termination of this Agreement the Investment Manager shall forthwith deliver to the Bank all records, documents and books of account related to the Portfolio.

13. Upon termination of this Agreement the Bank shall pay to the Investment Manager such fees as may be due as of the date of termination and shall reimburse the Investment Manager for its expenses and disbursements to which it is entitled hereunder as of the date of such termination.

#### AMENDMENTS OF THIS AGREEMENT

14. This Agreement may not be amended or modified in any respect except by written instrument signed by the parties hereto and any proposed change shall not be effected without compliance with applicable requirements of the Securities Authorities.

#### NOTICES

15. Any notice, request or direction required or permitted to be given hereunder shall be in writing and shall be properly given, if delivered

personally or by facsimile transmission, addressed to The Bank of Nova Scotia, 44 King Street West, Toronto, Ontario M511 1H1, Attention: Executive Vice president, Investment Banking, and to the Investment Manager at Guardian Timing Services, Inc., 130 Adelaide Street West, Suite 3303, Toronto, Ontario, M5h 3P5, Attention: President, or to such other address as either party may from time to time specify by notice given in accordance herewith.

#### MISCELLANEOUS PROVISIONS

16. This Agreement shall be subject to and construed in accordance with the laws of the Province of Ontario and each of the Bank and the Investment Manager hereby irrevocably attorns to the jurisdiction of the courts thereof.

17. This Agreement may be assigned to an affiliate of the Investment Manager, but otherwise shall not be assignable by either party hereto, without the express prior written consent of the other party hereto. Written notice of any assignment to an affiliate of the Investment Manager must be provided to the Bank not less than 10 days in advance of such assignment.

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18. The Investment Manager, may not directly or indirectly, advise any third party of its role as investment manager of the Portfolio, without the prior written consent of the Bank, save for such advice which it may be required to provide to governmental authorities or by court order.

19. This Agreement may be executed in any number of counterparts all of which taken together shall constitute this Agreement.

IN WITNESS WHEREOF the parties have executed this Agreement as of the day and year first above written.

THE BANK OF NOVA SCOTIA

By: /s/ Robert L. Brooks  
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GUARDIAN TIMING SERVICES INC.

By: /s/ J.P. Fruchet  
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#### SCHEDULE "A"

1. The initial size of the Portfolio shall be C\$10 million. The Investment Manager shall manage the Portfolio in pursuit of the objectives but subject to the constraints set forth in the Investment Objectives and Guidelines that the Bank and the Investment Manager shall agree on from time to time. If the Bank requests, the Portfolio shall be divided into sub-portfolios, which shall be managed in accordance with different investment objectives, different investment guidelines or both (e.g., as a mutual fund which complies with national Policy 39), always provided that no sub-portfolio may be established in an initial amount less than C\$5 million.
2. The Bank shall pay all fees and bonuses to the Investment Manager from the assets in the Portfolio, always provided that each such payment shall require the specific authorization of the Executive Vice

President, Investment Banking, which shall not be withheld unreasonably.

3. The fee payable to the Investment Manager shall be 1/12 of one percent per month of the net asset value of the Portfolio (net of all costs and expenses paid or accrued earlier and net of all fees and bonuses paid or accrued earlier), determined at the end of each month and payable quarterly.

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4. There may be a bonus payable annually to the Investment Manager. This bonus shall be determined by the more restrictive of two calculations.
  - (a) On the first calculation, the bonus shall be payable only if the year's growth in net asset value of the Portfolio (net of all costs and expenses paid earlier and net of all fees and bonuses paid earlier), expressed in percentage terms, exceeds the year's rate of return of the S&P 500 Total Return Index. The bonus shall be 20% of the product of (i) the difference between the two percentage rates multiplied by (ii) the initial net asset value of the Portfolio for that year.

For purposes of determining the year's rate of return of the S&P 500 Total Return Index, the base figure for the initial period shall be the level of the S&P 500 Total Return Index at the close on 22 April 1996, and the final figure for the initial period shall be the level of the S&P 500 Total Return Index at the close on 31 December 1996 or, if applicable, the date of termination of the Investment Management Agreement before 31 December 1996. After such initial period, the base figure for each calendar year shall be the level of the S&P 500 Total Return Index at the close on the last business day of the preceding calendar year, and the final figure shall be the level of the S&P 500 Total Return Index at the close on the last business day of the calendar year for which

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a bonus is being calculated or, if applicable, the date of termination of the Investment Management Agreement during such calendar year. For purposes of determining the year's growth in net asset value of the Portfolio, the same dates and times shall apply.

- (b) On the second calculation, however, the bonus shall be payable only if the cumulative growth in net asset value of the Portfolio (net of all costs and expenses paid or accrued earlier and net of all fees and bonuses paid or accrued earlier) since inception, expressed in percentage terms, exceeds the cumulative rate of return of the S&P 500 Total Return Index over the same period of time. The bonus shall be such that the sum of all bonuses paid since the inception of the Portfolio does not exceed 20% of the product of (i) the difference between the two cumulative percentage rates multiplied by (ii) the net asset value of the Portfolio at inception. For greater certainty, the two percentage rates shall be expressed not on a per annum basis but on the basis of the entire term of the Portfolio since inception.

For purposes of determining the cumulative rate of return of the S&P 500 Total Return Index, the base figure shall be the level of the S&P Total Return Index at the close on 22 April 1996, and the final figure shall be the level of the S&P Total Return Index at the close on the last business day of the calendar year for which a

bonus is being calculated or, if applicable, the date of termination of the Investment Management Agreement during such calendar year. For purposes of determining the cumulative growth in net asset value of the Portfolio, the same dates and times shall apply.

5. For purposes of calculating all fees and bonuses payable hereunder, all calculations shall be based on U.S. dollars, but all fees and bonuses shall be payable in Toronto in Canadian dollars based on mid-market conversion rates at the time of payment.
6. The minimum fee and bonus payable to the Investment Manager shall be C\$50,000 per annum or part thereof.
7. The Bank shall pay any GST payable on all fees and bonuses payable hereunder.

## INVESTMENT OBJECTIVES AND GUIDELINES

### GUARDIAN TIMING SERVICES PORTFOLIO

EFFECTIVE 22 APRIL 1996

Objective: To realize a total rate of return by investing in a portfolio of principally U.S. securities.

Benchmark: The S&P 500 Total Return Index.

- Guidelines:
1. The Investment Manager shall rely exclusively on the systematic use of his proprietary computer-generated market timing signals and his proprietary computer-generated stock-picking techniques.
  2. The Investment Manager may buy and sell U.S. dollar-denominated money market instruments, U.S. stocks, Canadian stocks and other stocks (collectively, Securities).
  3. The Investment Manager retains the right (which, however, he does not anticipate exercising) to buy and sell exchange-traded convertible debentures, exchange-traded warrants and exchange-traded options (collectively, Derivative Securities).
  4. The Investment Manager may buy and short S&P 500 Stock Index futures contracts.
  5. When the proprietary timing model generates a buy signal, the Investment Manager may take a long position in equities as great as the net asset value of the Portfolio. He shall do so using stocks selected by his proprietary stock-picking techniques. He also may take a long position in S&P 500 Stock Index futures contracts.
  6. When the proprietary timing model generates a sell signal, the Investment Manager shall sell any existing long position in S&P 500 Stock Index futures

contracts, may retain the existing long position in equities and may take a short position in S&P 500 Stock Index futures contracts.

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7. When the proprietary timing model generates a short signal, the Investment manager shall take an additional short position in S&P 500 Stock Index futures contracts.

- Limits:
1. No more than 10% of the net asset value of the portfolio at time of purchase shall be invested in stocks other than U.S. and Canadian stocks.
  2. No more than 10% of the net asset value of the Portfolio at time of purchase shall be invested in exchange-traded warrants and exchange-traded options, taken together.
  3. The value of the long position in Securities and Derivative Securities plus the underlying value of the long position in S&P 500 Stock Index futures contracts shall not exceed 200% of the net asset value of the portfolio.
  4. The underlying value of the short position in S&P 500 Stock Index futures contracts shall not exceed 200% of the net asset value of the portfolio.
  5. For purposes of monitoring, the Bank and the Investment Manager shall agree from time to time in writing on the maximum number of S&P 500 Stock Index futures contracts that the Investment Manager may use. Initially, they agree that the Investment Manager shall be long no more than 22 contracts and shall be short no more than 44 contracts.

Approvals: The Investment manager shall act as a fully discretionary manager within the limits fixed by these Investment Objectives and Guidelines.

Clearing Broker: ScotiaMcLeod Inc. shall act as clearing broker for all transactions in the Portfolio.

Custodian: ScotiaMcLeod Inc. shall act as custodian of the Portfolio.

Voting: ScotiaMcLeod Inc. as custodian shall execute all proxies for voting of the securities in the Portfolio.

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Monitor: The Bank's Integrated support Services shall monitor the Investment manager's compliance with those parts of these Guidelines that define:

1. the types of security that the Investment Manager may

buy, sell or short;

2. the percentage of the net asset value of the portfolio that the Investment Manager may invest in stocks other than U.S. and Canadian stocks.
3. the percentage of the net asset value of the portfolio that the Investment Manager may invest in exchange-traded warrants and exchange-traded options; and
4. the number of S&P 500 Stock Index futures contracts that the Investment Manager may buy or short.

I.S.S. shall monitor daily. I.S.S. shall report any exceptions no later than the following day to the Executive Vice President, Investment Banking and to the Assistant General Manager, Investments.

#### Reporting

Procedure: ScotiaMcLeod Inc. As custodian shall report monthly to the E.V.P., Investment Banking, the A.G.M., Investments and the A.G.M., International Banking Division. The report shall include a list of all transactions, a statement and valuation of assets and any other information required from time to time by the E.V.P., Investment Banking, acting reasonably.

Responsibilities: Upon due notice from the E.V.P., Investment Banking or the A.G.M., Investments, both the Investment Manager and ScotiaMcLeod, Inc. Shall permit the Bank's external and internal auditors access to all relevant information.

Exhibit 10(iv)

AGREEMENT made this 19th day of January, 1995.

BETWEEN:

HAVENSIGHT HOLDINGS LIMITED, a company  
incorporated under the laws of the British Virgin  
Islands

(hereinafter called "Havensight")

OF THE FIRST PART

- and -

INTERUNION FINANCIAL CORPORATION, a  
corporation incorporated under the laws of Delaware

(hereinafter called "Interunion")

OF THE SECOND PART

WHEREAS Havensight has sold to Interunion all of the issued and  
outstanding shares of Bearhill Limited ("Bearhill");

AND WHEREAS Bearhill is the owner of the ITM computer software (the  
"ITM Software"), a computer program used to predict the timing of various  
markets;

AND WHEREAS it is possible that the ITM Software may be sold to a  
third party;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the  
mutual covenants and agreements contained herein the parties covenant and agree  
as follows:

1. If the ITM Software is to be sold to any party Interunion hereby  
covenants and agrees that, immediately prior to such sale Havensight shall have  
the right to acquire fifty percent (50%) of the shares of Bearhill for a  
purchase price of \$1.00.

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2. It is hereby further agreed that if any shares of Bearhill, or any  
shares of any affiliate (as that term is defined in the Ontario Securities Act)  
of Bearhill are offered for sale to any Canadian corporation that is, or is an  
affiliate of, a bank, trust company, insurance corporation, brokerage or dealer,  
mutual fund dealer, or other financial institution (or any affiliate of any such  
corporation), in conjunction or connection with the sale, lease or other  
exploitation of the ITM Software, the parties hereto agree that they will become  
equal holders of the balance of the shares of Bearhill (or such affiliate of  
Bearhill) that are not sold to such Canadian corporations.

3. Each of the parties hereto shall do, execute, acknowledge, deliver or  
cause to be done, executed, acknowledged or delivered, all such further acts,  
deeds, documents, assignments, transfers, conveyances or powers of attorney as  
may be reasonably necessary or desirable to effect complete consummation of the  
transactions contemplated by this agreement.

IN WITNESS WHEREOF this agreement has been executed by the parties  
hereto.

HAVENSIGHT HOLDINGS LIMITED

BY /s/ J.P. Fruchet

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INTERUNION FINANCIAL CORPORATION

BY /s/ Georges Benarroch

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EXHIBIT 21

SUBSIDIARIES  
OF  
INTERUNION FINANCIAL CORPORATION

<TABLE>

<CAPTION>

Name of Subsidiary	Jurisdiction of Incorporation
Guardian Timing Services, Inc.	Ontario, Canada
Bearhill Limited, Inc.	British Virgin Islands
I & B, Inc.	State of Delaware
Credifinance Securities, Ltd.	Ontario, Canada
Credifinance Capital, Inc.	Ontario, Canada
Reeve, Mackay & Associates, Ltd.	Ontario, Canada

NOTE: All subsidiaries do business under their official names.