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INTERNATIONAL ASSETS HOLDING CORP  
Form 10QSB  
August 13, 2002

U.S. Securities and Exchange Commission  
Washington D.C. 20549

Form 10-QSB

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

For the quarterly period ended June 30, 2002

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

Commission File Number 33-70334-A

INTERNATIONAL ASSETS HOLDING CORPORATION

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

Delaware

59-2921318

-----  
(State or other jurisdiction of  
incorporation or organization)

(IRS Employer Identification No.)

220 East Central Parkway, Suite 2060  
Altamonte Springs, FL 32701

-----  
(Address of principal executive offices)

(407) 741-5300

-----  
(Issuer's telephone number)

NA

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

Check whether the issuer (1) filed all reports required to be filed by Section  
13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter  
period that the registrant was required to file such reports), and (2) has been  
subject to such filing requirements for the past 90 days. Yes  No .

The number of shares outstanding of Common Stock was 2,375,575 as of August 7,  
2002.

Transitional small business disclosure format Yes  No

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

Assets	June 30, 2002	September 2001
-----	-----	-----
Cash	\$ 100,442	\$ 13
Cash and cash equivalents, deposited with clearing organization	1,932,122	87
Receivable from clearing organization, net	938,510	93
Other receivables	3,172	2
Loans to officers	112,687	12
Securities owned, at market value	10,413,427	6,01
Deferred income tax asset, net	540,766	1,39
Property and equipment, at cost:		
Equipment, furniture and leasehold improvements	590,685	1,30
Less accumulated depreciation and amortization	(419,527)	(94
Net property and equipment	171,158	36
Software development, net of accumulated amortization of \$686,038 at June 2002 and \$491,995 at		

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September 2001	359,759	55
Prepaid expenses and other assets, net of accumulated amortization of \$2,000 at June 2002 and \$177,000 at September 2001	108,522	31
Total assets	\$ 14,680,565	\$ 10,73

See accompanying notes to condensed consolidated financial statements.

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

Liabilities and Stockholders' Equity	June 30, 2002	Septemb 20
Liabilities:		
Foreign currency sold, but not yet purchased	\$ 1,877	\$ 2
Securities sold, but not yet purchased, at market value	10,367,845	5,3
Accounts payable	136,709	3
Accrued employee compensation and benefits	82,537	3
Accrued expenses	118,765	1
Payable to Joint Venture	-	
Other liabilities	43,547	
Total liabilities	10,751,280	6,2
Stockholders' equity:		
Preferred stock, \$.01 par value. Authorized 5,000,000 shares; issued and outstanding -0- shares	-	
Common stock, \$.01 par value. Authorized 8,000,000 shares; issued and outstanding 2,375,575 shares at June 2002 and 2,294,376 shares at September 2001	23,756	
Additional paid-in capital	8,026,131	7,9
Accumulated deficit	(4,120,602)	(3,5
Total stockholders' equity	3,929,285	4,4
Total liabilities and stockholders' equity	\$ 14,680,565	\$ 10,7

See accompanying notes to condensed consolidated financial statements.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES  
Condensed Consolidated Statements of Operations  
For the Nine Months Ended June 30, 2002 and 2001  
(Unaudited)

		2002
		-----
Revenues:		
Net dealer inventory and investment gains	\$	2,956,210
Commissions (note 2)		406,175
Management and investment advisory fees (note 2)		6,292
Interest and dividends		154,127
Loss from joint venture		-
Other		19,829
		-----
Total revenues		3,542,633
		-----
Expenses:		
Compensation and benefits	\$	1,554,104
Clearing and related expenses		1,323,578
Promotion		170,465
Occupancy and equipment rental		308,341
Communications		77,418
Interest and dividends		150,690
Professional fees		368,110
Insurance		99,940
Depreciation and amortization		284,357
Technology		40,890
Other expenses		173,133
		-----
Total expenses		4,551,026
		-----
Loss before gain on sale of retail activity and income taxes		(1,008,393)
Gain on sale of retail activity (note 2)		413,009
		-----
Loss before income taxes		(595,384)
Income tax benefit		-
		-----
Net loss	\$	(595,384)
		=====

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Loss per share:			
Basic	\$	(0.25)	=====
Diluted	\$	(0.25)	=====
Weighted average number of common shares outstanding:			
Basic		2,353,467	=====
Diluted		2,353,467	=====

See accompanying notes to condensed consolidated financial statements.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES  
Condensed Consolidated Statements of Operations  
For the Three Months Ended June 30, 2002 and 2001  
(Unaudited)

	2002	2001
	-----	-----
Revenues:		
Net dealer inventory and investment gains	\$ 1,132,822	421,320
Commissions (note 2)	1,675	724,448
Management and investment advisory fees (note 2)	0	5,613
Interest and dividends	109,935	68,675
Other	555	3,435
	-----	-----
Total revenues	1,244,987	1,223,491
	-----	-----
Expenses:		
Compensation and benefits	425,576	1,229,205
Clearing and related expenses	442,557	410,464
Promotion	76,723	141,080
Occupancy and equipment rental	74,684	123,564
Communications	17,521	70,791
Interest and dividends	123,229	40,147
Professional fees	199,352	54,939
Insurance	30,137	47,236
Depreciation and amortization	86,884	148,878
Technology	2,351	45,935
Other expenses	40,565	84,282
	-----	-----
Total expenses	1,519,579	2,396,521
	-----	-----
Loss before income taxes	(274,592)	(1,173,030)
Income tax benefit	0	(432,667)

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	-----	-----
Net loss	\$ (274,592)	(740,363)
	=====	=====
Loss per share:		
Basic	\$ (0.12)	\$ (0.33)
	=====	=====
Diluted	\$ (0.12)	\$ (0.33)
	=====	=====
Weighted average number of common shares outstanding:		
Basic	2,375,575	2,239,725
	=====	=====
Diluted	2,375,575	2,239,725
	=====	=====

See accompanying notes to condensed consolidated financial statements.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES  
Condensed Consolidated Statements of Cash Flows  
For the Nine Months Ended June 30, 2002 and 2001  
(Unaudited)

	2002	-----
Cash flows from operating activities:		
Net loss	\$ (595,384)	
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	284,357	
Deferred income taxes	856,723	
Gain on sale of retail activity	(413,009)	
Disposal of property and equipment included in gain on sale of retail activity	139,024	
Non-cash compensation	-	
Loss on disposals of property and equipment	491	
Loss from Joint Venture	-	
Tax benefit from disqualifying dispositions of incentive stock options	-	
Cash provided by (used in) changes in:		
Receivable from clearing organization, net	(3,746)	
Other receivables	14,717	
Securities owned, at market value	(4,401,488)	
Income taxes receivable	-	
Prepaid expenses and other assets	202,952	
Foreign currency sold, but not yet purchased	(206,215)	
Securities sold, but not yet purchased, at market value	5,054,204	
Payable to clearing organization, net	-	
Accounts payable	(175,964)	
Accrued employee compensation and benefits	(224,963)	
Accrued expenses	(20,329)	

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Payable to Joint Venture	(2,032)
Other liabilities	35,768
	-----
Net cash provided by (used in) operating activities	545,106
	-----
Cash flows from investing activities:	
Proceeds from sale of retail activity	827,240
Cost of total assets on sale of retail activity	(414,231)
Collections from loans to officers	19,394
Costs of additional property, equipment and software development	(38,028)
	-----
Net cash provided by (used in) investing activities	394,375
	-----

(continued)

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES  
Condensed Consolidated Statements of Cash Flows, Continued  
For the Nine Months Ended June 30, 2002 and 2001  
(Unaudited)

	2002
	-----
Cash flows from financing activities:	
Exercise of employee stock options	1,782
Sale of common stock with sale of retail activity	80,000
	-----
Net cash provided by financing activities	81,782
	-----
Net increase (decrease) in cash and cash equivalents	1,021,263
Cash and cash equivalents at beginning of period	1,011,301
	-----
Cash and cash equivalents at end of period	\$ 2,032,564
	=====

Supplemental disclosure of cash flow information:

Cash paid for interest	\$ 1,745
	=====

Supplemental disclosure of noncash financing activities:

During the nine months ended June 30, 2001 the Company paid for the following transactions by issuance of common stock:

=====

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Software development services, 12,283 common shares	\$	-	
Employee bonus compensation, 15,000 common shares	\$	-	
Purchase promissory note due by an officer, 57,625 common shares	\$	-	

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### INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

#### Notes to Condensed Consolidated Financial Statements

June 30, 2002 and 2001  
(Unaudited)

(1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions and requirements of Form 10-QSB and, therefore, do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. In the opinion of Management, such financial statements reflect all adjustments (consisting of normal recurring items) necessary for a fair statement of the results of operations, cash flows and financial position for the interim periods presented. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2001, filed on Form 10-KSB (SEC File Number 33-70334-A).

Current Subsidiaries:

As used in this Form 10-QSB, the term "Company" refers, unless the context requires otherwise, to International Assets Holding Corporation and its four wholly owned subsidiaries; INTLTRADER.COM, INC. ("ITCI"), International Asset Management Corp. ("IAMC"), International Financial Products, Inc. ("IFP") and OffshoreTrader.com Ltd. ("OTCL"). All significant intercompany balances and transactions have been eliminated in consolidation.

Former Subsidiaries and Joint Venture Sold in December 2001:

On November 1, 2001 International Assets Advisory Corporation entered into a merger with IAAC, LLC, a wholly owned subsidiary of International Assets Holding Corporation. IAAC, LLC was a Florida limited liability company formed by International Assets Holding Corporation in July 2001 for the purpose of the anticipated merger that occurred on November 1, 2001. IAAC, LLC was the surviving entity of the merger. Upon effectiveness of the merger, the name of the surviving entity became International Assets Advisory, LLC. The Company sold all of its membership interests in International Assets Advisory, LLC on December 13, 2001.

On November 1, 2001 Global Assets Advisors, Inc. entered into a merger with Global Assets Advisors, LLC, a wholly owned subsidiary of International



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Assets Holding Corporation. Global Assets Advisors, LLC was a Florida limited liability company formed by International Assets Holding Corporation in July 2001 for the purpose of the anticipated merger that occurred on November 1, 2001. Global Assets Advisors, LLC was the surviving entity of the merger. The Company sold all of its membership interests in Global Assets Advisors, LLC on December 13, 2001.

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### INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

#### Notes to Condensed Consolidated Financial Statements, continued

On December 13, 2001 the Company sold its 50% interest in International Assets New York, LLC, a 50/50 Joint Venture with Lakeside Investments, LLC of New York.

#### (2) Sale of Certain Operations

On December 13, 2001 the Company sold its two wholly-owned subsidiaries, International Assets Advisory, LLC and Global Assets Advisors, LLC, and its 50% membership interest in International Assets New York, LLC (IANY) to Lakeside Assets, LLC. In connection with the disposition transaction, Lakeside Assets, LLC also purchased 80,000 shares of the Company's common stock. The Company received total proceeds of \$907,240 for these sale transactions. The Company allocated \$827,240 of the proceeds to the sale of the two wholly owned subsidiaries and the 50% interest in IANY. The Company allocated \$80,000 of the proceeds to the sale of common shares. The Company had a book basis of \$414,231 related to the sale of the two wholly owned subsidiaries and IANY. The \$413,009 gain on sale of retail activity recorded in December 2001 was determined by deducting the book basis of \$414,231 from the sales proceeds of \$827,240.

Commission revenues from retail private client securities brokerage activity amounted to \$406,175 and \$2,492,643 for the nine months ended June 30, 2002 and 2001, respectively and \$1,675 and \$724,448 for the three months ended June 30, 2002 and 2001, respectively. Though certain costs associated with this activity are distinct and clearly identifiable; many are not and management has not historically operated, monitored or specifically allocated expenses to this activity in such a manner as to determine profitability by activity. In the same sale transaction, International Assets Holding Corporation agreed to sell its money management activity, which had revenues from management and investment advisory fees of \$6,292 and \$81,516 for the nine months ended June 30, 2002 and 2001, respectively and \$5,613 for the three months ended June 30, 2001. The money management activity was primarily related and tied into the retail private client activity including the same sales staffing, operations and research support. It was separated for purposes of securities licensing and regulation.

#### (3) Related Party Transactions

On February 1, 2002 the Company executed a contract for investor relations services from an outside firm that is owned and managed by a cousin of the CEO of the Company. The contract is for a term of six months at a cost of \$5,000 per month plus reimbursement for reasonable expenses related to the performance of the service contract.

On August 28, 2000 the Company made a loan to a Vice President of the Company including the execution and receipt of a \$66,000 promissory note

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due August 27, 2001. The Board of Directors of the Company has granted an extension of the due date of the promissory note to August 31, 2002. The promissory note includes interest of 6.27 percent per annum. As of June 30, 2002 the remaining principal balance of the promissory note including accrued interest is \$70,178.

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### INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

#### Notes to Condensed Consolidated Financial Statements, continued

On January 4, 2000 the Company, after approval by the Board of Directors, made a loan to the CEO of the Company including the execution and receipt of a \$250,000 promissory note due January 3, 2001. The Board of Directors of the Company granted an extension of the due date of the promissory note to December 31, 2001. At the Board of Directors meeting held on February 15, 2002 the CEO requested an extension to repay the balance by mid calendar year 2002, which request was consented to by the Board of Directors. The promissory note includes interest of 6 percent per annum. As of June 30, 2002 the remaining principal balance of the promissory note including accrued interest is \$42,509. Subsequently, on August 7, 2002 the CEO repaid the entire loan balance including principal and accrued interest of \$42,724.

(4) Reclassifications

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

(5) Basic and Diluted Loss Per Share

Basic loss per share for the nine months and three months ended June 30, 2002 and 2001 have been computed by dividing net loss by the weighted average number of common shares outstanding.

Diluted loss per share for the nine months and three months ended June 30, 2002 and 2001 are the same as basic loss per share because of the anti-dilutive impact of the potential common shares, due to the net loss for each of the periods. No options to purchase shares of common stock were considered in the calculation of diluted loss per share for the nine months and three months ended June 30, 2002 and 2001 because of the anti-dilutive impact of the potential common shares, due to the net loss for the periods.

For the Nine Months Ended June 30,	2002	2001
	-----	-----
Diluted Loss Per Share		
Numerator:		
Net loss	\$ (595,384)	\$ (2,222,728)
Denominator:		
Weighted average number of common shares and dilutive potential common shares outstanding	2,353,467	2,225,479
	-----	-----
Diluted loss per share	\$ (0.25)	\$ (1.00)

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For the Three Months Ended June 30,	2002	2001
	-----	-----
Diluted Loss Per Share		
Numerator:		
Net loss	\$ (274,592)	\$ (740,363)
Denominator:		
Weighted average number of common shares and dilutive potential common shares outstanding	2,375,575	2,239,725
	-----	-----
Diluted loss per share	\$ (0.12)	\$ (0.33)

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements, continued

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

Securities owned and Securities sold, but not yet purchased at June 30, 2002 and September 30, 2001 consist of trading and investment securities at quoted market values as follows:

	Owned	Sold, but not yet purchased
	-----	-----
June 30, 2002:		
Common stock and American Depository Receipts	1,031,688	924,123
Foreign ordinary stock paired with its respective American Depository Receipt	9,231,472	9,437,335
Corporate and municipal bonds	54,387	-
Foreign government obligations	2,246	-
Unit investment trusts, mutual funds and other investments	93,634	6,387
	-----	-----
Total	\$ 10,413,427	10,367,845
	=====	=====
September 30, 2001:		
Common stock and American Depository Receipts	1,203,294	694,047
Foreign ordinary stock paired with its respective American Depository Receipt	4,618,006	4,619,594
Corporate and municipal bonds	68,949	-
Foreign government obligations	3,954	-
Unit investment trusts, mutual funds and other investments	117,736	-
	-----	-----
Total	\$ 6,011,939	5,313,641
	=====	=====

(7) Receivable From and Payable to Clearing Organization

Amounts receivable from and payable to clearing organization at June 30,

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2002 and September 30, 2001 consist of the following:

	Receivable	Payable
June 30, 2002:		
Open transactions, net	\$ 1,004,268	-
Clearing fees and related charges payable	-	65,758
	\$ 1,004,268	65,758
	\$ 1,004,268	65,758
September 30, 2001:		
Open transactions, net	\$ 926,703	-
Clearing fees and related charges payable	-	23,722
Commission income receivable	31,783	-
	\$ 958,486	23,722
	\$ 958,486	23,722

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

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### INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements, continued

#### (8) Leases

The Company occupies leased office space of approximately 5,100 square feet at 220 E. Central Parkway, Altamonte Springs, Florida. The commencement date of this lease was February 1, 2002, with six months free rent, and a seven-year term to July 31, 2009.

The Company is obligated under various noncancelable operating leases for the rental of its office facilities and certain office equipment. Rent expense associated with operating leases amounted to \$52,911 and \$271,561 for the nine months ended June 30, 2002, and 2001, respectively. The future minimum lease payments under noncancelable operating leases are as follows:

Fiscal Year (12 month period) Ending September 30,	
2002	84,750
2003	153,900
2004	132,700
2005	132,700
2006	132,200
Thereafter	318,600
	\$954,850
	\$954,850

#### (9) Stock Option Plan

During the nine months ended June 30, 2002, 176,000 options were granted to employees and directors. There were 1,199 incentive stock options exercised at a strike price of \$1.486 per share during the nine months ended June 30,

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2002. In addition, 272,417 incentive stock options were forfeited due to the termination of former employees of the Company or its subsidiaries. The total options forfeited included approximately 186,000 options related to former employees that were part of the sale of the retail brokerage operation and the remainder was due to other terminated former employees. As of June 30, 2002 the Company had 566,493 options outstanding.

Incentive Stock Options (Granted during the nine months ended June 30, 2002)

Options Granted	Grant Date	Exercise Price	Expiration Date	Exercisable
50,000	10/05/01	\$0.90	10/05/11	(a)
25,000	10/05/01	\$0.99	10/05/11	(a)
20,000	12/22/01	\$0.60	12/22/11	(a)
22,000	01/03/02	\$0.65	01/03/12	(b)
14,000	04/11/02	\$1.40	04/11/12	(b)
131,000				

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### INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements, continued

Nonqualified Stock Options (Granted during the nine months ended June 30, 2002)

Options Granted	Grant Date	Exercise Price	Expiration Date	Exercisable
45,000	10/05/01	\$0.90	10/05/11	(a)

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

(b) Exercisable at 33.3% after year one, 33.3% after year two and 33.4% after year three.

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

#### (10) Commitments and Contingent Liabilities

The Company is party to certain litigation as of June 30, 2002, which relates primarily to matters arising in the ordinary course of business. While the Company cannot absolutely predict the outcome of these actions at this time, it is the opinion of management, given the probability of success by the Company, that the resolution of these matters will not have a material adverse effect on the consolidated financial condition of the Company.

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

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

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

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

### Results of Operations:

On December 13, 2001 the Company sold its full service private client retail brokerage and money management activities. Accordingly, these activities are no longer a source of revenues or expense for the Company after December 13, 2001. While the revenues (commissions and management and investment advisory fees) and certain costs associated with the business activities which have been sold are readily identifiable, many costs associated with these activities are not. The costs that are not identifiable were included in prior legal entity financial statements combined with other business activities that were operated together for previous strategic, regulatory and synergistic purposes.

In December 2001 the Company reported a gain on the sale of retail activity of \$413,009 included in the nine months ended June 30, 2002. The gain is based on sale proceeds of \$827,240 less the book cost basis of \$414,231, for the transaction costs and for the book value of the assets that were included in the sale of this business activity.

As of June 30, 2002 the Company had 18 full time employees.

Nine Months Ended June 30, 2002 as Compared to  
the Nine Months Ended June 30, 2001

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The Company's revenues were derived primarily from trading revenue (net dealer inventory and investment gains) as well as commissions earned on the sale of securities. For the nine months ended June 30, 2002, 83% of the Company's revenues were derived from trading revenue and 11% of revenues were derived from commissions. For the nine months ended June 30, 2001, 24% of the Company's revenues were derived from trading revenue and 69% of revenues were derived from commissions. Total revenues decreased 2% to \$3,542,633 for the nine months ended June 30, 2002 from \$3,627,700 for the same period in 2001.

Trading revenue (net dealer inventory and investment gains) increased by approximately 233% to \$2,956,210 for the nine months ended June 30, 2002 from \$888,224 in 2001. This increase in trading revenue was due in large measure to our trading department's ongoing efforts to provide reliable market making for our trading clients with high quality customer service and trade execution in the international securities trading market. The Company has been successful in developing new clients as well as in retention of existing trading clients.

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The increase in trading revenues for the nine months ended June 30, 2002 comes after the Company had to rehire and rebuild the entire trading department since the disruption of the Company's trading operations caused by the abrupt departure of the Company's head of capital markets and his related recruitment of the entire trading department to his own firm in December 2000. This matter was previously discussed in the Company's 10-QSB for the period ended December 31, 2000 as well as its Form 8-K filed as of December 29, 2000.

Commission revenue decreased by approximately 84% to \$406,175 for the nine months ended June 30, 2002 from \$2,492,643 in 2001. Commission revenues for the nine months ended June 30, 2002 include retail brokerage commissions earned for the period October 1, 2001 through December 13, 2001. On December 13, 2001 the Company sold its membership interests in International Assets Advisory, LLC. These retail brokerage commission revenues are no longer a source of revenue for the Company after December 13, 2001 due to the sale of this retail brokerage activity. During January 2002, the Company sold substantially all of its' retail online accounts to Ameritrade Holding Corporation and ceased offering its online retail brokerage operation. The elimination of these retail activities has allowed the Company to focus all of its resources on its core market making trading operation.

Revenues from management and investment advisory fees decreased by approximately 92% to \$6,292 for the nine months ended June 30, 2002 from \$81,516 in 2001. These revenues from management and investment advisory fees are no longer a source of revenue for the Company after December 13, 2001 due to the sale of this business.

Interest and dividend revenue decreased by 16% to \$154,127 for the nine months ended June 30, 2002 from \$183,521 in 2001. This decrease is due to lower balances of interest producing assets, including money market balances and fixed income securities and decreased interest returns on these short-term liquid assets during the nine months ended June 30, 2002 compared to the same period in 2001. Interest income decreased \$108,521 for the nine months ended June 30, 2002 compared to the same period in 2001. Partly offsetting this decrease is a \$79,127 increase in dividend income. The increase in dividend income is derived from the Company's American

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Depository Receipt (ADR) conversion strategy where the Company holds paired and offsetting long and short foreign ordinary and ADR positions. When these paired positions are held over a dividend record date the Company has offsetting dividend income and dividend expense. Dividend income of \$140,904 for the nine months ended June 30, 2002 is offset by the \$148,945 of dividend expense for the same period.

Loss from joint venture was \$20,353 for the nine months ended June 30, 2001. The loss from joint venture ended in March 2001 when the Company wrote off its investment in joint venture in accordance with the equity method of accounting. The loss from the Company's joint venture represented the Company's 50% share of the operating loss from the activity of International Assets New York, LLC, a

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50/50 joint venture with Lakeside Investments, LLC of New York. On December 13, 2001 the Company's interest in International Assets New York, LLC was sold.

Other revenues were \$19,829 for the nine months ended June 30, 2002 up from \$2,149 for the same period in 2001. Other revenues in 2002 includes \$14,800 collected for the sale proceeds from the retail online accounts sold to Ameritrade.

The major expenses incurred by the Company relate to direct costs of its securities operations such as compensation and benefits, clearing and related expense, occupancy and equipment rental expense and professional fees. Total expenses decreased by approximately 36% to \$4,551,026 for the nine months ended June 30, 2002, from \$7,120,266 for the same period in 2001. This decrease in total expenses is mainly due to reductions in compensation and benefits, promotions, communications, technology and other operating expenses. The decrease in total expenses reflects the cost decreases related to the sale of the retail brokerage activity and the additional cost reductions the Company began to implement in August 2001.

Compensation and benefits expense decreased by \$2,134,734 or 58% to \$1,554,104 for the nine months ended June 30, 2002 from \$3,688,838 in 2001 due to lower commission expense caused by lower commission revenues and a decrease in base salaries due to an overall reduction in the number of employees. Included in the total \$1,554,104 compensation and benefits expense for 2002 is \$165,854 related to commission expense that will no longer be an ongoing expense for the Company after December 13, 2001, due to the sale of the related retail private client activity.

Clearing and related expenses increased 38% to \$1,323,578 for the nine months ended June 30, 2002, up from \$956,685 in 2001. This increase is related to the volume increase in the number of trades processed and increased costs for American Depository Receipt (ADR) conversions due to the necessity of these conversions as a trading strategy to facilitate liquidity within the Company's overall investment portfolio. Also, included in the total \$1,323,578 clearing and related expenses for 2002 is \$35,416 related to retail private client activities that will no longer be an ongoing expense for the Company after December 13, 2001, due to the sale of the related activity.

Total promotion expense decreased by approximately 73% to \$170,465 for the nine months ended June 30, 2002 compared to \$619,903 for 2001. This decrease is primarily due to decreases in retail promotional activity, public relations, and travel and entertainment due to cost saving



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initiatives undertaken. Future promotion expense will be determined by incremental promotions that are undertaken to support the Company's current and ongoing operations.

Occupancy and equipment rental expense decreased by 19% to \$308,341 for the nine months ended June 30, 2002 from \$382,490 in 2001. Decreases in rental expense were related to the Company's decreased leased office space. As of February 1, 2002 the Company relocated to a new, smaller and less costly leased

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office space. Offsetting a portion of this savings are several new equipment leases for phone system and network equipment. The net savings from this office relocation are currently anticipated to be over \$150,000 on an annualized basis.

Communications expense decreased by \$133,773, or 63% to \$77,418 for the nine months ended June 30, 2002 from \$211,191 for the nine months ended June 30, 2001. This decrease is due to reduced telephone, postage and printing expense related to the sale of the retail brokerage activity.

Interest and dividend expense increased by \$94,658, or 169% to \$150,690 for the nine months ended June 30, 2002 from \$56,032 for the nine months ended June 30, 2001. This increase is due to increased dividend expense related to the Company's American Depositary Receipt (ADR) conversion strategy where the Company holds paired and offsetting long or short foreign ordinary and ADR positions. When these paired positions are held over a dividend record date the Company has offsetting dividend expense and dividend income. Dividend expense of \$148,945 for the nine months ended June 30, 2002 is largely offset by the \$140,904 of dividend income for the same period.

Professional fees increased by approximately 99% to \$368,110 for the nine months ended June 30, 2002 as compared to \$184,606 in 2001. This increase is primarily due to legal fees related to the arbitration and injunction matters further discussed in Part II, Item 1 of this Form 10-QSB.

Insurance expense decreased by approximately 32% to \$99,940 for the nine months ended June 30, 2002 as compared to \$147,602 in 2001. This decrease is primarily due to decreases in health, life, disability and workers compensation insurances due to reductions in total employment headcount and the related and reduced payroll expense.

Depreciation and amortization expense decreased approximately 26% to \$284,357 for the nine months ended June 30, 2002 as compared to \$383,513 in 2001. The decrease in 2002 is due to lower depreciation expense associated with the disposition of fixed assets related to the sale of the retail private client activity in December 2001.

Technology expense was down approximately 75% to \$40,890 for the nine months ended June 30, 2002 from \$164,865 in 2001. The decrease is due to the completion of technology enhancements to increase the quote system and trading platform's capacity as well as reduced technology expenditures for web site content due to the elimination of the retail online brokerage activity in January 2002.

Other operating expenses decreased approximately 47% to \$173,133 for the nine months ended June 30, 2002 as compared to \$324,542 in 2001. This decrease is due to cutbacks and reductions in director's fees and expense,

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office supplies and expense, training expense and annual report expense.

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The Company has reported a loss before gain on sale of retail activity and income taxes of \$1,008,393 for the nine months ended June 30, 2002 compared to a loss of \$3,492,566 for 2001. The gain on the sale of retail activity is \$413,009 for the nine months ended June 30, 2002. The gain is based on sales proceeds of \$827,240 less the book cost basis of \$414,231, for the transaction costs and the book value of the assets that were included in the sale of this business activity.

The Company has reported a net loss of \$595,384 for the nine months ended June 30, 2002 compared to a net loss of \$2,222,728 for the nine months ended June 30, 2001.

The Company did not record an income tax benefit for the nine months ended June 30, 2002 due to a valuation allowance applied to the deferred tax asset related to the net operating loss generated during the nine months. The Company's effective income tax benefit rate was approximately 36% for the nine months ended June 30, 2001.

Three Months Ended June 30, 2002, as Compared to  
the Three Months Ended June 30, 2001

For the three months ended June 30, 2002, 91% of the Company's revenues were derived from trading revenue. For the three months ended June 30, 2001, 59% of the Company's revenues were derived from commissions and 34% were derived from trading revenue. Total revenues increased 2% to \$1,244,987 for the three months ended June 30, 2002 from \$1,223,491 for the same period in 2001.

Trading revenue (net dealer inventory and investment gains) increased to \$1,132,822 for the three months ended June 30, 2002 from \$421,320 in 2001. This increase in trading revenue was due to the trading department's ongoing efforts to provide reliable market making for our trading clients with high quality customer service and trade execution in the international securities trading market. The increase in trading revenues for the three months ended June 30, 2002 comes after the Company had to rehire and rebuild the entire trading department since the disruption of the Company's trading operations caused by the abrupt departure of the Company's head of capital markets and his related recruitment of the entire trading department to his own firm in December 2000.

Commission revenues decreased to \$1,675 for the three months ended June 30, 2002 from \$724,448 in 2001. On December 13, 2001 the Company sold its membership interests in International Assets Advisory, LLC. The retail brokerage commission revenues previously generated by International Assets Advisory, LLC are no longer a source of revenue for the Company after December 13, 2001, due to the sale of this retail brokerage activity. Commission revenues of \$1,675 for the three months ended June 30, 2002 include rebate commissions earned during the three months ended June 30, 2002. During December 2001 and January 2002 the Company sold substantially all of its retail brokerage and retail online accounts. The

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elimination of these retail activities has allowed the Company to focus all

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of its resources on its core market making trading operation.

Revenues from management and investment advisory fees decreased to \$0 for the three months ended June 30, 2002 compared to \$5,613 for the same quarter in 2001. These revenues from management and investment advisory fees are no longer a source of revenue for the Company after December 13, 2001 due to the sale of this business.

Interest and dividend revenue increased by 60% to \$109,935 for the three months ended June 30, 2002 from \$68,675 in 2001. Dividend income increased \$62,058 for the three months ended June 30, 2002 compared to the same period in 2001. The increase in dividend income is derived from the Company's American Depositary Receipt (ADR) conversion strategy where the Company holds paired and offsetting long and short foreign ordinary and ADR positions. When these paired positions are held over a dividend record date the Company has offsetting dividend income and dividend expense. Dividend income of \$106,820 for the three months ended June 30, 2002 is offset by the \$122,851 of dividend expense for the same period. Partly offsetting this increase in dividend income is a \$20,798 decrease in interest income for the three months ended June 30, 2002 compared to the same period in 2001. This decrease is primarily due to lower balances of interest producing assets, including money market balances and fixed income securities as well as decreased interest returns on these short-term liquid assets during the three months ended June 30, 2002 compared to the same period in 2001.

Other revenues were \$555 for the three months ended June 30, 2002 down from \$3,435 for the same period in 2001.

The major expenses incurred by the Company relate to direct and indirect costs of its securities operations such as compensation and benefits, clearing and related expense, professional fees and interest and dividend expense. Total expenses decreased by approximately 37% to \$1,519,579 for the three months ended June 30, 2002, from \$2,396,521 for the same period in 2001. This decrease in total expenses is mainly related to reductions in compensation and benefits, promotions, depreciation and amortization, communications and occupancy and equipment rental. The decrease in total expenses reflects the cost decreases related to the sale of the retail brokerage activity and the additional cost reductions the Company began to implement in August 2001.

Compensation and benefits expense decreased by \$803,629 or 65% to \$425,576 for the three months ended June 30, 2002 from \$1,229,205 in 2001. The decrease is primarily due to \$0 commission expense for the three months ended June 30, 2002 compared to \$391,361 for the same quarter in 2001. This commission expense and the related commission revenues will no longer be an ongoing expense and revenue for the Company after December 13, 2001, due to the sale of the retail private client activity. The decrease in compensation and benefits expense is also due to a decrease in base salaries due to an overall reduction in the number of employees.

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Clearing and related expenses increased 8% to \$442,557 in the three months ended June 30, 2002, up from \$410,464 in 2001. This increase is primarily related to increased costs for American Depositary Receipt (ADR) conversions due to the necessity of these conversions as a trading strategy to facilitate liquidity within the Company's overall investment portfolio. The increase in clearing expense is also related to trading volume increases in the number of trades processed.

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Total promotion expense decreased by approximately 46% to \$76,723 for the three months ended June 30, 2002 compared to \$141,080 for 2001. This decrease is primarily due to decreases in retail promotional activity and travel and entertainment decreases due to cost saving initiatives undertaken. Future promotion expense will be determined by incremental promotions that are undertaken to support the Company's current and ongoing operations.

Occupancy and equipment rental expense decreased by 40% to \$74,684 for the three months ended June 30, 2002 from \$123,564 in 2001. Decreases in rental expense were related to the Company's decreased leased office space. As of February 1, 2002 the Company relocated to a new, smaller and less costly leased office space. Offsetting a portion of this savings are several new equipment leases for phone system and network equipment. The net savings from this office relocation are currently anticipated to be over \$150,000 on an annualized basis.

Communications expense decreased by \$53,270, or 75% to \$17,521 for the three months ended June 30, 2002 from \$70,791 for the three months ended June 30, 2001. This decrease is due to reduced telephone, postage and printing expense related to the corresponding decreases in operating revenue.

Interest and dividend expense increased by \$83,082, or 207% to \$123,229 for the three months ended June 30, 2002 from \$40,147 for the three months ended June 30, 2001. This increase is due to increased dividend expense related to the Company's American Depositary Receipt (ADR) conversion strategy where the Company holds paired and offsetting long or short foreign ordinary and ADR positions. When these paired positions are held over a dividend record date the Company has offsetting dividend expense and dividend income. Dividend expense of \$122,851 for the three months ended June 30, 2002 is largely offset by the \$106,819 of dividend income for the same period.

Professional fees increased by approximately 263% to \$199,352 for the three months ended June 30, 2002 as compared to \$54,939 in 2001. This increase is primarily due to legal fees related to the arbitration and injunction matters further discussed in Part II, Item 1 of this Form 10-QSB.

Insurance expense decreased by approximately 36% to \$30,137 for the three months ended June 30, 2002 as compared to \$47,236 in 2001. This decrease is primarily due to decreases in health, life, disability and workers compensation insurances due

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to reductions in total employment headcount and the related and reduced payroll expense.

Depreciation and amortization expense decreased approximately 42% to \$86,884 for the three months ended June 30, 2002 as compared to \$148,878 in 2001. The decrease in 2002 is due to lower depreciation expense associated with the disposition of fixed assets related to the sale of the retail private client activity in December 2001.

Technology expense was down approximately 95% to \$2,351 for the three months ended June 30, 2002 from \$45,935 in 2001. The decrease is due to the completion of technology enhancements to increase the quote system and trading platform's capacity as well as reduced technology expenditures for

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web site content due to the elimination of the retail online brokerage activity in January 2002.

Other operating expenses decreased approximately 52% to \$40,565 for the three months ended June 30, 2002 as compared to \$84,282 in 2001. This decrease is due to cutbacks and reductions in director's fees and expense, office supplies and expense and training expense.

The Company has reported a net loss of \$274,592 for the three months ended June 30, 2002 compared to a net loss of \$740,363 for the three months ended June 30, 2001.

The Company did not record an income tax benefit for the three months ended June 30, 2002 due to a valuation allowance applied to the deferred tax asset related to the net operating loss generated during the three months. The Company's effective income tax benefit rate was approximately 37% for the three months ended June 30, 2001.

### Liquidity and Capital Resources

Substantial portions of the Company's assets are liquid with the majority of the assets consisting of securities inventories which fluctuate depending on the levels of customer business. At June 30, 2002, approximately 91% of the Company's assets consisted of cash, cash equivalents, receivable from clearing organization and marketable securities. All assets are financed by the Company's equity capital, short-term borrowings from securities sold, not yet purchased and other payables.

Distributions to the Company from INTLTRADER.COM, INC., the Company's primary source of liquidity, are restricted as to amounts which may be paid by applicable law and regulations. The Net Capital Rules are the primary regulatory restrictions regarding capital resources. The Company's rights to participate in the assets of any subsidiary are also subject to prior claims of the subsidiary's creditors, including customers of INTLTRADER.COM, INC.

INTLTRADER.COM, INC., a wholly owned registered securities broker-dealer subsidiary, is subject to the requirements of the SEC and the NASD relating to

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liquidity and net capital levels. At June 30, 2002, INTLTRADER.COM INC. had adjusted net capital of \$1,730,059, which was \$1,375,559 in excess of its minimum net capital requirement at that date.

The Company's total assets and liabilities and the individual components thereof may vary significantly from period to period because of changes relating to customer needs and economic and market conditions. The Company's total assets at June 30, 2002 and September 30, 2001, were \$14,680,565 and \$10,733,698, respectively. The Company's operating activities generate or utilize cash resulting from net income or loss earned during the period and fluctuations in its assets and liabilities. The most significant fluctuations have resulted from changes in the level of customer activity and securities inventory changes resulting from proprietary arbitrage trading strategies dictated by prevailing market conditions.

In addition to normal operating requirements, capital is required to

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

In the opinion of management, the Company's existing capital and cash flow from operations will be adequate to meet the Company's capital needs for at least the next twelve months in light of known and reasonably estimated trends. At this time additional private financing is being sought for trading capital, technology, staffing and promotional efforts based upon the Company's strategic plan. This plan has an operational emphasis on technology driven international securities order flow. In conjunction with the Company's strategic plan, the Company has engaged UBS Warburg as its financial advisor to arrange and negotiate a private placement of securities issued by the Company or to find a strategic partner. UBS Warburg has been engaged to use its best efforts in connection with a private placement and does not have any obligation to purchase any securities issued by the Company or to provide financing of any kind to the Company.

### Cash Flows

For the nine months ended June 30, 2002, cash and cash equivalents increased by \$1,021,263 since the end of the last fiscal year ending September 30, 2001. Funds provided by operating activities were \$545,106 for the period ending June 30, 2002. During the nine months ended June 30, 2002, the Company had cash provided by investing activities of \$394,375. Net cash provided by financing activities were \$81,782, which was comprised of \$80,000 provided by the sale of common stock with the sale of the retail brokerage activity and \$1,782 from the exercise of one employee stock option.

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## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The Company is party to certain litigation as of June 30, 2002, which relates primarily to matters arising in the ordinary course of business. While the Company cannot absolutely predict the outcome of these actions at this time, it is the opinion of management, given the probability of success by the Company, that the resolution of these matters will not have a material adverse effect on the consolidated financial condition of the Company.

On January 4, 2001 the Company filed an arbitration matter with the NASD regarding several breaches (including but not limited to raiding, unfair competition and misappropriation of trade secrets) related to the sudden departure, on December 19, 2000, of the head of the foreign trading desk and his related recruitment of the entire Company's trading staff. This arbitration claim was filed against the broker/dealer who became the employer of the recruited employees, two principals of the broker/dealer, two affiliated securities firms of the broker/dealer and four principals of the parent firm. On March 14, 2001 the broker/dealer who became the employer and two of its principals responded and filed a counterclaim against the Company. On March 19, 2001 the two affiliated securities firms

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of the broker/dealer also filed a counterclaim as well as a claim for attorney's fees. The Company disputes the counterclaims and intends to vigorously defend them. The NASD arbitration for this matter, which was originally scheduled for the week beginning April 29, 2002, has been continued (delayed) until November 2002. The parties involved in the arbitration have agreed to participate in a mediation scheduled for September 2002.

On April 1, 2002, the Company filed suit and a motion for temporary injunction, which was granted, in Circuit Court in Orange County, Florida. The suit and motion were filed against a New York Stock Exchange listed company for breach of a confidentiality agreement and misappropriation of trade secrets. The Company was required to post a \$50,000 cash bond with the court as a condition of the temporary injunction. On April 9, 2002, the Court denied a motion to dissolve the temporary injunction. On April 12, 2002 the defendant filed an appeal of the denial of the motion. That appeal has not yet been resolved. On April 29, 2002 the defendant filed three motions with the Circuit Court in Orange County, Florida to; 1) dissolve the temporary injunction, 2) to compel an NASD arbitration and 3) to dismiss the claims. Also on April 29, 2002 the defendant filed an NASD arbitration claim seeking damages in excess of \$450,000. On May 30, 2002 the Circuit Court of Orange County, Florida; 1) denied a motion to dissolve the temporary injunction, 2) reserve ruling on the motion to compel arbitration and 3) granted a motion to dismiss the original claim; however, the Company was given 10 days to amend the complaint. This amended complaint was filed on August 1, 2002.

The Company plans to defend its position against the appeal of the injunction and defend its position that the circuit court rather than the NASD has jurisdiction to decide this matter.

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The foregoing discussion contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve various risks and uncertainties with respect to current legal proceedings. Although the Company believes that its expectations with respect to the forward-looking statements are based upon reasonable assumptions within the bounds of its knowledge of its business and operations, there can be no assurances that the actual results, performance or achievement of the Company will not differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties and that actual results may differ materially from those indicated in the forward-looking statements as a result of various factors. Readers are cautioned not to place undue reliance on these forward-looking statements.

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

#### a). Exhibits

(10.18) The Company's Employment Agreement, entered into as of January 1, 2002, between the Company and Edward R. Cofrancesco, dated June 4, 2002.

(99.1) The Company's Certification of President/CEO, pursuant to

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18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(99.2) The Company's Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

b). Form 8-K

No reports were filed on Form 8-K during the three months ended June 30, 2002.

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Signatures

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

INTERNATIONAL ASSETS HOLDING CORPORATION

Date 08/12/2002  
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/s/ Diego J. Veitia  
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Diego J. Veitia  
President and Chief Executive Officer

Date 08/12/2002  
-----

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

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Exhibit Index

Exhibit Number -----	Description -----
10.18	The Company's Employment Agreement, entered into as of January 1, 2002, between the Company and Edward R. Cofrancesco, dated June 4, 2002.
99.1	The Company's Certification of President/CEO, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	The Company's Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.