

Edgar Filing: INVU INC - Form 10QSB

INVU INC  
Form 10QSB  
September 11, 2003

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JULY 31, 2003

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_.

Commission File No. 00-22661

INVU, INC.  
(Exact name of small business issuer as specified in charter)

Colorado

84-1135638

(State or other jurisdiction  
of incorporation)

(IRS Employer Identification No.)

The Beren, Blisworth Hill Farm  
Stoke Road  
Blisworth, Northamptonshire

NN7 3DB

(Address of principal  
executive offices)

(Postal Code)

Issuer's telephone number, including area code: (01604) 859893

(Former Name, Former Address and Former Fiscal Year,  
if Changed Since Last Report)

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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      X      NO

As of September 12, 2003 there were 30,386,539 shares of the common stock, no par value, of the registrant issued and outstanding.

Transitional Small Business Disclosure Format (check one)

YES                      NO                      X

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INVU, INC.

July 31, 2003

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CONSOLIDATED FINANCIAL STATEMENTS

INVU, INC. AND SUBSIDIARIES

JULY 31, 2003

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INVU, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

|                                   | July 31,<br>2003<br>(unaudited)<br>\$ | January 31,<br>2003<br>\$ |
|-----------------------------------|---------------------------------------|---------------------------|
| ASSETS                            |                                       |                           |
| Current assets                    |                                       |                           |
| Cash and cash equivalents         | 2,389                                 | 57,214                    |
| Accounts receivable:              |                                       |                           |
| Trade, net                        | 1,230,045                             | 1,559,094                 |
| VAT recoverable and other         | -                                     | 916                       |
| Inventories                       | 231,302                               | 123,596                   |
| Prepaid expenses                  | 68,301                                | 67,075                    |
|                                   | -----                                 | -----                     |
| Total current assets              | 1,532,037                             | 1,807,895                 |
|                                   | -----                                 | -----                     |
| Equipment, furniture and fixtures |                                       |                           |
| Computer equipment                | 280,493                               | 283,430                   |
| Vehicles                          | 84,172                                | 277,098                   |
| Office furniture and fixtures     | 120,427                               | 121,037                   |
|                                   | -----                                 | -----                     |
|                                   | 485,092                               | 681,565                   |
|                                   | -----                                 | -----                     |
| Less accumulated depreciation     | 264,779                               | 395,940                   |
|                                   | -----                                 | -----                     |
|                                   | 220,313                               | 285,625                   |
|                                   | -----                                 | -----                     |
| Intangible assets, net            | 53,584                                | 82,185                    |
| Goodwill                          | 1,331,136                             | 1,361,113                 |
|                                   | -----                                 | -----                     |
|                                   | 3,137,070                             | 3,536,818                 |
|                                   | =====                                 | =====                     |

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The accompanying notes are an integral part of these financial statements.

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INVU, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

|  | July 31,<br>2003<br>(unaudited)<br>\$ |
|--|---------------------------------------|
| -----  |                                       |
| LIABILITIES AND DEFICIT IN STOCKHOLDERS' EQUITY                      |                                       |
| Current liabilities  |                                       |
| Short-term credit facility   | 639,414                               |
| Current maturities of long-term obligations                          | 4,050,880                             |
| Accounts payable   | 606,728                               |
| Accrued liabilities  | 1,080,197                             |
| Deferred revenue   | 461,793                               |
| Taxation liabilities   | 2,025,254                             |
|  | -----                                 |
| Total current liabilities  | 8,864,266                             |
|  | -----                                 |
| Long-term obligations, less current maturities                       | 1,538,298                             |
| Deficit in stockholders' equity                                      |                                       |
| Preferred stock, no par value  |                                       |
| Authorised - 20,000,000 shares; nil shares issued and outstanding    | -                                     |
| Common stock, no par value   |                                       |
| Authorised - 100,000,000 shares; issued and outstanding - 30,386,539 | 1,746,223                             |
| Accumulated deficit  | (8,606,839)                           |
| Accumulated other comprehensive income                               | (404,878)                             |
|  | -----                                 |
|  | (7,265,494)                           |
|  | -----                                 |
|  | 3,137,070                             |
|  | =====                                 |

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The accompanying notes are an integral part of these financial statements.

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INVU, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

|                                      | For the three months ended |             | For the six |
|--------------------------------------|----------------------------|-------------|-------------|
|                                      | July 31,                   | July 31,    | July 31,    |
|                                      | 2003                       | 2002        | 2003        |
|                                      | (unaudited)                | (unaudited) | (unaudited) |
|                                      | \$                         | \$          | \$          |
| Revenues                             | 645,641                    | 601,255     | 1,261,810   |
| Expenses:                            |                            |             |             |
| Production cost                      | 49,122                     | 49,794      | 89,287      |
| Selling and distribution cost        | 309,588                    | 238,836     | 596,307     |
| Research and development cost        | 184,987                    | 173,865     | 375,476     |
| Administrative costs                 | 342,166                    | 327,888     | 526,493     |
| Total operating expenses             | 885,863                    | 790,383     | 1,587,563   |
| Operating loss                       | (240,222)                  | (189,128)   | (325,753)   |
| Other income (expense)               |                            |             |             |
| Interest, net                        | (102,660)                  | (118,101)   | (165,968)   |
| Total other expense                  | (102,660)                  | (118,101)   | (165,968)   |
| Loss before income taxes             | (342,882)                  | (307,229)   | (491,721)   |
| Income taxes                         | -                          | -           | -           |
| Net loss                             | (342,882)                  | (307,229)   | (491,721)   |
| Weighted average shares outstanding: |                            |             |             |
| Basic and Diluted                    | 30,386,539                 | 30,386,539  | 30,386,539  |
| Net loss per common share            |                            |             |             |
| Basic and Diluted                    | (0.01)                     | (0.01)      | (0.02)      |

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The accompanying notes are an integral part of these financial statements.

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INVU, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF DEFICIT IN STOCKHOLDERS' EQUITY

|  | Common stock |           | Accumulated | Accumulated  |
|--|--------------|-----------|-------------|--------------|
|  | Shares       | Amount    | deficit     | other        |
|  |              | \$        | \$          | comprehensiv |
|  |              |           |             | income       |
|  |              |           |             | \$           |
| Balance at January 31, 2003            | 30,386,539   | 1,746,223 | (8,115,118) | (239,799)    |
| Comprehensive income (unaudited):      |              |           |             |              |
| Foreign currency translation           |              |           |             |              |
| adjustment (unaudited)                 | -            | -         | -           | (165,079)    |
| Net loss for the period (unaudited)    | -            | -         | (491,721)   | -            |
| Total comprehensive income (unaudited) |              |           |             |              |
| Balance at July 31, 2003 (unaudited)   | 30,386,539   | 1,746,223 | (8,606,839) | (404,878)    |

The accompanying notes are an integral part of these financial statements.

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INVU, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

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|  | For the six months ended<br>July 31, 2003<br>(unaudited)<br>\$ | July 31,<br>(unaudited) |
|--|--|-------------------------|
| Net cash flows used in operating activities                                    |  |                         |
| Net loss during the period   | (491,721)  | (685,389)               |
| Adjustments to reconcile net loss to net cash used<br>in operating activities: |  |                         |
| Depreciation and amortization  | 83,683   | 93,527                  |
| Profit on disposal of assets   | (10,611)   | -                       |
| Changes in:  |  |                         |
| Accounts receivable  | 295,737  | (27,447)                |
| Inventories  | (110,475)  | (44,066)                |
| Prepaid expenses   | (2,705)  | (1,284)                 |
| Accounts payable   | 121,591  | 20,469                  |
| Accrued liabilities  | (92,346)   | 126,048                 |
| Net cash used in operating activities  | (206,847)  | (518,142)               |
| Cash flows used in investing activities:                                       |  |                         |
| Acquisitions of property and equipment   | (42,399)   | (80,156)                |
| Proceeds from sale of property and equipment                                   | 55,173   | -                       |
| Net cash provided by investing activities                                      | 12,774   | (80,156)                |
| Cash flows provided by financing activities:                                   |  |                         |
| Short-term credit facility   | (40,506)   | 363,548                 |
| Borrowings received from notes payable   | 355,252  | 277,198                 |
| Repayment of borrowings  | (93,276)   | (24,119)                |
| Principal payments on capital lease  | (85,021)   | (23,190)                |
| Net cash provided by financing activities                                      | 136,449  | 593,437                 |
| Effect of exchange rate changes on cash  | 2,799  | 4,861                   |
| Net decrease in cash   | (54,825)   | -                       |
| Cash at beginning of period  | 57,214   | -                       |
| Cash at end of period  | 2,389  | -                       |
| Supplemental disclosure of cash flow information:                              |  |                         |
| Cash paid during the period for:   |  |                         |
| Interest   | 81,000   | 76,000                  |

The accompanying notes are an integral part of these financial statements.

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INVU, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accompanying financial statements have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. These statements include all adjustments, consisting only of normal recurring accruals, considered necessary for a fair presentation of financial position and results of operations. The financial statements included herein should be read in conjunction with the financial statements and notes thereto included in the latest annual report on Form 10-KSB. The results of operations for the three month and six month period ended July 31, 2003 are not necessarily indicative of the results to be expected for the full year.

#### NOTE A - COMPANY DESCRIPTION

INVU, Inc. (the Company) is a holding company which operates one subsidiary INVU Plc, which is a holding company for two subsidiaries of its own, INVU Services (Services) and INVU International Holdings Limited (Holdings). Holdings has one subsidiary of its own, INVU Netherlands BV (formerly Corsham Holding BV). The Company was incorporated under the laws of the State of Colorado, United States of America, in February 1997. INVU Plc, Services and Holdings are companies incorporated under English Law. The Company operates in one industry segment which includes developing and selling software for electronic management of many types of information and documents such as forms, correspondence, literature, faxes, technical drawings and electronic files. Services is the sales, marketing and trading company for the UK market. INVU Netherlands BV is the sales, marketing and trading company for the Benelux market and holds the licence to the Benelux intellectual property rights to the INVU software. Holdings holds the intellectual property rights to the INVU software.

#### NOTE B - GOING CONCERN

The financial statements have been prepared on a going concern basis which assumes that the Company can meet its financial obligations as they fall due in the ordinary course of business. The Company's liabilities exceeded its assets by \$7,265,494 at July 31, 2003. Operations to date have been funded principally by equity capital and borrowings. However, the Company needs to raise sufficient financing to meet current obligations and to fund operations until the operations become profitable. The Company is in the process of negotiating the necessary additional financing to fund its operations. The Company's ability to continue to develop its operations depends on its ability to raise further financing. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

#### NOTE C - SHORT-TERM CREDIT FACILITY

At July 31, 2003 the Company had a \$321,500 (or (pound)200,000) (at January 31, 2003 the amount was \$328,470 (or (pound)200,000)), 5.50% short-term credit facility with an English bank. The credit facility is collateralised by all assets of the Company, a corporate guarantee given by Vertical Investments Limited and a guarantee given by David Morgan, a director of the Company, in the amount of \$160,750. The amount drawn against the facility at July 31, 2003 was \$237,539 ((pound)147,769) (January 31, 2003 \$284,288 ((pound)172,956)). The amount drawn is repayable on demand at the bank's discretion. The credit facility is due for renewal on February 10, 2004.



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The Company also has a \$401,875 ((pound)250,000) (January 31, 2003 \$410,925 ((pound)250,000)), 6.50% short-term credit facility with an English bank. The credit facility is collateralised by all assets of the Company and a corporate guarantee given by Vertical Investments Limited. The amount drawn against the facility at July 31, 2003 was \$401,875 ((pound)250,000) (January 31, 2003 \$410,925 ((pound)250,000)). The amount drawn is payable on demand at the bank's discretion. The credit facility is due for renewal in January 2004.

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INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### NOTE D - LONG-TERM OBLIGATIONS

Long-term obligations at July 31, 2003 and January 31, 2003, consist of the following:

|   | July 31,<br>2003<br>(unaudited)<br>\$ |
|---|---------------------------------------|
| Unsecured loan from an individual, no stated maturity date; bearing interest of \$4,794 per month ((pound)3,000)  | 790,006                               |
| Unsecured loan from Vertical Investments Limited, no stated maturity date; interest rate under negotiation  | 343,203                               |
| 4% above Libor rate (Libor rate was 3.50% and 3.97% at July 31, 2003 and January 31, 2003 respectively) notes payable to an English bank, monthly payments aggregating to (pound)1,333, maturing in June 2004, collateralised by all assets of the Company, unlimited multilateral guarantees between subsidiary undertakings and a corporate guarantee given by Vertical Investments Limited; a quarterly loan guarantee premium of 1.5% per annum is payable on 85% of the outstanding balance                                      | 27,863                                |
| 2% above base rate (base rate was 3.50% and 3.75% at July 31, 2003 and January 31, 2003 respectively) notes payable to an English bank, 4 monthly payments of (pound)25,000 each starting in June 2003 and 10 monthly payments of (pound)50,000 each starting in October 2003, collateralised by all assets of the Company, unlimited multilateral guarantees between subsidiary undertakings, a corporate guarantee given by Vertical Investments Limited and a corporate guarantee given by David Morgan in the amount of \$160,750 | 884,125                               |
| Convertible A Note 1999-2002, with interest at 6%; interest due in arrears biannually on January 1 and July 1   | 600,000                               |
| Convertible B Note 1999-2002, bearing interest of 8% per annum for the first six months, 9% per annum for the next six months and 10% per annum thereafter; interest due in arrears biannually on January 1 and July 1  | 400,000                               |
| Convertible loans 2001-2003 (i) with interest rate per annum of 1.5% above  |                                       |

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|   |           |
|---|-----------|
| UK bank base rates  | 159,000   |
| Loan notes 2001-2005 (ii) with interest rate per annum of 7%                                  | 1,000,000 |
| Loan notes 2001-2005 (iii) with interest rate per annum of 12%                                | 500,000   |
| Convertible loan 2001-2003 (iv) with interest rate per annum of 1.5% above UK bank base rate  | 300,000   |
| Convertible loan 2001-2005 (v) with interest rate per annum of 12%                            | 550,000   |
| Capital leases for vehicles, interest ranging from 10.2% - 16.9% with maturities through 2005 | 34,981    |
|   | -----     |
|   | 5,589,178 |
| Less current maturities   | 4,050,880 |
|   | -----     |
|   | 1,538,298 |
|   | =====     |

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Scheduled maturities of long-term obligation are as follows:

|                      |           |
|----------------------|-----------|
| Year ending July 31, | \$        |
| 2004                 | 4,050,880 |
| 2005                 | 748,292   |
| 2006                 | -         |
| 2007                 | -         |
| 2008                 | -         |
| Thereafter           | 790,006   |
|                      | -----     |
|                      | 5,589,178 |
|                      | =====     |

1) Convertible debentures

The A and B Convertible Notes 1999-2002 are held by Tom Maxfield, a non-executive director of the Company, Vertical Investments Limited and a related party of Daniel Goldman (the "Investors"). They are convertible into common shares at the rate of one common share for every US\$0.65 of outstanding principal Note converted for the A Notes and one common share for every US\$0.50 of outstanding principal Note converted for the B Notes. Conversion will take place:

- i) immediately prior to a Public Offering
- ii) at the option of the Investors for the B Notes and automatically for the A Notes, upon new equity capital resulting in proceeds to the Company of at least \$4,000,000
- iii) at the option of the Investors giving 30 days notice to the Company.

Interest amounting to \$292,767 has been accrued to July 31, 2003 (January 31, 2003 \$281,086) in respect of the A and B Convertible Notes 1999-2002.

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Any outstanding principal not converted may be redeemed at par plus interest upon receipt of 30 days written notice from the Company or the Investors. At July 31, 2003, the outstanding principal could have been converted into 1,723,077 common shares.

In consideration of the Investors advancing an aggregate of \$1,000,000, the Company caused Montague Limited, the principal shareholder, to transfer and register in the name of the Investors, 225,000 shares of Common Stock of no par value.

The convertible debentures are secured by a second charge over the Company's assets.

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INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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2) Loan notes and convertible loan notes

All of the investors for the loan notes and convertible loan notes detailed below are held by Vertical Investments Limited and other related parties of Daniel Goldman. Each description below corresponds to the same romanette listed on the first table of Note D.

- i) The convertible loan notes are repayable at any time within 2 years from the date of issue. They are convertible into common stock at the rate of one share for every US \$0.25 of outstanding principal at any time within the 2 years from the date of issue after 45 days notice has been given to the Company.
- ii) The loan notes are repayable on August 26, 2005. At any time from May 1, 2002 until August 26, 2005, the investor may demand repayment of the entire loan or any part thereof at any time after three days notice to the Company. If the Company does not timely repay such amounts after receiving notice, the investor may convert the repayment amount into shares of the Company's common stock at a conversion price of \$0.2175 per share or convert the repayment amount into shares of the Company's subsidiaries at the equivalent per share conversion price. The loan is secured by a second charge over the Company's assets.
- iii) The loan notes are repayable by June 17, 2005. At any time from May 1, 2002 until June 17, 2005, the investor may demand repayment of \$475,000 or any part thereof at any time after three days notice to the Company. If the Company does not timely repay such amounts after receiving notice, the investor may convert the repayment amount into shares of the Company's common stock at a conversion price of \$0.13 per share or convert the repayment amount into shares of the Company's subsidiaries at the equivalent per share conversion price. The remaining \$25,000 is repayable on June 17, 2005. The loan is secured by a second charge over the Company's assets.
- iv) \$250,000 of the convertible loan notes are repayable by May 25, 2003 and the remaining \$50,000 are repayable by July 2, 2003. At any time from May 1, 2002 until July 2, 2003, the investor may convert any amount of the principal, at any time after three days notice to the Company, into shares of the Company's common stock at a conversion

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price of \$0.25 per share or convert any amount of the principal into shares of the Company's subsidiaries at the equivalent per share conversion price. The loan is secured by a second charge over the Company's assets.

- v) The convertible loan notes are repayable by May 1, 2005. At any time from May 1, 2002 until May 1, 2005, the investor may convert any amount of the principal at any time, after three days notice to the Company, into shares of the Company's common stock at a conversion price of \$0.13 per share or convert any amount of the principal into shares of the Company's subsidiaries at the equivalent per share conversion price. The loan is secured by a second charge over the Company's assets.

The loan notes and convertible loan notes referred to in i) and iv) above are due for repayment. No demand for repayment has been made by the investors and the loans are in the process of being restructured.

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INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The investor in the loan notes and convertible loan notes referred to in ii) - v) above was granted two options in the common stock of the Company. The first option is for 2,700,000 shares of the Company's common stock that may be exercised at any time from March 1, 2002 until March 1, 2006 after three days notice for any amount of shares up to 2,700,000 at an exercise price of \$0.25 per share.

The second option is for 450,000 shares of the Company's common stock that may be exercised at any time from March 1, 2002 until March 1, 2006 after three days notice for any amount of shares up to 450,000 at an exercise price of \$0.875 per share.

On the date of issue of all of the convertible loan notes, the conversion rate was in excess of the market price of the common stock and therefore, no beneficial conversion feature expense has been recorded in the financial statements.

### 3) Capital leases

The Company leases vehicles under noncancellable capitalized leases.

|                               | July 31,<br>2003<br>(unaudited)<br>\$ | January 31,<br>2003<br>\$ |
|-------------------------------|---------------------------------------|---------------------------|
| Vehicles                      | 84,172                                | 277,098                   |
| Less accumulated depreciation | (56,242)                              | (190,840)                 |
|                               | 27,930                                | 86,258                    |
|                               | 27,930                                | 86,258                    |

Scheduled maturities of minimum lease payments are as follows:

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|   |        |
|---|--------|
| Period ending July 31,                      | \$     |
| 2004  | 26,792 |
| 2005  | 10,766 |
|   | -----  |
|   | 37,558 |
| Less amount representing interest           | 2,577  |
|   | -----  |
| Present value of net minimum lease payments | 34,981 |
|   | =====  |

The scheduled net minimum lease payments to maturity are included in the long-term obligation table above.

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INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE E - RELATED PARTY TRANSACTIONS

The Company made purchases during the year under normal commercial terms from Impakt Software Limited, a company owned by Paul O'Sullivan, who is a potential beneficiary of a discretionary trust, the res of which includes beneficial ownership of the Company's common stock. The percentage of Mr. O'Sullivan's interest in the assets of the trust has not been determined. Total purchases amounted to \$nil (January 31, 2003 \$75,001) and the balance owed by the Company at July 31, 2003 was \$1,228 (January 31, 2003 \$1,256).

During the quarter ended July 31, 2003, the company paid Peter Fraser, a minority shareholder of the company, \$nil (January 31, 2003 \$63,998) for advisory services relating to the acquisition of Corsham Holding BV.

The Company made purchases during the fiscal year ended January 31, 2003 under normal commercial terms from Vertical Investments Limited, a company in which Daniel Goldman had an interest until December, 2002. Mr. Goldman is a minority shareholder and non-executive director of the Company. A related party of Mr. Goldman is a beneficiary of a trust that indirectly owns Vertical Investments Limited. Total purchases amounted to \$nil (January 31, 2003: \$13,692) and the balance owed by the company at July 31, 2003 was \$14,402 (January 31, 2003: \$14,726).

NOTE F - RECENT PRONOUNCEMENT

The FASB issued SFAS 143, Accounting for Asset Retirement Obligations in June 2001. SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 is effective for fiscal years beginning after June 15, 2002 and was adopted by the Company on February 1, 2003. The adoption of SFAS 143 did have an impact on the Company's financial position and results of operations.

In June, 2002, the FASB issued Statement 146, "Accounting for Costs Associated

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with Exit or Disposal Activities". SFAS 146 replaces previous accounting guidance provided by EITF 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)", and requires companies to recognize costs associated with Exit or disposal activities only when a liability for these costs are incurred (subsequent to a commitment to a plan) rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the Statement include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operations, plant closings, or other initiated after December 31, 2002. Although management believes the adoption of SFAS 146 will not have a material impact on the Company's financial statements, adoption of the Statement will result in timing differences in the recognition and measurement of expenses relating to exit and disposal activities.

In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure an amendment of FASB Statement No. 123" ("SFAS 148"). SFAS 148 amends FASB Statement No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation and to require prominent disclosures about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. SFAS 148 also amends APB Opinion No. 28, "Interim Financial Reporting", to require disclosures about those effects in interim financial information.

The Company currently intends to continue to account for its stock-based compensation awards to employees and directors under the accounting prescribed by Accounting Principles Board Opinion No. 25.

In November 2002, the Emerging Issues Task Force ("EITF") reached a consensus opinion of EITF 00-21, "Revenue Arrangements with Multiple Deliverables". That consensus provides that revenue arrangements with multiple deliverables should be divided into separate units of accounting if certain criteria are met. The consideration of the arrangement should be allocated to the separate units of accounting based on their relative fair values, with different provisions if the fair value is contingent on delivery of specified items or performance conditions. Applicable revenue criteria should be considered separately for each separate unit of accounting. EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. Entities may elect to report the change as a cumulative effect adjustment in accordance with APB Opinion 20, "Accounting Changes." The Company is currently evaluating the effect of the adoption of EITF 00-21 on its financial position and results of operations.

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INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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In December 2002, the FASB issued Interpretation 45 (FIN 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. For a guarantee subject to FASB Interpretation 45, a guarantor is required to:

- measure and recognize the fair value of the guarantee at inception (for

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many guarantees, fair value will be determined using a present value method); and

- provide new disclosures regarding the nature of any guarantees, the maximum potential amount of future guarantee payments, the current carrying amount of the guarantee liability, and the nature of any recourse provisions or assets held as collateral that could be liquidated and allow the guarantor to recover all or a portion of its payments in the event guarantee payments are required.

The disclosure requirement of this Interpretation is effective for financial statements for fiscal years ending after December 15, 2002 and did not have a material effect on the Company's financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements" and provides guidance on the identification of entities for which control is achieved through means other than through voting rights ("variable interest entities" or "VIE's") and how to determine when and which business enterprise should consolidate the VIE. This new model for consolidation applies to an entity which either (1) the equity investors (if any) do not have a controlling financial interest or (2) the equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. The provisions of this interpretation are immediately effective for VIE's formed after January 31, 2003. For VIE's formed prior to January 31, 2003, the provision of this interpretation apply to the first fiscal year or interim period beginning after June 15, 2003. Management is currently reviewing the application of FIN 46 but does not believe that it will have any impact on the Company's results of operations or financial condition.

In April 2003, the FASB issued SFAS 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. This statement amends SFAS 133 to provide clarification on the financial accounting and reporting of derivative instruments and hedging activities and requires contracts with similar characteristics to be accounted for on a comparable basis. INVU is in the process of assessing the effect of SFAS 149 but does not expect the adoption of it to have a material effect on its financial condition or results of operations.

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INVU, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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In May 2003, the FASB issued SFAS 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS 150 establishes standards on the classification and measurement of financial instruments with characteristics of both liabilities and equity. SFAS 150 became effective for financial instruments entered into or modified after May 31, 2003. INVU is in the process of assessing the effect of SFAS 150 on its future finance requirements and does not expect the implementation of the pronouncement to have a material effect on its financial condition or results of operations.

### NOTE G - CONTINGENT LIABILITY

During the year ended January 31, 2003, there was a transfer of intellectual

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property between group companies at a value of \$38,754,351. This transfer eliminated on consolidation. The Company has received independent tax advice that the transfers referred to above will not result in a tax liability but no assurance can be given that the applicable tax authorities will reach the same conclusion in the event of an audit or other regulatory inquiry relating to the transaction.

### NOTE H - SUBSEQUENT EVENTS

During August 2003 the Company increased its 6.50% short term credit facility by \$80,375 ((pound)50,000) to \$482,250 ((pound)300,000).

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### Item 2. Management's Discussion and Analysis or Plan of Operation

The following description of "Management's Plan of Operation" constitutes forward-looking statements for purposes of the Securities Act of 1933, as amended (the "Securities Act"), and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as such involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of INVU, Inc., a Colorado corporation (the "Company"), to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. The words "expect", "estimate", "anticipate", "predict", "believe", "forecast," "plan", "seek", "objective", and similar expressions are intended to identify forward-looking statements. Important factors that could cause the actual results, performance or achievement of the Company to differ materially from the Company's expectations include the following: (1) one or more of the assumptions or other cautionary factors discussed in connection with particular forward-looking statements or elsewhere in this Form 10-QSB prove not to be accurate; (2) the Company is unsuccessful in increasing sales through its anticipated marketing efforts; (3) mistakes in cost estimates and cost overruns; (4) the Company's inability to obtain financing for general operations including the marketing of the Company's products; (5) non-acceptance of one or more products of the Company in the marketplace for whatever reason; (6) the Company's inability to supply any product to meet market demand; (7) generally unfavorable economic conditions which would adversely effect purchasing decisions by distributors, resellers or consumers; (8) development of a similar competing product at a similar price point; (9) the inability to successfully integrate one or more acquisitions, joint ventures or new subsidiaries with the Company's operations (including the inability to successfully integrate businesses which may be diverse as to type, geographic area, or customer base and the diversion of management's attention among several acquired businesses) without substantial costs, delays, or other problems; (10) if the Company experiences labor and or employment problems such as the loss of key personnel, inability to hire and/or retain competent personnel, etc.; (11) if the Company experiences unanticipated problems and/or force majeure events (including but not limited to accidents, fires, acts of God etc.), or is adversely affected by problems of its suppliers, shippers, customers or others; and (12) foreign currency exchange rate fluctuations. All written or oral forward-looking statements attributable to the Company are expressly qualified in their entirety by such factors. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Notwithstanding the foregoing, the Company is not entitled to rely on the safe harbor for forward looking statements under 27A of the Securities Act or 21E of the Exchange Act as long as the Company's



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stock is classified as a penny stock within the meaning of Rule 3a51-1 of the Exchange Act. A penny stock is generally defined to be any equity security that has a market price (as defined in Rule 3a51-1) of less than \$5.00 per share, subject to certain exceptions.

The following discussion should be read in conjunction with the Consolidated Financial Statements, including the notes thereto.

The Company develops, markets and sells fully scalable software (under the brand name of INVU) for the electronic management of all types of information and documents, such as forms, correspondence, literature, faxes, e-mail, technical drawings, electronic files and web pages. Management believes that the INVU software strongly adheres to the Company's brand values of ease of use, functionality and price performance.

The Company's objective is to establish itself as a leading global supplier of information and document management software and services. Management believes that, as the market matures, the purchase of document management systems will become increasingly routine as buyers become acquainted with both the technology and applications. In order to deal with the increased demand, the Company continues to improve the quality of its third party value added resellers. Management considers both branding and product positioning fundamental to attaining the market share required to profitably achieve its objective of being a leading supplier of information and document management software.

The Company is fully focused on its professional range of products, which include INVU Series 100, Series 200, Series 250, i200 and CodeFree Integration, where the Company continues to target its sales and marketing efforts on several easily identifiable mature market channels. These channels include software distributors and resellers who market to small and medium size enterprises as well as departmental users in major organizations, strategic alliances with hardware manufacturers and distributors, and direct sales to major institutions and organizations.

Management has adopted a value added reseller (VAR) model for sales of its products in the UK, Ireland, Holland and Belgium. The Company is also pursuing non-exclusive distributors for its products in other territories. Management is extremely encouraged by the number and quality of the resellers that have been recruited to date to sell the product. Each VAR is currently engaged, as an accredited reseller, at an initial fee of approximately \$3,820 with a recurring annual fee thereafter. The Company continually monitors its resellers to ensure that they meet the stringent INVU accreditation requirements and discharges those who fail to meet this criteria. The Company continues its aggressive VAR recruitment campaign, having recruited 33 (including four in Holland) new resellers during the fiscal year ended January 31, 2003 (the "Current Fiscal Year"). Management has set an ambitious target to recruit further VARs by the end of the Current Fiscal Year. A new sales manager,

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specifically tasked with this objective, joined the Company in February 2003. Ten new VARs were recruited in the quarter ended April 30, 2003 and a further ten in the quarter ended July 31, 2003.

Typically in a VAR based route to market, sales success can be inconsistent. However, the INVU sales management team has implemented an intensive marketing and sales support program with its resellers, including sales and technical training, joint seminars, direct mail and joint telephone marketing campaigns. The success of this ongoing program has provided many of the recruited resellers with a pipeline of end-user opportunities, which they

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are actively pursuing with the involvement of Company sales personnel. Many newly recruited resellers are taking sales orders within two weeks of accreditation. The level of end user inquiries continues to grow and these inquiries are now being converted into sales at a rapidly increasing rate. Even more satisfying is the increase in average number of users per sale and the significant reduction in time between first contact and order placement by end users. Management believes that this continues to reflect the Company's brand values of ease of use, high quality and price performance.

Together with the steady increase in adoption of the INVU range by companies in the small/medium enterprise market, management is encouraged by the continuing level of interest from large organizations with new and repeat orders being received from, amongst others, Mitsubishi UK, Centrica, Persimmon Homes, Willmott Dixon, University Hospital Wales, Maersk Group, University of Hull, and Misys Financial Solutions.

The significant expansion of the sales team in the fiscal year ended January 31, 2002, under the guidance of Jon Halestrap (VP of Sales and Marketing), provided INVU with an experienced and dedicated team with which to recruit a reseller base and explore other sales opportunities during the year ended January 31, 2003. The subsequent UK recruitment of a "Dealer Sign-Up Manager", and a further "Business Development Manager" signaled the Company's intent to expand sales even further in the Current Fiscal Year. During the quarter ended July 31, 2003, the Company has deployed three further sales personnel.

Following the successful acquisition of Corsham Holding B.V., in August 2002, whose name has now been changed to INVU Netherlands B.V., the Company now has representation in Amsterdam, Holland. A country manager was recruited, who is directed by and responsible to the Company's board of directors. The initial success of this venture led to the recent expansion of the Dutch sales team and a further eight VARs have been recruited in Holland and Belgium. Sales for the quarter ended July 31, 2003 have increased considerably and management expects further significant growth in subsequent quarters. The Dutch venture reflects INVU's global aspirations, whilst ensuring that tight fiscal controls are exercised over the business during this period of growth and change.

Management believes that the increased experience in the document management sector of its sales team and resellers together with their proven ability to develop and grow sales revenue continue to be the key factors in the rapid development of the Company. Most current resellers have now attended the INVU bespoke sales training course, which has proved extremely successful in terms of lead generation and conversion. Management expects continued sales growth during the Current Fiscal Year and beyond.

According to IDC, the content and document management services market will expand at a compound annual growth rate of 44 percent to reach about \$24.4 billion in 2006 (from Worldwide and U.S. Content and Document Management Services: Mid-Year Forecast Update 2002), and Management believes that it has the ability to be a major provider of information management to businesses world-wide. Management considers that the INVU brand awareness is increasing. Unsolicited inquiries from prospective end users and resellers are increasing significantly, as are visitor numbers at exhibitions, trade fair and shows. The Company believes that its current products, together with planned future developments, are well matched to its target market, and that its brand values of ease of use, functionality and price performance have already and will continue to differentiate its products from its competitors.

Throughout the three months ended July 31, 2003, the Company has continued to develop its software products. Version 5.2 of the Company's professional range of products, INVU Series 100 and Series 200, contains the newly developed OCR (Optical Character Recognition) functionality, which works

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with all Microsoft Office™ and Adobe™ file types and scanned images. This functionality automatically allows a user to keyword search all existing documents in the system. This release also contains a Microsoft Office Add-In, which allows integration with Microsoft Office™ 2000. This gives INVU the ability to send items from Microsoft Outlook to a user-selectable in-tray. It also allows users to save documents from Microsoft WORD, EXCEL and PowerPoint as an INVU filing, even if these files are created outside of INVU.

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INVU Series 250, the "Sequential Workflow Module", allows documents, forms and files to be "intelligently" routed electronically to specific departments and individuals in a pre-determined sequence. Individuals who receive the file may review and revise it, and the file will then be sent to the next individual in the pre-determined order. This module is a generic adaptation of a bespoke program already in use with customers such as Universal Music Group. The workflow module is designed to be customer friendly and easy to use. Sales and inquiry levels for this product continue to rise. Management believes that the functionality of Series 250 has given the INVU range a much broader appeal to its potential customer base.

The Company has successfully developed a highly sophisticated code free integration tool for use with the INVU professional range of products. This allows INVU products to be linked to any other Windows(TM) or Windows(TM) emulation-based applications. This is achieved without the need for further software development and gives INVU resellers the ability to add considerable value to the INVU product offering without the difficulty and cost of hiring and managing development programmers. This product has successfully been used to "document enable" many different applications, including accountancy, patient record, financial back office and contact management systems, whereby a "mouse-click" on a specified screen within the native application will automatically link to INVU and provide a copy of the relevant image stored in INVU. The displayed image could, for example, be an invoice, medical chart, tax return or marketing literature. Management believes the use of this product for Universal Music Group and other projects has significantly reduced cost and installation timescales. The Company believes that this product provides a significant competitive advantage when compared to other information and document management technologies. Sales of the "codefree" module have increased significantly, with one in three INVU installations employing this technology. Management expects this trend to continue, particularly now that the new enhanced version of "codefree" has been released into the market. Sales and inquiries for Advanced CodeFree Integration are rapidly increasing.

INVU i200 (formerly codenamed Series 2000 or INVU WEBFAST) allows global access to retrieve, view, edit, and file information via the web. This product was successfully launched in the first quarter of the Current Fiscal Year. Management believes that this product forms the basis of future developments for many of its existing and future end users. In the opinion of management, with this technology, INVU now offers a key functionality that is comparable to the world's most established document and content management solutions, but at a significantly lower price. Development work is nearing completion on INVUi250, which combines all the functionality of INVU i200 but with additional intelligent routing capabilities via the web.

Development and testing of a highly sophisticated content addressable indexing and retrieval system has continued throughout the period. Full text retrieval technology is already available within the latest release of Series 200 and Series 250, and INVU has developed technology, which is currently being tested, that is designed to allow access to data and documents through intelligent frequency of word and phrase recognition and semantic networking. The technology is further designed to convert scanned images into text using

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standard and bespoke developed Optical Character Recognition technology, and even poor quality scanned images may yield words and phrases that INVU's technology will retrieve. The Company expects this product to further enhance filing and retrieval speeds for organizations with large multiple data storage requirements across networks, intranets, extranets and the internet. Management further believes that these artificial intelligence products have the potential to revolutionize business processes across a range of commercial applications. Beta versions of this technology have been incorporated into the Britech project, discussed below, and other development projects.

An agreement was signed on August 1, 2002 between The Britech Foundation Limited, Smashing Concepts Ltd (an Israeli company) and INVU Inc. Britech is an Anglo-Israeli Government funding initiative concerning bilateral co-operation in private sector industrial research and development. INVU and Smashing Concepts put forward a joint proposal to develop a web based application that will enable financial services organizations to interrogate multiple data sources and, via an electronic filtration mechanism, provide highly sophisticated categorization of information within pre-determined parameters. This will allow faster and more accurate retrieval of relevant data from which reliable decisions can be made. The combination of INVU's proven technology and that provided by Smashing Concepts has convinced Britech to invest nearly \$500,000 into the project. INVU and Smashing Concepts will invest a similar amount between them in new employees dedicated to this project and other development expenses, and the project should provide an end user solution within 18 months of the contract date. Due to the cutting edge technology being developed, management expects further spin-off benefits to accrue that will complement the Company's current product portfolio. Encouraging progress has been made on this project, which is currently on budget and within original timescales.

### Critical Accounting Policies

Invu's financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. Critical accounting policies for Invu include revenue recognition, accounting for research and development costs, accounting for the impairment of long-lived assets, accounting for business combinations and goodwill and accounting for contingencies.

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Invu recognizes revenue in accordance with American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 97-2, Software Revenue Recognition as amended by Statement of Position (SOP) 98-9, Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions, (SOP 98-9). Fees for services and maintenance are generally charged to customers separately from the license of software. Service revenue is recognized when services are performed. Maintenance revenue is deferred and recognized ratably over the term of the contract, normally twelve months. Revenues from license fees are recognized upon product shipment when fees are fixed, collectability is probable and the Company has no significant obligations remaining under the licensing agreement. In instances where a significant vendor obligation exists, revenue recognition is delayed until such obligation has been satisfied.

Invu accounts for research and development costs in accordance with several accounting pronouncements, including SFAS 2, Accounting for Research and Development Costs, and SFAS 86, Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed. SFAS 86 specifies that costs incurred

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internally in creating a computer software product should be charged to expense when incurred as research and development until technological feasibility has been established for the product. Once technological feasibility is established, all software costs should be capitalized until the product is available for general release to customers. Judgment is required in determining when the technological feasibility of a product is established. Invu believes that technological feasibility for its products is reached shortly before the products are released to manufacturing. Costs incurred after technological feasibility is established have been insignificant, and accordingly, the Company has not capitalized any software development costs.

Invu follows the provisions of Statement of Accounting Standards (SFAS No. 144), Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 supersedes SFAS 121 but maintains the same accounting standards for the impairment of long-lived assets, certain identifiable intangibles and items related to those assets. The Company reviews long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows is less than the carrying amount of the assets, the Company recognizes an impairment loss. Impairment losses are measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. When fair values are not available, the Company estimates fair value using the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the assets.

Invu follows the provisions of SFAS No. 141, Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets. The Company capitalizes goodwill arising as a result of the acquisition of a subsidiary and does not amortize this goodwill. The goodwill is subject to an impairment review at least annually with any impairment provision being charged to the Statement of Operations in the relevant period.

Invu follows the provisions of SFAS No. 5, Accounting for Contingencies. SFAS No. 5 requires that an estimated loss from a loss contingency should be accrued for by a charge to income if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Disclosure of a contingency is required if there is a possibility that a loss has been incurred.

### Results of Operations

The following is a discussion of the results of operations for the six months ended July 31, 2003, compared with the six months ended July 31, 2002, with further comparison between the three months ended July 31, 2003 and the three months ended July 31, 2002, together with changes in financial condition during the six month period ended July 31, 2003.

Total revenues increased by \$44,386, or 7.4%, from \$601,255, for the three months ended July 31, 2002 to \$645,641, for the three months ended July 31, 2003, and increased by \$248,204, or 24.5%, from \$1,013,606, for the six months ended July 31, 2002 to \$1,261,810 for the six months ended July 31, 2003. This increase in revenues reflects the Company's continued expansion of its customer base and the increasing awareness of the Company's software products in the market place. Management believes this further reflects the Company's understanding of the requirements of its end users.

The net loss for the three months ended July 31, 2003 was \$342,882, which is \$35,653 or 11.6% more than the net loss for the corresponding period in the prior fiscal year of \$307,229, mainly due to increased operating expenses of \$95,480. The net loss for the six months ended July 31, 2003 was \$491,721, a decrease of \$193,668, or 28.3%, from the corresponding period in the prior

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fiscal year of \$685,389, mainly due to increased revenues and expenses and a decrease in net interest expense.

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Production costs consist of royalty fees associated with third party software, costs related to reproduction, packaging, and distribution of software, direct costs associated with the implementation of software solutions, consulting and training services and other costs related to product upgrades for existing users. Production costs as a percentage of total revenues were 7.6% and 7.1%, respectively, during the three and six months ended July 31, 2003 compared to 8.3% and 10.5%, respectively, during the same periods in fiscal year 2002. Despite the increase in sales, production costs decreased \$672, or 1.3%, during the three months ended July 31, 2003 compared to the same period in the prior fiscal year and decreased \$16,997, or 16%, during the six months ended July 31, 2003 compared to the same period in the prior fiscal year. These changes reflect an underlying fall in production costs as a proportion of revenues due to economies of scale, and improved supply terms.

Selling and distribution costs consist primarily of personnel costs, commissions, marketing literature, travel and promotional activities such as trade shows, seminars, advertising and public relations programs. Selling and distribution costs increased \$70,752, or 29.6%, and \$155,562, or 35.3%, respectively, during the three and six months ended July 31, 2003 compared to the same periods in the prior fiscal year. Selling and distribution costs as a percentage of total revenues were 48% and 47.3%, respectively, during the three and six months ended July 31, 2003 compared to 39.7% and 43.5%, respectively, during the same periods in the prior fiscal year. The changes over the comparable three and six month periods were due to the Company's new VAR-focused marketing initiatives to further increase sales during the Current Fiscal Year.

Research and development costs consist of continued software development and further enhancements to existing software products. These costs are expensed as incurred until technical feasibility has been established. To date, the establishment of technical feasibility and the subsequent general release to customers have been almost simultaneous, and, therefore, the Company has not capitalized software development costs. Research and development costs increased \$11,122, or 6.4%, and \$24,420, or 7%, respectively, during the three and six months ended July 31, 2003 compared to the same periods in the prior fiscal year. Research and development costs as a percentage of total revenues were 28.6% and 29.8%, respectively, during the three and six months ended July 31, 2003 compared to 28.9% and 34.6%, respectively, during the same periods in the prior fiscal year. The Company now has an established in-house development team capable of meeting all of the Company's planned development requirements. Management expects that this continued investment in research and development will provide the release of Version 5.3 of Series 200, Series 250 and i200 in the next quarter of the Current Fiscal Year, together with continued work on the Britech project and other artificial intelligence products. All of these developments are aimed at providing end users with products that management believes have the best combination of value and performance in its market sector.

Administrative costs include the personnel and other costs of the administration, costs associated with being a public company subject to the reporting requirements of the Exchange Act, human resources and finance departments, together with property expenses, exchange gains and losses, debt provisions, amortization of intangibles and depreciation of tangible assets. These costs increased \$14,278, or 4.4%, during the three months ended July 31, 2003 and decreased \$50,215, or 8.7%, during the six months ended July 31, 2003, compared to the same periods in the prior fiscal year. Administrative costs as a percentage of total revenues had reduced to 53% and 41.7%, respectively, during

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the three and six months ended July 31, 2003 compared to 54.5% and 56.9%, respectively, during the same periods in the prior fiscal year. The dollar decrease in administrative costs over the comparable six month period was due to the Company's additional legal fees in the prior fiscal year and reduced depreciation of fixed assets. The increase in administrative costs in the three months ended July 31, 2003 as compared to the comparative period in the prior fiscal year is in line with the increase in revenues for the period.

During the three and six months ended July 31, 2003, the Company incurred net interest expense of \$102,660 and \$165,968, respectively, compared to net interest expense of \$118,101 and \$224,202, respectively, during the corresponding periods in the prior fiscal year. This decrease is mainly due to the movement in exchange rates between the US Dollar and pound sterling. Management expects interest costs to fall if and when additional investment funding is secured at favorable rates. Interest costs will also decrease if and when net revenues are adequate to consistently generate net cash inflows.

The tax rates for the periods in question are zero due to a net loss in each period.

The total current assets of the Company were \$1,532,037 at July 31, 2003, a decrease of \$275,858 compared to \$1,807,895 at January 31, 2003. Working capital was negative \$7,332,229 as of July 31, 2003, compared with negative \$6,525,695 as of January 31, 2003. These changes are mainly due to increases in inventories, prepaid expenses, current maturities of long term obligations, accounts payable, deferred revenue and taxation liabilities and decreases in accounts receivable, cash, short term credit facilities, and accrued liabilities. The decrease in accounts receivables of \$329,049 from \$1,559,094 at January 31, 2003 to \$1,230,045 at July 31, 2003, was due to improved cash collections from customers.. The cash relates to bank balances held by the Dutch subsidiary. The Dutch subsidiary acquired in August 2002 has a tax liability of \$2,025,254. The movement in the tax liability between January 31, 2003 and July 31, 2003 is entirely due to changes in exchange rates. Based on professional

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advice, management believes that this liability will be expunged once agreement of the tax computations and returns for the period ending January 31, 2003 has been reached with the Dutch tax authorities, although no assurance can be given that the applicable tax authorities will reach the same conclusion in the event of an audit or other regulatory inquiry. Management believes that a significant part of the current maturities of long term obligations, together with accrued interest included in accrued liabilities, will ultimately be converted into equity and not become repayable.

Total assets of the Company were \$3,137,070 at July 31, 2003, a decrease of \$399,748 compared to \$3,536,818 at January 31, 2003. This is attributable to decreases in fixed assets of \$65,312, intangible assets and goodwill of \$58,578 and current assets of \$275,858. The goodwill of \$1,331,136 at July 31, 2003 is in respect of the acquisition of the Dutch subsidiary in August 2002 for consideration of \$4,195,778, including professional fees.

The total current liabilities of the Company increased by \$530,676 from \$8,333,590 at January 31, 2003 to \$8,864,266 at July 31, 2003. This increase in current liabilities is due to an increase in current maturities of long-term obligations of \$407,641, accounts payable of \$110,611, deferred revenues of \$81,784 and taxation liabilities of \$93,694. There have been decreases in short term credit facilities of \$55,799 and accrued liabilities of \$107,255. These changes continue to reflect the Company's current reliance on short term credit facilities and loan finance. Long-term obligations less current maturities were \$1,538,298 at July 31, 2003 compared to \$1,811,922 at January 31, 2003.

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Total stockholders' equity decreased by \$656,800 during the six month period ended July 31, 2003 from a deficit of \$6,608,694 at January 31, 2003 to a deficit of \$7,265,494 at July 31, 2003. The Company is evaluating various financing options, including issuing debt and equity and strategic acquisitions.

### Financing Management's Plan of Operation

Due to the current levels of sales revenues, the Company is approaching a position whereby it will be able to meet current operating expense payments out of current revenue receipts. If revenues continue to grow as predicted and assuming that cash collections are in line with management's forecasts, management believes that the Company will be in a position to finance the Company's day to day operations from internally generated working capital; however the Company is seeking additional financing in order to pay down its outstanding indebtedness and to enable the Company to further accelerate its growth both organically and through acquisition.

The Company has a \$321,500 short-term credit facility with an annual interest rate currently of 5.50% with an English bank. The amount drawn against the facility at July 31, 2003 was \$237,539, which is repayable on demand at the bank's discretion. This facility has been renewed and the next review date has been set for February 10, 2004. The Company's bank also provided a further credit facility of \$964,500 in October 2001 by way of notes payable with re-negotiated monthly repayments of \$40,187 for June through September 2003 and \$80,375 from October 2003 through July 2004. This facility currently bears interest at the rate of 5.50% per annum. The bank credit facilities and notes payable are collateralized by all assets of the Company, a corporate guarantee given by Vertical Investments Limited and a guarantee of \$160,750 given by David Morgan.

In August 1999, the Company received a loan in the aggregate principal amount of \$600,000 and a second loan in the principal amount of \$400,000 (together "Loan Stock Instruments") from Alan David Goldman (the father of Daniel Goldman), Vertical Investments Limited and Tom Maxfield (a non-executive director of the Company). The Loan Stock Instruments currently bear interest at the rate of 6% and 10% per annum, respectively, and may be converted by the investors into one share of common stock for each \$0.65 and \$0.50, respectively, of outstanding principal and accrued but unpaid interest. If the Loan Stock Instruments are not converted, they may be redeemed upon 30 days notice by the investors. The Loan Stock Instruments will also be automatically converted upon the occurrence of certain events. See "Note D-Long Term Obligations" in the Consolidated Financial Statements.

In February 2001, Vertical Investments Limited lent the Company \$1,000,000. Vertical Investments Limited made further advances of \$250,000 in May 2001, \$50,000 in July 2001, \$500,000 in September 2001, \$275,000 in December 2001 and \$275,000 in February 2002 (collectively, the "Vertical Loans"). Effective as of December 2001, the Vertical Loans then outstanding were restructured to apply conversion features to enable the loans to be converted by the Company into shares of the Company's common stock at conversion prices ranging from \$0.13 to \$0.25 per share at various times. The May and July loans were due for repayment on May 25, 2003. Management has entered into discussions with Vertical Investments Limited regarding the re-structuring of these loans, and does not believe that demands for repayment will be forthcoming.

In May 2001, the Company received \$50,000 from Paysage Investments Limited and in June 2001, the Company received \$84,000 from Pershing Nominees and \$25,000 from Guernroy Limited. Each of these advances referenced in this



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paragraph were made by way of convertible loans at an interest rate per annum of 1.5% above the UK bank base rate. Each of the convertible loans has maturity date 24 months from date of issue, but principal and interest may be repaid at any time without penalty. The loans are convertible at the rate of \$0.25 per share of common stock, and the investor may convert, having given 45 days notice, at any time during the 24 month period. These loans were due for repayment in May and June, 2003. No formal demand for repayment has been made, and Management also expects to restructure these loans.

In June 2002, the Company secured a short term credit facility of \$401,875 from Bank Leumi at an annual interest rate currently at 6.50%. This facility was increased to \$482,250 in August 2003 at the same interest rate. The credit facility is collateralized by all assets of the Company and a corporate guarantee given by Vertical Investments Limited. The amount drawn against the facility at July 31, 2003 was \$401,875, which is repayable on demand at the bank's discretion. This facility is due for renewal in January 2004.

On May 24, 1999, the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the State of Israel signed an agreement concerning the bilateral co-operation of the two countries in private sector industrial research and development and establishing a United Kingdom-Israel Industrial Research and Development Fund, also known as The Britech Fund. As a result, the Company entered into a Co-operation and Project Funding Agreement on August 1, 2002 with Smashing Concepts Ltd., a software development company based in Israel ("Smashing Concepts"), and The Britech Foundation Limited, the non-profit administrator of The Britech Fund ("Britech"), pursuant to which Britech approved a proposal submitted jointly by the Company and Smashing Concepts for the financial support of a software development project between the two companies (the "Project").

Britech agreed to provide funds by conditional grant for the implementation of the Project in an amount equal to the lesser of (pound)310,000 (US\$495,380) or 50% of the actual expenditures on the Project (as contemplated in the approved budget of the Project). Such amount was divided equally between the Company and Smashing Concepts. On August 22, 2002, the Company received an initial payment of (pound)71,000 (US\$113,458) from Britech, which has been included in deferred revenue. Following the satisfactory completion of the "integration phase" of the Project, Britech made an additional payment of (pound)66,000 (US\$105,468) to the Company on February 18, 2003. Britech will make a final payment of (pound)18,000 (US\$28,764) to the Company upon the completion of the Project. The Company and Smashing Concepts are required to make certain repayments to Britech of the grant amounts based on the gross sales derived from the sale, leasing or marketing of innovations developed during the course of the Project, as well as make certain royalty payments to Britech based on sales of patented products developed during the course of the Project. Additionally, the Company and Smashing Concepts are required to pay to Britech a percentage of all licensing revenues achieved from products developed during the course of the Project.

On August 23, 2002, INVU International Holdings Limited, a wholly-owned subsidiary of the Company ("INVU Holdings"), entered into an Agreement for the Sale, Purchase and Transfer of Shares (the "Agreement") pursuant to which INVU Holdings agreed to purchase all of the issued and outstanding stock (the "Corsham Stock") of Corsham Holding B.V., a company incorporated under Dutch law ("Corsham"), from B.V. Holding Maatschappij "De Hondsrug," a company incorporated under Dutch law ("B.V. Holding"). In consideration for the Corsham Stock, INVU Holdings agreed to (i) assume an aggregate of (Euro) 3,006,294 (US\$2,923,928) of debt owed by B.V. Holding to Corsham and (ii) make a cash payment equal to (Euro) 965,544 (US\$939,090) to B.V. Holding. The Agreement provides that the acquisition of the Corsham Stock would be effective as of August 23, 2002. The purchase price for the Corsham Stock was based on the net asset value of Corsham on August 23, 2002, as set forth in Corsham's balance

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sheet, plus an amount equal to 18.5% of Corsham's net profits before taxes for the financial year 2002 through August 23, 2002.

Pursuant to the terms of the Agreement for the Sale, Purchase and Transfer of Shares dated as of August 23, 2002, by and among INVU Holdings, B.V. Holding and Corsham (the "Second Agreement"), INVU Holdings and Corsham entered into a Transfer of Trade Secret and Exclusive License of Know-How Agreement on September 6, 2002, pursuant to which INVU Holdings agreed, under certain conditions, to transfer confidential information, an exclusive license to use its technology and its business plan to Corsham. In exchange for such transfer, Corsham has agreed to (i) make a cash payment equal to (Euro) 965,544 (US\$950,385) to INVU Holdings and (ii) reduce the debt owed by INVU Holdings to Corsham by (Euro) 1,330,783 (US\$1,309,890). Pursuant to the terms of the Second Agreement, INVU Holdings and Corsham also entered into an Exclusive Copyright and Trademark/Tradename License Agreement on September 6, 2002 pursuant to which INVU Holdings agreed, inter alia, to grant exclusive software and copyright licenses of certain of its products to Corsham for an initial term of four years. In consideration for such exclusive licenses, Corsham has agreed to (i) reduce the debt owed by INVU Holdings to Corsham by an additional (Euro) 1,675,511 (US\$1,649,205) and (ii) pay an aggregate amount equal to (Euro) 35,400,661 (US\$34,844,871) to INVU Holdings, which amount shall be loaned to Corsham by INVU Holdings pursuant to a Loan Agreement entered into by INVU Holdings and Corsham dated as of September 6, 2002. These transactions have been eliminated in the consolidated financial statements. The value of the distribution and technology transfer rights licensed to Corsham was based on two

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valuations that INVU Holdings received from independent accounting firms. The Company has received independent tax advice that the transfers referred to above will not result in a tax liability, although no assurance can be given that the applicable tax authorities will reach the same conclusion in the event of an audit or other regulatory inquiry relating to the transaction.

The distribution and technology transfer rights licensed to Corsham will be written down in the financial statements of Corsham over a period commensurate with standard accounting practices in the Netherlands to reflect depreciation. It is, therefore, anticipated that this transaction will result in a substantial reduction in Corsham's tax liability in the Netherlands. As a result of this transaction, the cash holdings of the INVU group increased by approximately (pound) 322,627 (US\$490,684).

Additionally, INVU Holdings changed the corporate name of Corsham to INVU Netherlands BV.

In July 2003 the sum of \$343,203 was deposited with the Company by way of a short term unsecured loan from Vertical Investments Limited. The terms of this loan are currently under negotiation.

As noted above, the Company has continued to raise significant funding during difficult market conditions. The Company is in the process of seeking further financing from a number of sources in order to pay down its outstanding indebtedness and to enable the Company to further accelerate its growth both organically and through acquisition. As mentioned previously, a number of the Company's outstanding loans are now due for repayment, although demands for repayment have not yet been made. It should be noted that with respect to certain loans the Company has the right, in the event of a demand for repayment, to satisfy the loan by issuing shares of Company common stock to the lender at conversion prices ranging from \$.13 to \$.25 per share. Management has commenced negotiations regarding the repayment and/or conversion of these loans and

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believes that demands for repayment will not be made until the Company is in a position to meet those demands. There can, however, be no assurance that the Company's lenders will continue to defer payment. In addition, there can be no assurance that additional debt or equity financing will be available, if and when needed, or that, if available, such financing could be completed on commercially favorable terms. Failure to obtain additional financing if and when needed, could have a material adverse affect on the Company's business, results of operations and financial condition. Please refer to Note B of the Consolidated Financial Statements in conjunction with this paragraph regarding the Company's ability to continue as a going concern.

### Item 3. Controls and Procedures

As of the end of the period covered by this quarterly report, an evaluation was performed under the supervision and with the participation of the Company's management, including the CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC reports. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

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## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings.

None

### Item 2. Changes in Securities.

There have been no changes in securities during the period.

### Item 3. Default Upon Senior Securities.

None

### Item 4. Submission of Matters to a Vote of Security Holders.

None

### Item 5. Other Information.

None

### Item 6. Exhibits and Reports on Form 8-K.

None

## EXHIBITS

### (a) Exhibits

Exhibit

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| Number<br>----- | Description of Exhibit<br>-----   |
|-----------------|---|
| 10.1            | Overdraft Facility, dated July 19, 2000, by and between the Company and the Bank of Scotland (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).   |
| 10.2            | Corporate Guarantee, dated July 18, 2000, by and among the Company, Invu Plc, Invu Services Limited, Invu International Holdings Limited and the Bank of Scotland (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).  |
| 10.3            | Debenture, dated July 13, 2000, by and between Invu International Holdings Limited and the Bank of Scotland (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-QSB filed September 19, 2000).  |
| 10.4            | Overdraft Facility, dated October 29, 2001, by and between the Company and the Bank of Scotland (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-QSB filed December 14, 2001).   |
| 10.5            | Investment Agreement, dated August 23, 1999, among the Company, David Morgan, John Agostini, Paul O'Sullivan, Alan David Goldman, and Vertical Investments Limited (incorporated by reference from Exhibit 10.12 of the Company's Annual Report on Form 10-KSB filed October 15, 1999).   |
| 10.6            | Loan Stock Instrument, dated as of August 23, 1999, by the Company in favor of Alan David Goldman and Vertical Investments Limited (incorporated by reference from Exhibit 10.13 of the Company's Annual Report on Form 10-KSB filed October 15, 1999).   |
| 10.7            | Loan Stock Instrument, dated as of August 23, 1999, by the Company in favor of Alan David Goldman and Vertical Investments Limited (incorporated by reference from Exhibit 10.14 of the Company's Annual Report on Form 10-KSB filed October 15, 1999).   |
| 10.8            | Supplemental Agreement, dated as of August 23, 1999, among the Company, Vertical Investments Limited, Alan David Goldman, David Morgan, John Agostini, Paul O'Sullivan, INVU Services Limited and Tom Maxfield (incorporated by reference from Exhibit 10.15 of the Company's Annual Report on Form 10-KSB filed October 15, 1999). |
| 10.9            | Financing Arrangement, effective as of December 27, 2001, between Vertical Investments Limited, the Company, Invu Services Limited, Invu International Holdings Limited and Invu PLC (incorporated by reference from Exhibit 10.21 of the Company's Annual Report on Form 10-KSB filed May 1, 2002).                                |
| 10.10+          | Co-operation and Project Funding Agreement, dated as of August 1, 2002, by and between The Britech Foundation Limited and Smashing Concepts Ltd and INVU Inc. (incorporated by reference from Exhibit 10.10 of the Company's Quarterly Report on Form 10-QSB filed September 16, 2002).   |
| 10.11           | Agreement for the Sale, Purchase and Transfer of Shares, dated as of August 23, 2002, between and among B.V. Holding Maatschappij "De Hondsrug," INVU International Holdings Limited, and Corsham Holding   |

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B.V. (incorporated by reference from Exhibit 10.11 of the Company's Quarterly Report on Form 10-QSB filed September 16, 2002).

- 10.12 Agreement for the Sale, Purchase and Transfer of Shares, dated as of August 23, 2002, between and among B. V. Holding Maatschappij "De Hondsrug," and INVU International Holdings Limited (incorporated by reference from Exhibit 10.12 of the Company's Quarterly Report on Form 10-QSB filed September 16, 2002).
- 10.13 Exclusive Copyright and Trademark/Tradename License, dated as of September 6, 2002, between INVU International Holdings Ltd. and Corsham Holding B.V. (incorporated by reference from Exhibit 10.13 of the Company's Quarterly Report on Form 10-QSB filed September 16, 2002).
- 10.14 Transfer of Trade Secret and Exclusive License of Know-How Agreement, dated as of September 6, 2002, between INVU International Holdings Ltd. and Corsham Holding B.V. (incorporated by reference from Exhibit 10.14 of the Company's Quarterly Report on Form 10-QSB filed September 16, 2002).
- 10.15 Loan Agreement, dated as of September 6, 2002, between INVU International Holdings Ltd. and Corsham Holding B.V. (incorporated by reference from Exhibit 10.15 of the Company's Quarterly Report on Form 10-QSB filed September 16, 2002).
- 10.16 Loan Agreement, dated as of June 13, 2002, between INVU Services Limited and Bank Leumi (UK) plc. (incorporated by reference from Exhibit 10.16 of the Company's Quarterly Report on Form 10-QSB filed December 16, 2002).
- 31.1\* Certification of President and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2\* Certification of Vice President and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1\* Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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\*Filed herewith

+Confidential materials deleted and filed separately with the Securities and Exchange Commission

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### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned thereunto duly authorized.

INVU, INC.  
(Issuer)

Date: September 11, 2003

By: /s/ David Morgan

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David Morgan, President &

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Chief Executive Officer  
(Principal Executive Officer)

Date: September 11, 2003

By: /s/ John Agostini

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John Agostini, Vice President-Chief  
Financial Officer & Secretary  
(Principal Financial Officer)

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INDEX TO EXHIBITS

(a) Exhibits

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