

Edgar Filing: VFINANCE INC - Form 8-K/A

VFINANCE INC  
Form 8-K/A  
January 12, 2005

United States  
Securities and Exchange Commission  
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of earliest event reported

VFINANCE, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

(STATE OR OTHER JURISDICTION OF INCORPORATION OF ORGANIZATION)

1-11454-03

58-1974423

-----  
(COMMISSION FILE NUMBER)

-----  
(I.R.S. ID)

3010 North Military Trail, Suite 300 Boca Raton, FL 33431  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (561) 981-1000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

GENERAL EXPLANATION

The purpose of this report is to amend the Registrant's Current Report on Form 8-K dated November 2, 2004 that was filed with the Securities and Exchange Commission on November 8, 2004 (the "Initial Report") which reported on its acquisition of certain assets of Global Partners Securities, Inc. ("Global") and 100% of the issued and outstanding equity securities of EquityStation, Inc. ("EquityStation"), all of which were owned by Level2.com, Inc. ("Level2"), a subsidiary of Global. This report amends the Initial Report so as to provide the information required under Items 9.01(a) and 9.01(b) of Form 8-K.

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### ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

#### (a.1) Financial Statements of Business Acquired.

Financial Statements of Global Partners Securities, Inc.

Independent Auditors' Report

Balance Sheets Dated as of December 31, 2003, and September 30, 2004  
(Unaudited).

Statements of Operations for the Years ended December 31, 2002 and December 31,  
2003, and the Nine Month Period ended September 30, 2004 (Unaudited).

Statement of Stockholders' Equity for the Years ended December 31, 2002 and  
December 31, 2003, and the Nine Month Period ended September 30, 2004  
(Unaudited).

Statements of Cash Flows for the Years ended December 31, 2002 and December 31,  
2003, and the Nine Month Period ended September 30, 2004 (Unaudited).

Notes to Financial Statements for the Years ended December 31, 2002 and December  
31, 2003, and the Nine Month Period ended September 30, 2004 (Unaudited).

#### (a.2) Financial Statements of Business Acquired

Financial Statements of EquityStation, Inc.

Independent Auditors' Report

Balance Sheets Dated as of December 31, 2003, and September 30, 2004  
(Unaudited).

Statements of Operations for the Years ended December 31, 2002 and December 31,  
2003, and the Nine Month Period ended September 30, 2004 (Unaudited).

Statement of Stockholders' Equity for the Years ended December 31, 2002 and  
December 31, 2003, and the Nine Month Period ended September 30, 2004  
(Unaudited).

Statements of Cash Flows for the Years ended December 31, 2002 and December 31,  
2003, and the Nine Month Period ended September 30, 2004 (Unaudited).

Notes to Financial Statements for the Years ended December 31, 2002 and December  
31, 2003, and the Nine Month Period ended September 30, 2004 (Unaudited).

#### (b) Pro Forma Financial Information.

Unaudited Pro Forma Combined Financial Statements of vFinance, Inc.

Unaudited Pro Forma Combined Balance Sheet as of September 30, 2004.

Unaudited Pro Forma Statements of Operations for the Year ended December 31,  
2003.

Unaudited Pro Forma Statements of Operations for the Nine Month Period ended

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September 30, 2004.

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FINANCIAL STATEMENTS OF GLOBAL PARTNERS SECURITIES, INC.

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| Statements of cash flows .....                     | 9     |
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SHAVELL & COMPANY, P.A.  
Certified Public Accountants and Consultants

7700 Congress Avenue, Suite 3105, Boca Raton, FL 33487  
Ph (561) 997-7242 Fax (561) 997-7262  
info@shavell.net

INDEPENDENT AUDITORS' REPORT

To the Stockholder  
Global Partners Securities, Inc.  
Fort Lauderdale, Florida 33309

We have audited the accompanying statement of financial condition of Global Partners Securities, Inc. as of December 31, 2003, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Partners Securities, Inc. as of December 31, 2003, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

SHAVELL & COMPANY, P.A.

/s/ Shavell & Company, P.A.

Boca Raton, Florida  
February 20, 2004

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SHAVELL & COMPANY, P.A.  
Certified Public Accountants and Consultants

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### INDEPENDENT AUDITORS' REPORT

To the Stockholder  
Global Partners Securities, Inc.  
Fort Lauderdale, Florida 33309

We have audited the accompanying statement of financial condition of Global Partners Securities, Inc. as of December 31, 2002, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and

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significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Partners Securities, Inc. as of December 31, 2002, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Shavell & Company, P.A.

Boca Raton, Florida  
February 24, 2003

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### Global Partners Securities, Inc. BALANCE SHEETS

|   | December 31,<br>2003 | September<br>(unaud) |
|---|----------------------|----------------------|
| <b>ASSETS</b>                                   |                      |                      |
| Cash  | \$ 306,518           | \$ 41                |
| Receivable from Clearing Organizations          | 923,426              | 35                   |
| Due from Related Parties                        | 671,951              | 71                   |
| Bonds   | -                    | 27                   |
| Securities Owned:                               |                      |                      |
| Marketable Securities, at Market Value          | 114,244              | 3                    |
| Not Readily Marketable, at Estimated Fair Value | 24,400               | 2                    |
| Deposits  | 17,262               | 1                    |
| Prepaid Expenses                                | 1,165                |                      |
| Advances to Employees                           | 19,716               | 2                    |
| Property and Equipment, net                     | 31,963               | 1                    |
|   | \$ 2,110,645         | \$ 1,87              |
|   | =====                | =====                |
| <b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>     |                      |                      |
| <b>LIABILITIES</b>                              |                      |                      |
| Accounts Payable                                | \$ 368,658           | \$ 32                |
| Accrued Liabilities                             | 29,405               |                      |
| Commissions Payable                             | 197,358              | 11                   |
| Securities Sold, Not Yet Purchased, At Market   | 25,439               |                      |
| Loan Payable                                    | 291,889              | 21                   |
|   | 912,749              | 67                   |
|   | =====                | =====                |
| <b>COMMITMENTS AND CONTINGENCIES</b>            |                      |                      |
| Subordinated Loans                              | 600,000              | 55                   |

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|  |              |         |
|--|--------------|---------|
| STOCKHOLDER'S EQUITY   |              |         |
| Common Stock, No Par Value; Authorized<br>10,000 Shares; Issued and Outstanding 269 Shares | 134,500      | 13      |
| Additional Paid-in Capital   | 6,500,155    | 7,20    |
| Accumulated Deficit  | (6,036,759)  | (6,68   |
|  | 597,896      | 65      |
|  | \$ 2,110,645 | \$ 1,87 |

See accompanying notes to financial statements

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Global Partners Securities, Inc.  
STATEMENTS OF OPERATIONS

|                                    | Years ended December 31, |                | For the |
|------------------------------------|--------------------------|----------------|---------|
|                                    | 2002                     | 2003           | end     |
| REVENUE                            |                          |                |         |
| Commissions                        | \$ 227,663               | \$ 239,523     | \$      |
| Principal Transactions             | 2,648,220                | 2,973,115      |         |
| Interest and Dividends             | 58,141                   | 18,568         |         |
| Other Income                       | 336,731                  | 60,454         |         |
|                                    | 3,270,755                | 3,291,660      |         |
| EXPENSES                           |                          |                |         |
| Employee Compensation and Benefits | 2,410,604                | 2,889,413      |         |
| Clearance Fees                     | 530,139                  | 306,186        |         |
| Communications and Data Processing | 1,036,968                | 656,179        |         |
| Interest                           | 99,386                   | 89,963         |         |
| Occupancy                          | 344,117                  | 385,019        |         |
| Other Expenses                     | 675,557                  | 779,292        |         |
|                                    | 5,096,771                | 5,106,052      |         |
| NET LOSS                           | \$ (1,826,016)           | \$ (1,814,392) | \$      |

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See accompanying notes to financial statements

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Global Partners Securities, Inc.  
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

|   | Stock      | Common<br>Capital | Additional<br>Paid -in<br>Deficit |
|---|------------|-------------------|-----------------------------------|
| Balance, December 31, 2001              | \$ 100,000 | \$ 4,026,436      | \$ (2,07                          |
| Net Loss                                |            |                   | (1,82                             |
| Capital Contributed - Merger            | 39,000     | 995,678           | (32                               |
| Capital Contributed                     |            | 305,000           |                                   |
| Conversion of Subordinated Loans        |            | 350,000           |                                   |
| Repurchase of Outstanding Shares        | (4,500)    | (495,500)         |                                   |
| Balance, December 31, 2002              | 134,500    | 5,181,614         | (4,2                              |
| Net Loss                                |            |                   | (1,8                              |
| Capital Contributed                     |            | 1,318,541         |                                   |
| Balance, December 31, 2003              | 134,500    | 6,500,155         | (6,0                              |
| Net Loss (unaudited)                    |            |                   | (6                                |
| Capital Contributed (unaudited)         |            | 703,000           |                                   |
| Balance, September 30, 2004 (unaudited) | \$ 134,500 | \$ 7,203,155      | \$ (6,6                           |

See accompanying notes to financial statements

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Global Partners Securities, Inc.  
STATEMENTS OF CASH FLOWS

|                                      | Years ended December 31, |                | For th |
|--------------------------------------|--------------------------|----------------|--------|
|                                      | 2002                     | 2003           | end    |
| CASH FLOWS FROM OPERATING ACTIVITIES |                          |                |        |
| Net Loss                             | \$ (1,826,016)           | \$ (1,814,392) | \$     |
| Adjustments to Reconcile Net Loss    |                          |                |        |
| Provided By Operating Activities:    |                          |                |        |
| Depreciation                         | 38,074                   | 22,646         |        |
| Change in Assets and Liabilities:    |                          |                |        |
| Increase (Decrease) In:              |                          |                |        |

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|   |              |             |
|---|--------------|-------------|
| Receivable from Clearing Organizations              | 12,376,388   | (15,283)    |
| Bonds   | -            | -           |
| Marketable Securities, at market value              | 174,520      | (23,751)    |
| Prepaid Expenses                                    | 74,660       | 16,521      |
| Advances to Employees                               | 137,492      | 34,559      |
| Increase (Decrease) In:                             |              |             |
| Accounts Payable                                    | 14,104       | 211,444     |
| Accrued Liabilities                                 | 3,657        | 16,248      |
| Payable to Clearing Organizations                   | (10,743,354) | (5,000)     |
| Commission Payable                                  | 11,401       | 96,094      |
| Securities Sold, Not yet Purchased, at market       | (328,888)    | 18,625      |
|   | -----        | -----       |
| Net Cash Used in Operating Activities               | (67,962)     | (1,442,289) |
|   | -----        | -----       |
| CASH FLOWS FROM INVESTING ACTIVITIES                |              |             |
| Purchase of Not Readily Marketable Securities       | (4,300)      | -           |
| Increase (Decrease) in Deposits and Other           | 4,527        | (464)       |
|   | -----        | -----       |
| Net Cash Provided by (Used in) Investing Activities | 227          | (464)       |
|   | -----        | -----       |
| CASH FLOWS FROM FINANCING ACTIVITIES                |              |             |
| Capital Contributed from Merger                     | 65,803       | -           |
| Capital Contributed from Parent                     | 305,000      | 1,318,541   |
| Repurchase of Common Stock                          | (500,000)    | -           |
| Advances on related Party Loans                     | (178,764)    | (346,629)   |
| Repayments on Related Party Loans                   | 507,587      | 620,826     |
| Advances on Long Term Debt                          | 23,512       | -           |
| Repayments on Loan Payable                          | (13,741)     | (11,782)    |
|   | -----        | -----       |
| Net Cash Provided by Financing Activities           | 209,397      | 1,580,956   |
|   | -----        | -----       |
| Increase in Cash                                    | 141,662      | 138,203     |
| Cash:   |              |             |
| Beginning of Period                                 | 26,653       | 168,315     |
|   | -----        | -----       |
| End of Period                                       | \$ 168,315   | 306,518     |
|   | =====        | =====       |
| SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION  |              |             |
| Cash Payments for Taxes                             | \$ -         | \$ -        |
|   | =====        | =====       |
| Cash Payments for Interest                          | \$ 99,386    | \$ 79,486   |
|   | =====        | =====       |
| NON CASH FINANCING ACTIVITY                         |              |             |
| Conversions Of Subordinated Loans to Equity         | \$ 350,000   | \$ -        |
|   | =====        | =====       |

See accompanying notes to financial statements



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### NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2002, December 31, 2003, and for the Nine Months ended September 30, 2004 (unaudited)

#### NOTE 1: Summary of Significant Accounting Policies

##### Nature of Business

Global Partners Securities, Inc. (the "Company") is a broker-dealer in securities registered with the Securities and Exchange Commission (SEC) and a member of the National Association of Securities Dealers (NASD). The Company operates one main office in Fort Lauderdale, Florida and a smaller office in New York. The Company is a wholly owned subsidiary of Global Partners Group, Inc. (the "Parent").

In connection with its activities as a broker-dealer, the Company does not hold customer funds or securities, and promptly transmits all customer funds received to its clearing firms. Although the Company's clearing firms maintain all of the accounts of such customers and preserve all required and customary records, the Company remains contingently liable for losses incurred on these accounts.

##### Interim Financial Information

The accompanying unaudited financial statements for the nine months ended September 30, 2004, have been prepared in accordance with generally accepted accounting principles for interim financial statements. The accompanying financial statements for the interim periods are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the periods presented.

##### Securities Transactions

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customers' securities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

Marketable securities are valued at market value. Securities not readily marketable are valued by management based on their experience in the industry.

##### Clearing Expenses

Clearing expenses are recorded on a trade-date basis as securities transactions occur.

##### Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

##### Property and Equipment

Property and Equipment is stated at cost. Depreciation is computed primarily using accelerated methods over the estimated useful life of the respective assets, generally five to seven years.

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Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and the carrying value of the asset.

### Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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### NOTE 1: Summary of Significant Accounting Policies (CONTINUED)

#### Concentration of Credit Risk

The Company at times has cash in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits. The Company places its temporary cash investments with high credit quality financial institutions. Cash held by these financial institutions in excess of FDIC limits amounted to approximately \$134,254 at December 31, 2003 and \$210,898 at September 30, 2004.

#### Securities Owned and Sold, Not Yet Purchased

Securities owned and securities sold, not yet purchased are carried at quoted market value. The increase or decrease in net unrealized appreciation or depreciation of securities owned and sold, not yet purchased is credited or charged to operations and is included in trading gains and (losses) in the statement of operations.

#### Advertising

Costs of advertising are expensed as incurred and amounted to \$20,714 for the year ended December 31, 2002, \$57,278 for the year ended December 31, 2003 and \$34,031 for the nine month period ended September 30, 2004.

#### Receivable from Clearing Organization

Broker Receivables represent amounts due from the clearing organizations related to monies earning interest at the clearing broker from settled and unsettled transactions.

#### Income Taxes

The Company files federal and state corporate income tax returns. The Company has not accrued any federal or state income tax liability for the year ended December 31, 2003 and the nine month period ended September 30, 2004.

The Company accounts for deferred income taxes using Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," (SFAS 109). The statement requires that deferred income taxes reflect the tax consequences on future years of differences between the tax basis of assets and liabilities and their basis for financial reporting purposes. In addition, SFAS 109 requires the

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recognition of future tax benefits, such as net operating loss carry forwards, to the extent that realization of such benefits are more likely than not.

Note 2: Securities owned and Sold, not yet purchased

Marketable securities owned and sold, not yet purchased, consist of trading securities at market values as follows:

|                         | December 31,<br>2003 | September 30, 2004<br>(unaudited) |
|-------------------------|----------------------|-----------------------------------|
| -----                   |                      |                                   |
| Corporate Stocks        |                      |                                   |
| Owned                   | \$ 114,244           | \$ 38,119                         |
| Sold, not yet purchased | \$ 25,439            | \$ 3,358                          |

Securities not readily marketable include investment securities that cannot be offered or sold because of restrictions or conditions applicable to the securities and consist of:

|                  | December 31,<br>2003 | September 30, 2004<br>(unaudited) |
|------------------|----------------------|-----------------------------------|
| -----            |                      |                                   |
| Corporate Stocks | \$ 1,000             | \$ -                              |
| Warrants         | 23,400               | 24,400                            |
|                  | -----                | -----                             |
|                  | \$ 24,400            | \$ 24,400                         |
|                  | =====                | =====                             |

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### GLOBAL PARTNERS SECURITIES, INC. NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: PROPERTY AND EQUIPMENT

Property and Equipment, net consists of the following:

|                                   | December 31,<br>2003 | September 30, 2004<br>(unaudited) |
|-----------------------------------|----------------------|-----------------------------------|
| -----                             |                      |                                   |
| Furniture and Fixtures            | \$ 70,148            | \$ 70,148                         |
| Computer and Office<br>Equipment  | 381,424              | 381,424                           |
|                                   | -----                | -----                             |
|                                   | 451,572              | 451,572                           |
| Less: Accumulated<br>Depreciation | 419,609              | 436,591                           |
|                                   | -----                | -----                             |
|                                   | \$ 31,963            | \$ 14,981                         |
|                                   | =====                | =====                             |

Note 4: contractual commitments

The Company is obligated under non-cancelable operating leases for approximately 11,500 square feet of office space in Fort Lauderdale, Florida that expires on May 31, 2005 and for approximately 2,400 square feet of office space in New York, New York that expires on September 30, 2005. The leases provide for

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monthly rentals of approximately \$22,000 and \$9,700, respectively.

In addition, the Company is obligated under various automobile and equipment leases with monthly rentals totaling \$2,018 expiring from February 2004 to May 2005.

The future minimum annual rental payments for non-cancelable leases are approximately as follows:

|      |    |         |
|------|----|---------|
| 2004 | \$ | 269,391 |
| 2005 |    | 146,960 |
|      |    | -----   |
|      | \$ | 416,351 |
|      |    | =====   |

Rental expense for the year ended December 31, 2002 was \$344,117, for the year ended December 31, 2003 was \$385,019 and for the nine month period ended September 30, 2004 was \$296,201.

### NOTE 5: NOTE PAYABLE

Note Payable consists of an SBA guaranteed loan due in monthly installments of \$13,741 including interest at 8% per annum, which matured December 2004. This loan was in default as of December 31, 2003 due to nonpayment. The Note Payable balance as of September 30, 2004 was \$219,770.

### Note 6: Subordinated Borrowings

Borrowings under subordination agreements at December 31, 2003 and September 30, 2004, are as follows:

|  | December 31,<br>2003 | September 30,<br>2004<br>(unaudited) |
|--|----------------------|--------------------------------------|
| -----  | -----                | -----                                |
| Subordinated Loan, interest at 10% annually, due September, 2005 | \$ 300,000           | \$ 250,000                           |
| Subordinated Loan, interest at 10% annually, due July, 2005      | 300,000              | 300,000                              |
|  | -----                | -----                                |
|  | \$ 600,000           | \$ 550,000                           |
|  | =====                | =====                                |

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### NOTE 6: Subordinated Borrowings (CONTINUED)

The subordinated borrowings are available in computing net capital under the SEC's uniform net capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

### NOTE 7: INCOME TAXES

The Company has available at December 31, 2003, approximately \$5,535,000 of unused operating loss carry forwards that may be applied against future taxable income and that expire between 2021 and 2023. Based upon these carry forwards, there is no current income tax liability at December 31, 2003 and September 30, 2004.

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The deferred portion of the income tax benefit included in the statement of operations net of a valuation allowance is \$0 at December 31, 2003.

### Note 8: RELATED PARTY TRANSACTIONS

The Company has various receivables due from related companies totaling \$671,951 as of December 31, 2003 and \$715,381 as of September 30, 2004. These receivables are non interest bearing and are due on demand. In addition, the Company paid consulting fees to a company owned by one of the shareholders of its parent company. These fees amounted to \$27,600 for the years 2002 and 2003 and \$20,700 for the nine month period ended September 30, 2004.

### NOTE 9: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2003, the Company had net capital of \$404,384 which was \$5,384 in excess of its required net capital of \$399,000. At September 30, 2004, the Company had net capital of \$404,563 which was \$94,063 in excess of its net capital requirement of \$310,500. The Company's net capital ratio was 2.19 to 1 as of December 31, 2003 and 1.65 to 1 as of September 30, 2004, respectively.

### Note 10: OFF-BALANCE-SHEET RISK

The Company's customers' securities transactions are introduced on a fully-disclosed basis with its clearing broker/dealers. The clearing broker/dealer is responsible for collection of and payment of funds, and receipt and delivery of securities relative to customer transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the clearing broker/dealer may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the creditworthiness of its customers and proper executions of customer transactions by the clearing broker/dealer.

### NOTE 11: CLOSELY HELD CORPORATIONS

The Company owns 99.75% of a company which owns 100% of another broker-dealer. Pursuant to Rule 17a-5 of the Securities Exchange Act of 1934, consolidation of these entities into the financial statements of the Company is not required. The assets, liabilities and equity of the entities which would otherwise be consolidated are as follows:

|                       | December 31,<br>2003 | September 30,<br>2004<br>(unaudited) |
|-----------------------|----------------------|--------------------------------------|
| Assets                | \$ 215,607           | \$ 197,323                           |
| Liabilities           | 687,113              | 680,348                              |
| Stockholder's Deficit | \$ 471,506           | \$ 483,025                           |
|                       |                      |                                      |

As part of the consolidation, \$607,000 of the assets of the Company would be eliminated along with \$607,000 of liabilities of the entities to be consolidated for both periods.

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### NOTE 12: LITIGATION

A former employee of the Company filed a statement of claim with the NASD against the Company for commissions owed, wrongful termination and defamation related to a Form U-5 filed with the NASD. In October 2003, after a final hearing, the panel entered an award against the Company for breach of implied contract in the sum of \$218,833. In December 2003, the Company filed a Petition to Vacate Arbitration Award. The attorney is unable to opine on the likely outcome of the Petition to Vacate. As a result, the Company has included \$248,704 to cover the award and accrued interest in its accounts payable at December 31, 2003 and in other expenses for the year ended December 31, 2003. As of September 30, 2004, the Company had accrued \$258,973 as a reserve for this claim.

The Company is a co-defendant in a statement of claim filed with the NASD by one of its former customers for breach of fiduciary duty, negligence and respondent superior related to investment losses suffered seven years ago by the customer. Claimant seeks an unspecified amount of damages. The Company has filed an answer to the claim and is vigorously defending itself against the claim. A final arbitration hearing has yet to be scheduled and the attorney is unable to opine on the likely outcome of the claim.

The Company is a defendant in an action filed in New York State Court claiming breach of contract. The complaint seeks approximately \$50,000 in damages and other relief. This matter is being vigorously defended by the Company and a counterclaim has been interposed. The attorney has stated that based upon the facts and circumstances currently known, the underlying claim against the Company appears to be lacking in factual merit and otherwise overvalued.

The Company is a co-defendant in a number of state law causes of action alleging that the market price of the plaintiff's stock was "fraudulently manipulated" as the result of purported "Naked Short Sales" of the plaintiff's securities. The Company has not been served in the lawsuit but denies the plaintiff's allegations of wrongdoing and plans to vigorously defend itself. The lawsuit has not been set for trial and the attorney is unable to opine on the likely outcome of the lawsuit.

### NOTE 13: GOING CONCERN

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplates continuation of the Company as a going concern. However, the Company has sustained operating losses in recent years and has had negative cash flows from operating activities which has required the Company's shareholders to contribute substantial amounts of capital to fund the operating losses. In addition, as of December 31, 2003, the Company is in default on a SBA guaranteed loan.

In accordance with its 2003 business plan, the operating losses over the last six months of 2003 were reduced and in January of 2004 almost reached the breakeven point. In addition, the Company has prepared financial forecasts based upon current increased production and an improving environment for its emerging market bond trading division and is continuing to closely monitor productivity and expenditures. The Company is also currently negotiating with the SBA for an extension of the term (3 years) and a reduction of the interest rate (8%) of the loan payable because they are not consistent with more favorable terms being offered at other lending institutions. Management is committed to providing operating capital as needed for the upcoming year in anticipation of a turnaround in profitability. Management believes that the above actions presently being taken to revise the Company's operations provide the opportunity

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for the Company to continue as a going concern.

### NOTE 14: SUBSEQUENT EVENT (Unaudited)

On November 2, 2004, vFinance, Inc.'s ("vFinance") wholly-owned subsidiary, vFinance Investments Holdings, Inc. ("vFinance Investments"), completed its acquisition of certain assets of Global The assets acquired from Global included certain intellectual property, customer accounts, computer equipment, and certain clearance and trading agreements relating to emerging market debt trading, wholesale market-making in selected equities for institutional clients, and direct-access equity trading. vFinance Investments assumed no liabilities in connection with the acquisition of Global's assets.

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## FINANCIAL STATEMENTS OF EQUITYSTATION, INC.

### INDEX TO FINANCIAL STATEMENTS

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### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

SHAVELL & COMPANY, P.A.  
Certified Public Accountants and Consultants

7700 Congress Avenue, Suite 3105, Boca Raton, FL 33487  
Ph (561) 997-7242 Fax (561) 997-7262  
info@shavell.net

### INDEPENDENT AUDITORS' REPORT

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To the Stockholder  
EquityStation, Inc.  
Fort Lauderdale, Florida 33309

We have audited the accompanying statement of financial condition of EquityStation, Inc. as of December 31, 2003, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EquityStation, Inc. as of December 31, 2003, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

SHAVELL & COMPANY, P.A.

/s/ Shavell & Company, P.A.

Boca Raton, Florida  
February 20, 2004

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SHAVELL & COMPANY, P.A.  
Certified Public Accountants and Consultants

7700 Congress Avenue, Suite 3105, Boca Raton, FL 33487  
Ph (561) 997-7242 Fax (561) 997-7262  
info@shavell.net

INDEPENDENT AUDITORS' REPORT

To the Stockholder  
EquityStation, Inc.  
Fort Lauderdale, Florida 33309

We have audited the accompanying statement of financial condition of



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EquityStation, Inc. as of December 31, 2002, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EquityStation, Inc. as of December 31, 2002, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

SHAVELL & COMPANY, P.A.

/s/ Shavell & Company, P.A.

Boca Raton, Florida  
February 12, 2003

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EquityStation, Inc.  
BALANCE SHEETS

|  | December 31,<br>2003 | September 30<br>(unaudit |
|--|----------------------|--------------------------|
| <b>ASSETS</b>  |                      |                          |
| Cash   | \$ 13,982            | \$ 1,                    |
| Receivable from Clearing Organizations               | 189,970              | 188,                     |
| Due from Related Parties                             | 6,542                |                          |
| Due from Non-Related Parties                         | -                    | 6,                       |
| Deposits and other                                   | 5,113                |                          |
|  | -----<br>\$ 215,607  | -----<br>\$ 197,         |
|  | =====                | =====                    |
| <b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>          |                      |                          |
| <b>LIABILITIES</b>                                   |                      |                          |
| Accounts Payable                                     | \$ 23,235            | \$ 18,                   |
| Accrued Liabilities                                  | 44,299               | 54,                      |
| Payable to Broker-Dealers and Clearing Organizations | 307                  |                          |

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|  |            |         |
|--|------------|---------|
|  | 67,841     | 73,     |
| STOCKHOLDER'S EQUITY   |            |         |
| Common Stock, No Par Value; Authorized<br>10,000,000 Shares; Issued 1000Shares | 10         |         |
| Additional Paid-in Capital   | 1,081,490  | 1,181,  |
| Accumulated Deficit  | (933,734)  | (1,057, |
|  | 147,766    | 123,    |
|  | \$ 215,607 | \$ 197, |

See accompanying notes to financial statements

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EquityStation, Inc.  
STATEMENTS OF OPERATIONS

|                                    | Years ended December 31, |                    |    |
|------------------------------------|--------------------------|--------------------|----|
|                                    | 2002                     | 2003               |    |
| REVENUE                            |                          |                    |    |
| Commissions                        | \$ 673,673               | \$ 880,274         | \$ |
| Interest and Dividends             | 55,533                   | 9,144              |    |
| Other Income                       | 28,920                   | 1,490              |    |
|                                    | -----<br>758,126         | -----<br>890,908   |    |
| EXPENSES                           |                          |                    |    |
| Employee Compensation and Benefits | 752,987                  | 664,626            |    |
| Clearance Fees                     | 216,970                  | 287,905            |    |
| Communications and Data Processing | 9,071                    | 21,615             |    |
| Interest                           | 26,866                   | 3,664              |    |
| Occupancy                          | 24,000                   | 24,000             |    |
| Other Expenses                     | 123,675                  | 147,913            |    |
|                                    | -----<br>1,153,569       | -----<br>1,149,723 |    |
| NET LOSS                           | \$ (395,443)             | \$ (258,815)       | \$ |

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See accompanying notes to financial statements

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EquityStation, Inc.  
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

|   | Common<br>Stock | Additional<br>Paid -in<br>Capital | Accumulated<br>Deficit |
|---|-----------------|-----------------------------------|------------------------|
| Balance, December 31, 2001              | \$ 10           | \$ 414,990                        | \$ (279,4              |
| Net Loss                                |                 |                                   | (395,4                 |
| Capital Contributed                     |                 | 446,500                           |                        |
|   | -----           | -----                             | -----                  |
| Balance, December 31, 2002              | 10              | 861,490                           | (674,9                 |
| Net Loss                                |                 |                                   | (258,8                 |
| Capital Contributed                     |                 | 220,000                           |                        |
|   | -----           | -----                             | -----                  |
| Balance, December 31, 2003              | 10              | 1,081,490                         | (933,7                 |
| Net Loss (unaudited)                    |                 |                                   | (123,7                 |
| Capital Contributed (unaudited)         |                 | 100,000                           |                        |
|   | -----           | -----                             | -----                  |
| Balance, September 30, 2004 (unaudited) | \$ 10           | \$ 1,181,490                      | \$ (1,057,5            |
|   | =====           | =====                             | =====                  |

See accompanying notes to financial statements

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EquityStation, Inc.  
STATEMENTS OF CASH FLOWS

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|   | Years ended December 31, |              |
|---|--------------------------|--------------|
|   | 2002                     | 2003         |
| CASH FLOWS FROM OPERATING ACTIVITIES                  |                          |              |
| Net Loss  | \$ (395,443)             | \$ (258,815) |
| Adjustments to Reconcile Net Loss                     |                          |              |
| Provided By Operating Activities:                     |                          |              |
| Change in Assets and Liabilities:                     |                          |              |
| Increase (Decrease) In:                               |                          |              |
| Receivable from Clearing Organizations                | (197,635)                | 256,604      |
| Increase (Decrease) In:                               |                          |              |
| Accounts Payable                                      | 4,820                    | 14,660       |
| Accrued Liabilities                                   | 5,616                    | 17,999       |
| Payable to Broker-Dealers and Clearing Organizations  | 152,538                  | (259,381)    |
|   | -----                    | -----        |
| Net Cash Used in Operating Activities                 | (430,104)                | (228,933)    |
|   | -----                    | -----        |
| CASH FLOWS FROM INVESTING ACTIVITIES                  |                          |              |
| Collections from Related Parties                      |                          |              |
| Increase (Decrease) in Deposits and Other             | (559)                    | (2,429)      |
|   | -----                    | -----        |
| Net Cash (Used in) Provided by Investing Activities   | (559)                    | (2,429)      |
|   | -----                    | -----        |
| CASH FLOWS FROM FINANCING ACTIVITIES                  |                          |              |
| Capital Contributed by Shareholder                    | 446,500                  | 220,000      |
| Advances from Related Parties and Non-Related Parties | (21,998)                 | (13,728)     |
| Repayments to Related Parties and Non-Related Parties | 7,704                    | 21,480       |
|   | -----                    | -----        |
| Net Cash Provided by Financing Activities             | 432,206                  | 227,752      |
|   | -----                    | -----        |
| Increase (Decrease) in Cash                           | 1,543                    | (3,610)      |
| Cash:   |                          |              |
| Beginning of Year                                     | 16,049                   | 17,592       |
|   | -----                    | -----        |
| End of Period   | \$ 17,592                | \$ 13,982    |
|   | =====                    | =====        |
| SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION    |                          |              |
| Cash Payments for Taxes                               | \$ -                     | \$ -         |
|   | =====                    | =====        |
| Cash Payments for Interest                            | \$ 26,866                | \$ 3,664     |
|   | =====                    | =====        |

See accompanying notes to financial statements

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EquityStation, Inc.

NOTES TO FINANCIAL STATEMENTS

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Years Ended December 31, 2002, December 31, 2003, and for the Nine Months Ended September 30, 2004 unaudited

### NOTE 1: NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Business

EquityStation, Inc. (the "Company") is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD). The Company is a Florida corporation incorporated July 22, 1999.

In connection with its activities as a broker-dealer, the Company does not hold customer funds or securities, and promptly transmits all customer funds received to its clearing firm, ABN AMRO, Incorporated. Although the Company's clearing firm maintains all of the accounts of such customers and preserves all required and customary records, the Company remains contingently liable for losses incurred on these accounts.

#### Interim Financial Statements

The accompanying unaudited financial statements for the nine months ended September 30, 2004, have been prepared in accordance with generally accepted accounting principles for interim financial statements. The accompanying financial statements for the interim periods are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the periods presented.

#### Commissions

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

#### Advertising

Costs of advertising are expensed as incurred and amounted to \$45,610 for the year ended December 31, 2002, \$59,129 for the year ended December 31, 2003 and \$57,016 for the nine month period ended September 30, 2004.

#### Income Taxes

The Company files federal and state corporate income tax returns. The Company has not accrued any federal and state income tax liability for the year ended December 31, 2003 and the nine month period ended September 30, 2004.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

#### Cash Equivalents

For purposes of the statement of cash flows, the Company has defined cash equivalents as highly liquid investments, with original maturation of less than ninety days that are not held for sale in the ordinary course of business.

### NOTE 2: RECEIVABLE FROM AND PAYABLE TO BROKER-DEALERS AND CLEARING ORGANIZATIONS

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Amounts receivable from and payable to broker-dealers and clearing organizations at December 31, 2003, consist of broker receivables of \$189,970 and brokers payable of \$307. As of September 30, 2004, the Company had a broker receivable of \$188,164 and a payable of \$50.

The Company clears all of its commissioned transactions through another broker-dealer on a fully disclosed basis. The amount receivable from the clearing broker relates to the aforementioned transactions. Any payables to the broker-dealers are normally collateralized by amounts receivable and by deposits held by the clearing organization.

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### NOTE 3: RELATED PARTY TRANSACTIONS

As of December 31, 2003, the Company was due non-interest bearing advances made to a related entity of \$6,542. The Company was not due any of these advances as of September 30, 2004. The Company also paid an entity owned by a shareholder of its parent company consulting fees of \$27,600 for the years 2002 and 2003 and \$32,250 for the nine month period ended September 30, 2004.

### NOTE 4: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2003, the Company had net capital of \$125,594 that was \$25,594 in excess of its required net capital of \$100,000. At September 30, 2004, the Company had net capital of \$116,704 which was \$16,704 in excess of its net capital requirement of \$100,000. The Company's net capital ratio was 1.85 to 1 and 0.62 to 1 as of December 31, 2003 and September 30, 2004, respectively.

### NOTE 5: INCOME TAXES

The Company has available at December 31, 2003, \$932,000 of unused operating loss carry forwards that may be applied against future taxable income and that expire in various years from 2020 to 2023. Based upon these carry forwards, there is no current income tax liability at December 31, 2003 or September 30, 2004.

The deferred portion of the income tax benefit included in the statement of operations net of a valuation allowance is \$0 at December 31, 2003 and September 30, 2004.

### NOTE 6: OFF-BALANCE-SHEET RISK

The Company's customers' securities transactions are introduced on a fully-disclosed basis with its clearing broker/dealer, ABN AMRO, Incorporated. The clearing broker/dealer is responsible for collection of and payment of funds, and receipt and delivery of securities relative to customer transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the clearing broker/dealer may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the creditworthiness of its customers and proper executions of customer transactions by the clearing broker/dealer.

### NOTE 7: SUBSEQUENT EVENT (Unaudited)

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On November 2, 2004, vFinance's wholly-owned subsidiary, vFinance Investments, completed its acquisition of 100% of the issued and outstanding equity securities of EquityStation, all of which were owned by Level2, a subsidiary of Global.

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(b) Pro Forma Financial Statements of Business Acquired

### UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

On November 2, 2004, vFinance's wholly-owned subsidiary, vFinance Investments completed its acquisition of certain assets of Global and 100% of the issued and outstanding equity securities of EquityStation, all of which were owned by Level2, a subsidiary of Global. These transactions are subject to the approval of the National Association of Securities Dealers, Inc.

In accordance with the terms of the acquisition agreements, the Company delivered into escrow 8,324,690 restricted shares (the "Shares") of the Company's common stock (the "Common Stock"), and warrants (the "Warrants") to purchase 3,299,728 shares of the Common Stock at a price of \$0.11 per share. All of the shares of EquityStation were also delivered into escrow. Subject to (a) any indemnification claims under the acquisition agreements and (b) the financial performance of EquityStation and the business of Global acquired by vFinance Investments over the periods specified in the escrow agreement, all or a portion of the Shares and the Warrants will be distributed to Global and Level2. When the escrow agreement is terminated, all of the shares of EquityStation will be distributed to vFinance Investments, and the holders of the Shares and Warrants will be entitled to certain piggyback registration rights. The Company also entered into a standstill agreement with each of Marcos Konig, Harry Konig and Salomon Konig, to provide restrictions on certain actions for a defined time period.

In connection with the acquisitions, Scott J. Saunders ("Saunders") received 150,000 restricted shares of the Common Stock. The shares received by Saunders are not subject to the escrow agreement, registration rights agreement or standstill agreement.

The following Unaudited Pro Forma Combined Financial Statements of Global, EquityStation and vFinance gives effect to the acquisition of certain assets of Global and 100% of the issued and outstanding equity securities of EquityStation, under the purchase method of accounting prescribed by Accounting Principles Board Opinion No. 16, Business Combinations. These pro forma statements are presented for illustrative purposes only. The pro forma

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adjustments are based upon available information and assumptions that management believes are reasonable.

The Unaudited Pro Forma Combined Financial Statements do not purport to represent what the results of operations or financial position of vFinance would actually have been if the acquisition had in fact occurred on such dates nor do they purport to project the results of operations or financial position of vFinance for any future period or as of any date, respectively.

These Unaudited Pro Forma Combined Financial Statements do not give effect to any restructuring costs or to any potential cost savings or other operating efficiencies that could result from the merger between the companies.

You should read the financial information in this section along with Global and EquityStation historical financial statements and accompanying notes in this amended Current Report on Form 8-K.

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### VFINANCE, INC Unaudited Pro Forma Combined Balance Sheet September 30, 2004

|  | vFinance     | Global Partners | EquityStation | Pro Forma<br>Adjustme |
|--|--------------|-----------------|---------------|-----------------------|
| <b>ASSETS</b>                                      |              |                 |               |                       |
| Cash   | \$ 4,237,980 | \$ 413,465      | \$ 1,888      | \$ (413,4             |
| Receivable from Clearing<br>Organizations          | 216,092      | 358,801         | 188,164       | (358,8                |
| Due from Related Parties                           | -            | 715,381         | -             | (715,3                |
| Due from Non Related Parties                       | 172,604      | -               | 6,409         |                       |
| Bond   | -            | 273,100         | -             | (273,1                |
| Securities Owned:                                  |              |                 |               | -                     |
| Marketable Securities, at<br>Market Value          | 532,929      | 38,119          | -             | (38,1                 |
| Not Readily Marketable, at<br>Estimated Fair Value | 119,752      | 24,400          | -             | (24,4                 |
| Deposits   | 123,937      | 17,500          | 862           | (17,5                 |
| Prepaid Expenses                                   | 41,446       | 1,381           | -             | (1,3                  |
| Advances to Employees                              | 42,822       | 20,191          | -             | (20,1                 |
| Property and Equipment, net                        | 270,160      | 14,981          | -             | (14,9                 |



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|                                      |                     |                     |                   |                 |
|--------------------------------------|---------------------|---------------------|-------------------|-----------------|
| Goodwill                             | 420,000             | -                   | -                 | 2,014,1         |
| Other Assets                         | 484,511             | -                   | -                 |                 |
|                                      | <u>\$ 6,662,233</u> | <u>\$ 1,877,319</u> | <u>\$ 197,323</u> | <u>\$ 136,8</u> |
| LIABILITIES AND STOCKHOLDER'S EQUITY |                     |                     |                   |                 |
| LIABILITIES                          |                     |                     |                   |                 |
| Accounts Payable                     | \$ 1,087,585        | \$ 324,021          | \$ 18,731         | \$ (324,0       |
| Accrued Liabilities                  | 1,225,327           | 6,120               | 54,567            | (6,1            |
| Payable to Broker-Dealers            | -                   | -                   | 50                |                 |
| Security Deposits                    | -                   | -                   | -                 |                 |
| Commissions Payable                  | -                   | 119,935             | -                 | (119,9          |
| Securities Sold, Not Yet Purchased,  |                     |                     |                   |                 |
| At Market                            | 70,517              | 3,358               | -                 | (3,3            |
| Loan Payable                         | -                   | 219,770             | -                 | (219,7          |
| Capital Lease Obligations            | 21,834              | -                   | -                 |                 |
| Other                                | 4,011               | -                   | -                 |                 |
|                                      | <u>2,409,274</u>    | <u>673,204</u>      | <u>73,348</u>     | <u>(673,2</u>   |
| COMMITMENTS AND CONTINGENCIES        |                     |                     |                   |                 |
| Subordinated Loans                   | -                   | 550,000             | -                 | (550,0          |
| STOCKHOLDER'S EQUITY                 |                     |                     |                   |                 |
| Common Stock                         | 332,959             | 134,500             | 10                | (49,7           |
| Additional Paid-in Capital           | 25,195,546          | 7,203,155           | 1,181,490         | (6,331,2        |
| Deferred Compensation                | (20,735)            |                     |                   |                 |
| Accumulated Deficit                  | (21,254,811)        | (6,683,540)         | (1,057,525)       | 7,741,0         |
|                                      | <u>4,252,959</u>    | <u>654,115</u>      | <u>123,975</u>    | <u>1,360,0</u>  |
|                                      | <u>\$ 6,662,233</u> | <u>\$ 1,877,319</u> | <u>\$ 197,323</u> | <u>\$ 136,8</u> |

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VFINANCE, INC  
Unaudited Pro Forma Combined Statement of Operations  
For the year ended December 31, 2003

|                        | vFinance      | Global Partners | EquityStation | Pro Forma Adjustments |      |
|------------------------|---------------|-----------------|---------------|-----------------------|------|
| REVENUE                |               |                 |               |                       |      |
| Commissions            | \$ 13,372,875 | \$ 239,523      | \$ 880,274    | \$ -                  | \$ - |
| Principal Transactions | 4,533,933     | 2,973,115       | -             | -                     | -    |
| Success Fees           | 3,549,453     | -               | -             | -                     | -    |

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|   |                   |                       |                     |             |
|---|-------------------|-----------------------|---------------------|-------------|
| Consulting and retainers                    | 468,168           | -                     | -                   | -           |
| Interest and Dividends                      | -                 | 18,568                | 9,144               | -           |
| Web operations                              | 468,724           | -                     | -                   | -           |
| Other Income                                | 2,085,313         | 60,454                | 1,490               | -           |
|   | <u>24,478,466</u> | <u>3,291,660</u>      | <u>890,908</u>      | <u>-</u>    |
| EXPENSES                                    |                   |                       |                     |             |
| Employee Compensation and Benefits          | 15,262,561        | 2,889,413             | 664,626             | -           |
| Clearance Fees                              | 934,884           | 306,186               | 287,905             | -           |
| Communications and Data Processing          | 694,511           | 656,179               | 21,615              | -           |
| Interest                                    | 199,111           | 89,963                | 3,664               | -           |
| Occupancy                                   | 456,558           | 385,019               | 24,000              | -           |
| Other Expenses                              | 6,619,426         | 779,292               | 147,913             | -           |
|   | <u>24,167,051</u> | <u>5,106,052</u>      | <u>1,149,723</u>    | <u>-</u>    |
| PRE TAX NET INCOME (LOSS)                   | <u>311,415</u>    | <u>(1,814,392)</u>    | <u>(258,815)</u>    | <u>-</u>    |
| Income tax benefit                          | -                 | -                     | -                   | -           |
| NET INCOME (LOSS) available to shareholders | <u>\$ 311,415</u> | <u>\$ (1,814,392)</u> | <u>\$ (258,815)</u> | <u>\$ -</u> |

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VFINANCE, INC  
Unaudited Pro Forma Combined Statement of Operations For the nine  
month period ended September 30, 2004

|                                    | vFinance          | Global Partners  | EquityStation    | Pro Forma Adjustment |
|------------------------------------|-------------------|------------------|------------------|----------------------|
| REVENUE                            |                   |                  |                  |                      |
| Commissions                        | \$ 10,700,404     | \$ 159,762       | \$ 1,663,784     | \$ -                 |
| Principal Transactions             | 3,229,400         | 2,772,633        | -                | -                    |
| Success Fees                       | 2,263,050         | -                | -                | -                    |
| Consulting and retainers           | 222,291           | -                | -                | -                    |
| Interest and Dividends             | 47,316            | 2,774            | 7,589            | -                    |
| Web operations                     | 325,736           | -                | -                | -                    |
| Other Income                       | 1,846,364         | 353,714          | -                | -                    |
|                                    | <u>18,634,561</u> | <u>3,288,883</u> | <u>1,671,373</u> | <u>-</u>             |
| EXPENSES                           |                   |                  |                  |                      |
| Employee Compensation and Benefits | 14,180,490        | 2,461,181        | 247,943          | -                    |

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|   |                     |                     |                     |             |
|---|---------------------|---------------------|---------------------|-------------|
| Clearance Fees                              | 592,782             | 333,464             | 609,535             | -           |
| Communications and Data Processing          | 497,966             | 408,154             | 31,025              | -           |
| Interest                                    | 290,957             | 59,585              |                     | -           |
| Occupancy                                   | 294,460             | 296,201             | 18,000              | -           |
| Other Expenses                              | 2,342,475           | 377,079             | 888,661             | -           |
|   | <u>18,199,130</u>   | <u>3,935,664</u>    | <u>1,795,164</u>    | <u>-</u>    |
| INCOME (LOSS)                               | <u>435,431</u>      | <u>(646,781)</u>    | <u>(123,791)</u>    | <u>-</u>    |
| Gain on forgiveness of debt                 | <u>1,500,000</u>    | <u>-</u>            | <u>-</u>            | <u>-</u>    |
| PRE TAX NET INCOME (LOSS)                   | <u>1,935,431</u>    | <u>(646,781)</u>    | <u>(123,791)</u>    | <u>-</u>    |
| Income tax benefit                          | <u>400,000</u>      | <u>-</u>            | <u>-</u>            | <u>-</u>    |
| NET INCOME (LOSS) available to shareholders | <u>\$ 2,335,431</u> | <u>\$ (646,781)</u> | <u>\$ (123,791)</u> | <u>\$ -</u> |

Pro Forma Adjustments:

|                                    | Debit         | Credit        |
|------------------------------------|---------------|---------------|
|                                    | -----         | -----         |
| Unassumed Liabilities of Global    | 1,223,204 (1) |               |
| Common Stock -Global               | 134,500       |               |
| Common Stock -EquityStation        | 10            |               |
| APIC -Global                       | 7,203,155     |               |
| APIC -EquityStation                | 1,181,490     |               |
| Goodwill                           | 2,014,172 (2) |               |
| Unassumed Assets of Global         |               | 1,877,319 (1) |
| Accumulated Deficit -Global        |               | 6,683,540     |
| Accumulated Deficit -EquityStation |               | 1,057,525     |
| Common Stock -vFinance             |               | 84,747        |
| APIC -vFinance                     |               | 2,053,400     |

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(1) The assets and liabilities for Global were not assumed by vFinance. (2) The calculation of goodwill is summarized as follows:

|  |                     |
|--|---------------------|
| Purchase price                           | \$ 2,138,147        |
| Fair market value of the assets acquired | (197,323)           |
| Liabilities assumed                      | 73,348              |
|  | -----               |
| Goodwill                                 | <u>\$ 2,014,172</u> |
|  | =====               |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

vFinance, Inc.

Dated: January 12, 2005  
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By: /s/ Sheila C. Reinken  
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Sheila C. Reinken,  
TITLE: CHIEF FINANCIAL OFFICER

End of Filing