

Edgar Filing: VFINANCE INC - Form 10-Q

VFINANCE INC
Form 10-Q
November 14, 2007

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2007

Or

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

For the transition period _____ to _____

Commission File Number: 1-11454
vFinance, Inc.

(Exact Name of Registrant as Specified in its Charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

58-1974423
(I.R.S. Employer
Identification No.)

3010 NORTH MILITARY TRAIL, SUITE 300,
BOCA RATON, FLORIDA
(Address of Principal Executive Offices)

33431
(Zip Code)

(561) 981-1000
(Registrant's Telephone Number, Including Area Code)

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

Check whether the issuer (1) has filed all reports required to be filed by
Section 13 or 15(d) of the 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 ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an
accelerated filer, or a non-accelerated filer. See definition of "accelerated
filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☒

Indicate by check mark whether the registrant is a shell company
(as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

State the number of shares outstanding of each of the issuer's classes of common
equity, as of November 12, 2007: 54,679,876 shares of Common Stock \$0.01 par
value per share.

Edgar Filing: VFINANCE INC - Form 10-Q

VFINANCE, INC.
FORM 10-Q
QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007

INDEX

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

Unaudited Condensed Consolidated Statements of Financial Condition
as of September 30, 2007 and December 31, 2006..... 4

Unaudited Condensed Consolidated Statements of Operations for the Three
and Nine months Ended September 30, 2007 and 2006 5

Unaudited Condensed Consolidated Statement of Shareholders' Equity for the
Nine months ended September 30, 2007 6

Unaudited Condensed Consolidated Statements of Cash Flows for the Nine
Months Ended September 30, 2007 and 2006 7

Item 2 - Management's Discussion and Analysis of Financial Condition
and Results of Operations 17

Item 3 - Quantitative & Qualitative Disclosures About Market Risk 23

Item 4 - Controls and Procedures 23

PART II - OTHER INFORMATION

Item 6 - Exhibits 24

Signatures 25

FORWARD-LOOKING STATEMENTS

The following information provides cautionary statements under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the Reform Act). We identify important factors that could cause our actual results to differ materially from those projected in forward-looking statements we make in this report or in other documents that reference this report. All statements that express or involve discussions as to: expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, identified through the use of words or phrases such as we or our management believes, expects, anticipates or hopes and words or phrases such as will result, are expected to, will continue, is anticipated, estimated, projection and outlook, and words of similar import) are not statements of historical facts and may be forward-looking. These forward-looking statements are based largely on our expectations and are subject to a number of risks and uncertainties including, but not limited to, economic, competitive, regulatory, growth strategies, available financing and other factors discussed elsewhere in this report and in the documents filed by us with the Securities and Exchange Commission ("SEC"). Many of these factors are beyond our control. Actual results

Edgar Filing: VFINANCE INC - Form 10-Q

could differ materially from the forward-looking statements we make in this report or in other documents that reference this report. In light of these risks and uncertainties, there can be no assurance that the results anticipated in the forward-looking information contained in this report or other documents that reference this report will, in fact, occur.

These forward-looking statements involve estimates, assumptions and uncertainties, and, accordingly, actual results could differ materially from those expressed in the forward-looking statements. These uncertainties include, among others, the following: (i) the inability of our broker-dealer operations to operate profitably in the face of intense competition from larger full service and discount brokers; (ii) a general decrease in merger and acquisition activities and our potential inability to receive success fees as a result of transactions not being completed; (iii) increased competition from business development portals; (iv) technological changes; (v) our potential inability to implement our growth strategy through acquisitions or joint ventures; and (vi) our potential inability to secure additional debt or equity financing.

Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for our management to predict all of such factors, nor can our management assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

3

PART I...FINANCIAL INFORMATION

ITEM 1. .FINANCIAL STATEMENTS

VFINANCE, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In thousands, except share and per share data)

	September 30, 2007	Decemb
	-----	[(Restated
Assets:		
Current assets:		
Cash and cash equivalents	\$ 4,484.7	
Due from clearing broker	909.2	
Securities owned:		
Marketable, at fair value	737.5	
Not readily marketable, at estimated fair value	295.0	
Accounts receivable	114.0	
Forgivable loans - employees, current portion	39.2	
Notes receivable - employees	33.1	
Prepaid expenses and other current assets	149.3	
	-----	-----
Total current assets	6,762.0	

Edgar Filing: VFINANCE INC - Form 10-Q

Property and equipment, net	702.0	
Customer relationships, net	3,494.5	
Other assets	534.9	
Total assets	\$ 11,493.4	
Liabilities and shareholders' equity:		
Current liabilities:		
Accounts payable	\$ 765.3	
Accrued compensation	2,776.7	
Other accrued liabilities	562.9	
Securities sold, not yet purchased	227.5	
Capital lease obligations, current portion	201.3	
Other	281.8	
Total current liabilities	4,815.5	
Capital lease obligations, long term	206.6	
Shareholders' Equity:		
Common stock \$0.01 par value, 100,000,000 shares authorized		
54,679,876 and 54,429,876 shares issued and outstanding	546.8	
Additional paid-in capital	31,545.2	
Accumulated deficit	(25,620.7)	
Total shareholders' equity	6,471.3	
Total liabilities and shareholders' equity	\$ 11,493.4	

See accompanying notes to unaudited condensed consolidated financial statements.

VFINANCE, INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (In thousands, except per share data)

	Three Months Ended September 30,		N
	2007	2006 (Restated and Revised)	200
Revenues:			
Commissions - agency	\$6,014.5	\$4,849.9	\$18

Edgar Filing: VFINANCE INC - Form 10-Q

Trading profits	2,849.6	2,794.5	9
Success fees	648.7	1,000.2	3
Other brokerage related income	1,453.6	847.9	4
Consulting fees	13.9	44.7	
Other	30.0	70.9	
	-----	-----	-----
Total revenues	11,010.3	9,608.1	36
	-----	-----	-----
Compensation, commissions and benefits	9,334.6	7,641.4	29
Clearing and transaction costs	1,055.0	1,015.8	3
General and administrative costs	719.2	785.3	2
Occupancy and equipment costs	277.0	335.4	
Depreciation and amortization	325.0	310.2	
	-----	-----	-----
Total operating costs	11,710.8	10,088.1	37
	-----	-----	-----
Loss from operations	(700.5)	(480.0)	
	-----	-----	-----
Other income (expenses):			
Interest income	7.4	19.4	
Interest expense	(26.3)	(14.3)	
Dividend income	3.0	5.6	
Other income, net	75.1	37.3	
	-----	-----	-----
Total other income, net	59.2	48.0	
	-----	-----	-----
Loss before income taxes	(641.3)	(432.0)	
Income tax benefit (provision)	-	-	
	-----	-----	-----
Net loss	\$ (641.3)	\$ (432.0)	\$
	=====	=====	=====
Net loss per share: basic and diluted	\$ (0.01)	\$ (0.01)	\$
	=====	=====	=====
Weighted average number of shares outstanding: basic and diluted	54,679.9	53,126.1	54
	=====	=====	=====

See accompanying notes to unaudited condensed consolidated financial statements.

Edgar Filing: VFINANCE INC - Form 10-Q

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deficit [Restated and Revised	Share- holders Equity
Balance at December 31, 2006	54,429.9	\$ 544.3	\$31,147.4	\$ (24,792.0)	\$6,899.7
Net loss	-	-	-	(828.7)	(828.7)
Stock-based compensation expense	-	-	350.3	-	350.3
Issuance of shares for services rendered	250.0	2.5	47.5	-	50.0
Balance at September 30, 2007	54,679.9	\$ 546.8	\$31,545.2	\$ (25,620.7)	\$6,471.3

See accompanying notes to unaudited condensed consolidated financial statements.

6

VFINANCE, INC. AND SUBSIDIARIES UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (In thousands)

	Nine Months Ended September 30,	
	2007	2006 (Restated and Revised)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net loss	\$ (828.7)	\$ (516.0)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Non-cash fees received	(696.6)	(1,525.4)
Non-cash compensation paid	537.1	1,060.3
Depreciation and amortization	964.0	643.9
Stock-based compensation	350.3	353.3
Provision for doubtful accounts	-	10.0
Amounts forgiven under forgivable loans	54.8	17.9
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	9.8	142.1
Forgivable loans	(35.2)	(50.4)
Due from clearing broker	(609.3)	(114.7)
Notes receivable - employees	95.0	(51.9)
Investments in marketable securities	286.5	19.9
Investments in not readily marketable securities	264.5	427.7
Other current assets	84.7	11.9
Other assets and liabilities, net	(158.6)	(54.8)
Increase in:		
Accounts payable and accrued liabilities	87.9	196.3
Securities sold, not yet purchased	185.9	164.5

Edgar Filing: VFINANCE INC - Form 10-Q

Cash provided by operating activities	592.1	734.6
	-----	-----
CASH USED IN INVESTING ACTIVITIES:		
Purchase of property and equipment	(109.4)	(167.0)
Investment in unconsolidated affiliate	-	(161.9)
	-----	-----
Cash used in investing activities	(109.4)	(328.9)
	-----	-----
CASH USED IN FINANCING ACTIVITIES:		
Repayments of capital lease obligations	(203.2)	(150.8)
	-----	-----
Cash used in financing activities	(203.2)	(150.8)
	-----	-----
Increase in cash and cash equivalents	279.5	254.9
Cash and cash equivalents at beginning of period	4,205.2	4,427.4
	-----	-----
Cash and cash equivalents at end of period	\$4,484.7	\$ 4,682.3
	=====	=====

See accompanying notes to unaudited condensed consolidated financial statements.

7

VFINANCE, INC. AND SUBSIDIARIES NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (In thousands, except per share data)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

vFinance, Inc. (the "Company") is a financial services company which specializes in high growth opportunities. The Company's proficiency in this marketplace flows from three principal lines of business: offering full service retail brokerage to approximately 12,000 high net worth and institutional clients, providing investment banking and advisory services to micro, small and mid-cap high growth companies and trading securities, including making markets in over 3,500 micro and small cap stocks and providing liquidity in the United States Treasury marketplace. In addition to the Company's core business, it offers information services on its website. Due to its focus, the Company believes it is well positioned to offer, through its 40 corporate and independent offices in the U.S. and other parts of the world, alternative investments, which have the potential to outperform market indices, and a full range of traditional investment options. vFinance Investments, Inc. ("vFinance Investments") and EquityStation, Inc. ("EquityStation"), both subsidiaries of vFinance, Inc., are broker-dealers registered with the Securities and Exchange Commission ("SEC"), and members of Financial Industry Regulatory Authority ("FINRA") (formerly the National Association of Securities Dealers) and Securities Investor Protection Corporation ("SIPC"). vFinance Investments is also a member of the National Futures Association ("NFA").

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts have been eliminated in consolidation.

Edgar Filing: VFINANCE INC - Form 10-Q

The unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for the three and nine month periods ended September 30, 2007 are not necessarily indicative of the results to be expected for the year ended December 31, 2007. The interim financial statements should be read in connection with the audited financial statements and notes contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

Reclassifications

Certain items in the 2006 unaudited condensed consolidated financial statements have been reclassified to conform to the presentation in the 2007 unaudited condensed consolidated financial statements. Such reclassifications did not have a material impact on the presentation of the overall financial statements.

8

VFINANCE, INC. AND SUBSIDIARIES NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued (In thousands, except per share data)

Restatement and Revision

The Company restated certain amounts in the unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2006 as a result of comments from the staff of the Securities and Exchange Commission ("SEC") in connection with the Company's Annual Report of Form 10-KSB for the year ended December 31, 2005. As previously described in the Company's Annual Report on Form 10-K for the year ended December 31, 2006, the Company recorded adjustments to reclassify marketable securities received as compensation for investment banking services from "trading securities" to "available-for-sale" securities, effective January 1, 2002 as part of the aforementioned restatement. As a result of this reclassification, non-cash unrealized gains and losses related to the securities classified as available-for-sale were reclassified from the determination of net income (loss) to other comprehensive income (loss), a component of stockholders' equity.

On November 12, 2007, after reconsidering the adjustments to the financial statements described in the previous paragraph, management determined that the reclassification suggested by the staff of the SEC should not have been made and, as a result, the Company revised the previously restated financial statements as of and for the years ended December 31, 2006, 2005, 2004 and 2003. As a consequence of reverting to the financial statement presentation used by the Company prior to the restatement, securities received as compensation for investment banking services have been classified as "marketable securities" or "not readily marketable securities", as appropriate, with realized and unrealized gains and losses related to these securities included in the determination of net income (loss) in the consolidated statements of operations.

A summary of the effects of the restatement, including the revision described above, (i) as of December 31, 2006, March 31, 2007 and June 30, 2007, (ii) for the three and nine months ended September 30, 2006, (iii) for the three

Edgar Filing: VFINANCE INC - Form 10-Q

months ended March 31, 2007 and (iv) for the three and six months ended June 30, 2007 is as follows:

	Accumulated Deficit			Accumulated Deficit		
	As reported	Current period effect of restatement revision	Cumulative effect of restatement revision	Restated and Revised	As reported	Current period effect of restatement revision
December 31, 2006	\$ (24,149.5)	\$ (56.8)	\$ (642.5)	\$ (24,792.0)	\$ (642.5)	\$
March 31, 2007	\$ (24,111.7)	\$ 1.7	\$ (640.8)	\$ (24,752.5)	\$ (640.8)	\$
June 30, 2007	\$ (24,241.6)	\$ (97.1)	\$ (737.9)	\$ (24,979.5)	\$ (737.9)	\$

9

VFINANCE, INC. AND SUBSIDIARIES NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued (In thousands, except per share data)

	As Reported- Three Months Ended September 30, 2006			Effect of Restatement		
	Reclass- ifications			Amortiz- ation of Intangible Asset	Amortiz- ation of Transition Payment	
			As Revised			
Statement of Operations:						
Total revenues	\$ 9,545.5	62.6	\$ 9,608.1	-	-	
Clearing and transaction costs	\$ 1,025.8	-	\$ 1,025.8	-	(10.0)	
Depreciation and amortization	\$ 346.9	-	\$ 346.9	(36.7)	-	
Total operating costs	\$ 10,009.8	125.0	\$ 10,134.8	(36.7)	(10.0)	
Loss from operations	\$ (478.7)	(48.0)	\$ (526.7)	36.7	10.0	
Net loss	\$ (478.7)	-	\$ (478.7)	36.7	10.0	
Net loss per share - basic and diluted	\$ (0.01)					
Wt. avg. shares outstanding - basic and diluted	53,126.1					

Edgar Filing: VFINANCE INC - Form 10-Q

	As Reported- Nine Months Ended September 30, 2006	Reclass- ifications	As Revised	Effect of Restate- Amortiz- ation of Intangible Asset	Amor- atio Tran Paym
Statement of Operations:					
Total revenues	\$ 28,126.9	(9.5)	\$ 28,117.4	-	
Clearing and transaction costs	\$ 3,036.6	-	\$ 3,036.6	-	(3
Depreciation and amortization	\$ 753.9	-	\$ 753.9	(110.0)	
Total operating costs	\$ 28,738.4	124.9	\$ 28,863.3	(110.0)	(3
Loss from operations	\$ (656.0)	(89.9)	\$ (745.9)	110.0	3
Net loss	\$ (656.0)	-	\$ (656.0)	110.0	3
Net loss per share - basic and diluted	\$ (0.01)				
Wt. avg. shares outstanding - basic and diluted	46,912.9				

	As Reported- Three Months Ended March 31, 2007	Effect of Restate- ment Revision	Restated and Revised
Statement of Operations:			
Success fees	\$ 1,598.2	1.7	\$ 1,599.9
Total revenues	\$ 12,019.2	1.7	\$ 12,020.9
Income from operations	\$ 36.7	1.7	\$ 38.4
Net income	\$ 37.8	1.7	\$ 39.5
Net income per share - basic	\$ -		
Wt. avg. shares outstanding - basic	54,579.9		
Net income per share - diluted	\$ -		
Wt. avg. shares outstanding - diluted	56,125.1		

Edgar Filing: VFINANCE INC - Form 10-Q

	Three Months Ended June 30, 2007			Six Months Ended June 30, 2007	
	As Reported	Effect of Restatement Revision	Restated and Revised	As Reported	Effect of Restatement Revision
Statement of Operations:					
Success fees	\$ 940.5	(97.1)	\$ 843.4	\$ 2,538.8	(95.4)
Total revenues	\$ 13,196.4	(97.1)	\$ 13,099.3	\$ 25,215.7	(95.4)
Loss from operations	\$ (128.7)	(97.1)	\$ (225.8)	\$ (92.0)	(95.4)
Net loss	\$ (129.9)	(97.1)	\$ (227.0)	\$ (92.1)	(95.4)
Net loss per share - basic and diluted	\$ -		\$ -	\$ -	
Wt. avg. shares outstanding basic and diluted	54,679.9		54,679.9	54,630.2	

Securities Owned

As of September 30, 2007 and December 31, 2006, marketable securities consisted primarily of publicly traded unrestricted common stock, municipal securities and corporate bonds the Company buys and sells in market-making and trading activities. Marketable securities are stated at fair value, based on information obtained from the Company's clearing firms and nationally recognized exchange values.

Not readily marketable securities consist of publicly traded common stock restricted as to resale and common stock purchase warrants, both of which are typically received as compensation for investment banking services. Restricted stock and stock purchase warrants may be sold to certain qualified investors prior to the removal of the resale restrictions, as dictated by Rule 144. Restricted stock, including restricted stock obtained as a result of exercising common stock purchase warrants, remains classified as not readily marketable until the removal of all resale restrictions, typically within a year of the Company's receipt of the security unless subject to a registration statement with a later effective date.

Market valuations of restricted stock are based on market prices, as reported by a major exchange such as the NASDAQ Bulletin Board, NASDAQ OTC or other similar nationally recognized exchange. These values are reduced by 25% to reflect management's estimate of the discount attributable to the reduced liquidity associated with the resale restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 these estimates.

Edgar Filing: VFINANCE INC - Form 10-Q

VFINANCE, INC. AND SUBSIDIARIES NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued (In thousands, except per share data)

New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The adoption of SFAS No. 157 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In December 2006, the FASB issued FASB Staff Position ("FSP") EITF 00-19-2, "Accounting for Registration Payment Arrangements." FSP EITF 00-19-2 specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement should be separately recognized and measured in accordance with SFAS No. 5, "Accounting for Contingencies." This FSP further clarifies that a financial instrument subject to a registration payment arrangement should be accounted for in accordance with other applicable generally accepted accounting principles without regard to the contingent obligation to transfer consideration pursuant to the registration payment arrangement, and provides disclosure requirements for registration statement arrangements. The adoption of FSP EITF 00-19-2 did not have a material impact on the Company's Consolidated Financial Statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Liabilities - Including an Amendment of FASB Statement No. 115". SFAS No. 159 permits entities to choose to measure certain financial assets and liabilities at fair value. Unrealized gains and losses, arising subsequent to adoption, are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of adopting SFAS No. 159, if elected, on its Consolidated Financial Statements.

2. PROPERTY AND EQUIPMENT

At September 30, 2007 and December 31, 2006, property and equipment, net consisted of the following:

	September 30, 2007	December 31, 2006
	-----	-----
Furniture and fixtures	\$ 90.8	\$ 90.8
Equipment	795.7	727.5
Capital leases - computer equipment	979.2	704.5
Leasehold improvements	174.8	174.8
Software	256.2	214.8
	-----	-----
	2,296.7	1,912.4
Less: accumulated depreciation	(1,594.7)	(1,251.4)

Edgar Filing: VFINANCE INC - Form 10-Q

Property and equipment, net	\$ 702.0	\$ 661.0
	=====	=====

12

VFINANCE, INC. AND SUBSIDIARIES NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued (In thousands, except per share data)

The Company acquired \$274.7 thousand of computer equipment under capital leases in the nine months ended September 30, 2007.

The Company recorded depreciation expense of \$343.1 thousand and \$278.5 thousand in the nine months ended September 30, 2007 and 2006, respectively.

3. STERLING FINANCIAL ACQUISITION

On May 11, 2006, vFinance Investments purchased certain assets of Sterling Financial Investment Group, Inc. ("SFIG") and Sterling Financial Group of Companies, Inc. ("SFGC" and together with SFIG, "Sterling Financial"). The assets acquired from Sterling Financial consisted primarily of client accounts from Sterling Financial's Institutional Fixed Income and Latin American businesses. These transactions were approved by the National Association of Securities Dealers, Inc. on April 28, 2006.

The following unaudited Pro Forma Combined Financial Statements of Sterling and vFinance gives effect to the acquisition of certain assets of Sterling Financial, as though the transactions occurred as of January 1, 2006. This unaudited pro forma information is presented for informational purposes, based upon available data and assumptions that management believes are reasonable, and is not necessarily indicative of future results:

	Nine Months Ended September 30, 2006			
	vFinance (Restated and Revised)	Sterling	Adjustments	Pro F
Total revenue	\$ 28,117.4	\$ 3,759.4	\$ -	\$ 31,
Income (loss) from operations	(605.9)	48.0	(227.1)	(
Net income (loss)	(516.0)	48.0	(227.1)	(
Loss per share - basic and diluted	\$ (0.01)		\$ (0.04)	\$
Wt. avg. shares outstanding - basic and diluted	46,912.9		6,213.4	53,

4. CUSTOMER RELATIONSHIPS

Edgar Filing: VFINANCE INC - Form 10-Q

At September 30, 2007, customer relationships totaled \$3.5 million, net of accumulated amortization of \$1.4 million. At December 31, 2006 customer relationships totaled \$4.1 million, net of accumulated amortization \$737.4 thousand.

Acquired customer relationships are amortized using the straight-line method over their estimated useful lives, which coincide with their expected revenue-generating lives, ranging from five to ten years. The Company recorded amortization expense of \$620.9 thousand and \$365.5 thousand in the nine months ended September 30, 2007 and 2006, respectively.

13

VFINANCE, INC. AND SUBSIDIARIES NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued (In thousands, except per share data)

5. EARNINGS (LOSS) PER SHARE

The Company calculates earnings (loss) per share in accordance with SFAS No. 128, "Earnings per Share". In accordance with SFAS No. 128, basic earnings (loss) per share is computed using the weighted average number of shares of common stock outstanding and diluted earnings per share is computed using the weighted average number of shares of common stock and the dilutive effect of options and warrants outstanding, using the "treasury stock" method, as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,
	2007	2006	2007
Weighted average shares outstanding - basic	54,679.9	53,126.1	54,646.9
Effect of dilutive stock options and warrants	-	-	-
Weighted average shares outstanding - diluted	54,679.9	53,126.1	54,646.9

As of September 30, 2007, the Company had 21.6 million stock options and warrants outstanding, all of which have been excluded from the computation of diluted earnings per share because they were anti-dilutive. As of September 30, 2006, the Company had 20.1 million stock options and warrants outstanding, all of which have been excluded from the computation of diluted earnings per share because they were anti-dilutive.

6. COMMITMENTS AND CONTINGENCIES

Clearing Agreements

As consideration for certain incentives received at the inception of one of the Company's clearing agreements, the Company would be required to pay a termination fee in the event vFinance Investments terminates the clearing

Edgar Filing: VFINANCE INC - Form 10-Q

agreement. This fee is reduced annually on a pro rata basis over the five year term of the clearing agreement. As of September 30, 2007, the contingent obligation of the Company associated with this clearing agreement was \$680.0 thousand.

In May 2007, EquityStation received notification from Merrill Lynch Pierce Fenner & Smith, Broadcort Division ("Merrill") that effective September 22, 2007 it intended to terminate its clearing agreement with EquityStation, in accordance with the clearing agreement. On September 4, 2007, Merrill extended the termination date to October 23, 2007 and granted an additional extension on October 8, 2007 until November 30, 2007. The Company does not expect this termination to result in a material impact to its Consolidated Financial Statements, as it signed a clearing agreement with Penson Financial Services, Inc. ("Penson Clearing") on September 7, 2007, and simultaneously executed a Tri-party Clearing Agreement through vFinance Investments to clear some of its business through National Financial Services.

14

VFINANCE, INC. AND SUBSIDIARIES NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued (In thousands, except per share data)

Litigation

The business of vFinance Investments and EquityStation involve substantial risks of liability, including exposure to liability under federal and state securities laws in connection with the underwriting or distribution of securities and claims by dissatisfied customers for fraud, unauthorized trading, churning, mismanagement and breach of fiduciary duty. In recent years, there has been an increasing incidence of litigation involving the securities industry, including class actions that generally seek rescission and substantial damages.

In the ordinary course of business, the Company and/or its subsidiaries may be parties to legal proceedings and regulatory inquiries, the outcome of which, either singularly or in the aggregate, is not expected to be material. There can be no assurance however that any sanctions will not have a material adverse effect on the financial condition or results of operations of the Company and/or its subsidiaries.

The following is a brief summary of certain matters pending against or involving the Company and its subsidiaries.

On or about February 28, 2005, Knight Equity Markets, LP ("Knight") filed an arbitration action (NASD Case No. 05-01069) against vFinance Investments, claiming that vFinance Investments received roughly \$6.5 million in dividends that allegedly belong to Knight. vFinance Investments asserts that the dividends actually went to two of its clients, Pearl Securities LLC ("Pearl Securities") and Michael Balog, and that vFinance Investments has no liability. vFinance Investments filed third party claims against Pearl Securities and Michael Balog to bring all of the parties into the action. Knight is seeking approximately \$6.5 million in damages plus costs, attorney fees and punitive damages. vFinance Investments denies any liability to Knight and intends to vigorously defend against Knight's claims.

On or about September 27, 2005, John S. Matthews filed an arbitration action (NASD Case No. 05-014991) against the Company, claiming that the Company wrongfully terminated his independent contract with the Company and that the

Edgar Filing: VFINANCE INC - Form 10-Q

Company "stole" his clients and brokers. Mr. Matthews obtained a temporary restraining order and an agreed upon injunction was issued by the NASD panel. Mr. Matthews and JMS Capital Holding Corp., a plaintiff in the arbitration action also requested unspecified damages resulting from the Company's alleged improper activity. The Company and Mr. Matthews entered into a settlement agreement in July 2007 with respect to this arbitration action. Pursuant to the terms of the settlement agreement, the Company paid \$50.0 thousand to Mr. Matthews in July 2007 and is further obligated to make payments to Mr. Matthews totaling \$250.0 thousand (\$50.0 thousand in cash payable over 10 months and an additional \$200.0 thousand in cash or the Company's stock, at the Company's option over the next three years). In connection with this settlement, the Company recorded \$250.0 thousand of arbitration settlement expense (a component of general and administrative costs) during the nine months ended September 30, 2007.

The Company engaged in a number of other legal proceedings incidental to the conduct of its business. These claims aggregate a range of \$75.0 thousand to \$300.0 thousand.

15

VFINANCE, INC. AND SUBSIDIARIES NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued (In thousands, except per share data)

As of September 30, 2007 and December 31, 2006, the Company had accrued approximately \$240.0 thousand and \$70.0 thousand, respectively, to provide for these matters. In 2005 the Company acquired an errors and omissions policy for certain future claims in excess of the policy's \$75.0 thousand per claim deductible, up to an aggregate of \$1.0 million. While the Company will vigorously defend itself in these matters, and will assert insurance coverage and indemnification to the maximum extent possible, there can be no assurance that these lawsuits and arbitrations will not have a material adverse impact on its financial position.

7. SUBSEQUENT EVENTS

On November 8, 2007, the Company announced entering into a definitive agreement to merge (the "Merger") with National Holdings Corporation ("National"). In conjunction with the Merger, National will issue shares of common stock in National for all outstanding shares of common stock of the Company (other than shares held by National or the Company or any stockholders of the Company who properly exercise dissenters' rights under Delaware law). For each outstanding share of the Company's stock, the Company's shareholders will receive 0.14 shares in National representing in the aggregate approximately 40% of National. The special committee of the board of directors and the board of directors of National have unanimously approved the merger agreement. The special committee of the board of directors and the board of directors of the Company have unanimously approved the merger agreement and recommended that the Company's stockholders adopt the agreement and approve the Merger.

The transaction is subject to various closing conditions, including approval by the Financial Industry Regulatory Authority ("FINRA") and other applicable regulatory authorities, approval of the Merger by the Company's stockholders, completion by National of a private placement of equity securities resulting in gross proceeds of at least \$3 million, effectiveness of a Registration Statement on Form S-4 for the National securities to be issued in the Merger to the Company's stockholders and other customary closing conditions. The Merger is expected to close during the first half of calendar year 2008.

Edgar Filing: VFINANCE INC - Form 10-Q

Until the Merger is completed, both companies will continue to operate their businesses independently. Following the Merger, it is intended that National will operate the broker-dealer subsidiaries independently.

Under the terms of the definitive merger agreement, vFinance or National may, subject to the provisions of the merger agreement, terminate the agreement upon payment of a termination fee.

16

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

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included under Item 1. In addition, reference should be made to our audited consolidated financial statements and notes thereto and related Management's Discussion and Analysis of Financial Condition and Results of Operations included in our most recent Annual Report on Form 10-K.

Certain amounts have been reclassified from the previously reported financial statements to conform to the income statement presentation of the current period.

We have restated certain amounts in the Unaudited Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2006 as a result of comments from the staff of the Securities and Exchange Commission, as discussed in Note 1 to our unaudited condensed consolidated financial statements contained herein.

Recent Developments

On November 8, 2007, we entered into a definitive agreement to merge ("the Merger") with National Holdings Corporation ("National"). In conjunction with the Merger, National will issue shares of common stock in National for all our outstanding shares of common stock (other than shares held by National or us or any of our stockholders who properly exercise dissenters' rights under Delaware law). For each outstanding share of our stock, our shareholders will receive 0.14 shares in National representing in the aggregate approximately 40% of National. The transaction is subject to various closing conditions, including approval by the Financial Industry Regulatory Authority ("FINRA") and other applicable regulatory authorities, approval of the Merger by our stockholders, completion by National of a private placement of equity securities resulting in gross proceeds of at least \$3 million, effectiveness of a Registration Statement on Form S-4 for the National securities to be issued in the Merger to our stockholders and other customary closing conditions. The Merger is expected to close during the first half of calendar year 2008. Until the Merger is completed, both companies will continue to operate their businesses independently. Following the Merger, it is intended that National will operate the broker-dealer subsidiaries independently. Under the terms of the definitive merger agreement, vFinance or National may, subject to the provisions of the merger agreement, terminate the agreement upon payment of a termination fee. We believe the Merger will be consummated, but the outcome cannot be predicted with any certainty. See Note 7 to our unaudited condensed consolidated financial statements for additional information about the transaction.

17

Edgar Filing: VFINANCE INC - Form 10-Q

The following table and discussion summarizes the changes in major revenue and expense categories for the three and nine months ended September 30, 2007 and 2006.

	Three Months Ended September 30,				Nine Mo	
	2007	2006 (Restated and Revised)	Change	% Chg.	2007	(R an
Revenues:						
Commissions - agency	\$ 6,014.5	\$ 4,849.9	1,164.6	24.0 %	18,521.8	
Trading profits	2,849.6	2,794.5	55.1	2.0 %	9,684.7	
Success fees	648.7	1,000.2	(351.5)	35.1)%	3,092.0	
Other brokerage related income	1,453.6	847.9	605.7	71.4 %	4,681.7	
Consulting fees	13.9	44.7	(30.8)	(68.9)%	50.0	
Other	30.0	70.9	(40.9)	(57.7)%	100.4	
Total revenues	11,010.3	9,608.1	1,402.2	14.6 %	36,130.6	
Compensation, commissions and benefits	9,334.6	7,641.4	1,693.2	22.2 %	29,247.3	
Clearing and transaction costs	1,055.0	1,015.8	39.2	3.9 %	3,298.8	
General and administrative costs	719.2	785.3	(66.1)	(8.4)%	2,699.2	
Occupancy and equipment costs	277.0	335.4	(58.4)	(17.4)%	809.2	
Depreciation and amortization	325.0	310.2	14.8	4.8 %	964.0	
Total operating costs	11,710.8	10,088.1	1,622.7	16.1 %	37,018.5	
Loss from operations	(700.5)	(480.0)	(220.5)	45.9 %	(887.9)	
Other income (expenses):						
Interest income	7.4	19.4	(12.0)	(61.9)%	32.6	
Interest expense	(26.3)	(14.3)	(12.0)	83.9 %	(62.5)	
Dividend income	3.0	5.6	(2.6)	(46.4)%	10.2	
Other income, net	75.1	37.3	37.8	101.3 %	78.9	
Total other income, net	59.2	48.0	11.2	23.3 %	59.2	
Loss before income taxes	(641.3)	(432.0)	(209.3)	48.4 %	(828.7)	

THREE MONTHS ENDED SEPTEMBER 30, 2007 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2006

STATEMENT OF OPERATIONS

Revenues

Edgar Filing: VFINANCE INC - Form 10-Q

Total revenues for the three months ended September 30, 2007 increased 15%, or \$1.4 million, compared to the three months ended September 30, 2006. The \$1.4 million increase is attributable primarily to higher agency commissions and other brokerage related income, which increased by 24% and 71%, respectively, both driven by the addition of new brokers in 2006 and 2007. Additionally, trading profits for the three months ended September 30, 2007 increased 2%, or \$55.1 thousand compared to the three months ended September 30, 2006, primarily as a result of an increase in our fixed income trading group, partially offset by a decrease from our equity market making activities. Success fees from investment banking decreased 35%, or \$351.5 thousand, in the three months ended September 30, 2007 compared to the three months ended September 30, 2006, primarily as a result of a decrease in investment banking transactions.

18

Operating Expenses

Compensation, commissions and benefits.

Compensation, commissions and benefits for the three months ended September 30, 2007 increased 22%, or \$1.7 million, compared to the three months ended September 30, 2006. Commissions are correlated with our revenues, primarily agency commissions, trading profits and success fees from investment banking. Additional increases in compensation, commissions and benefits are primarily attributable to incentive compensation provided to new brokers, as well as increased salaries.

Clearing and transaction costs.

Clearing and transaction costs for the three months ended September 30, 2007 increased \$39.2 thousand, or 4%, compared to the three months ended September 30, 2006, primarily as a result of an increase in transaction volume attributable to the addition of new brokers, partially offset by a shift in our revenue mix to lower-cost institutional trading transactions.

General and administrative costs.

General and administrative costs for the three months ended September 30, 2007 decreased \$66.1 thousand, or 8%, compared to the three months ended September 30, 2006, primarily as a result of improved recovery of costs incurred on behalf of independent brokers.

Occupancy and equipment costs.

Occupancy and equipment costs for the three months ended September 30, 2007 decreased \$58.4 thousand, or 17%, compared to the three months ended September 30, 2006, primarily because in December 2006 we subleased office space acquired under a lease assumed in connection with the Sterling Financial Acquisition.

Depreciation and amortization.

Depreciation and amortization for the three months ended September 30, 2007 increased \$14.8 thousand, or 5%, compared to the three months ended September 30, 2006, primarily as a result of depreciation expense related to recent property, plant and equipment additions, including equipment under capital leases.

NINE MONTHS ENDED SEPTEMBER 30, 2007 COMPARED TO THE NINE MONTHS

Edgar Filing: VFINANCE INC - Form 10-Q

ENDED SEPTEMBER 30, 2006

STATEMENT OF OPERATIONS

Revenues

Total revenues for the nine months ended September 30, 2007 increased 29%, or \$8.0 million, compared to the nine months ended September 30, 2006. The \$8.0 million increase is attributable to higher agency commissions, increased trading profits, and other brokerage related income, all driven primarily by the addition of new brokers in 2006 and 2007. Success fees from investment banking decreased 20%, or \$758.8 thousand, in the nine months ended September 30, 2007 compared to the nine months ended September 30, 2006, primarily as a result of a decrease in investment banking transactions.

19

Operating Expenses

Compensation, commissions and benefits.

Compensation, commissions and benefits for the nine months ended September 30, 2007 increased 32%, or \$7.1 million, compared to the nine months ended September 30, 2006. Commissions are correlated with our revenues, primarily agency commissions, trading profits and success fees from investment banking. Additional increases in compensation, commissions and benefits are primarily attributable to incentive compensation provided to new brokers, as well as increased salaries.

Clearing and transaction costs.

Clearing and transaction costs for the nine months ended September 30, 2007 increased \$292.2 thousand, or 10%, compared to the nine months ended September 30, 2006, primarily as a result of an increase in transaction volume attributable to the addition of new brokers, partially offset by a shift in our revenue mix to lower-cost institutional trading transactions.

General and administrative costs.

General and administrative costs for the nine months ended September 30, 2007 increased \$683.7 thousand, or 34%, compared to the nine months ended September 30, 2006, primarily as a result of professional fees associated with arbitration and litigation matters during the first six months of 2007 and the expansion of our Sarbanes-Oxley and Gramm-Leach-Bliley compliance programs. Remaining increases resulted from temporary labor and other increased professional fees to support our growth.

Occupancy and equipment costs.

Occupancy and equipment costs for the nine months ended September 30, 2007 decreased \$51.0 thousand, or 6%, compared to the nine months ended September 30, 2006, primarily because in December 2006 we subleased office space acquired under a lease assumed in connection with the Sterling Financial Acquisition.

Depreciation and amortization.

Depreciation and amortization for the nine months ended September 30, 2007 increased \$320.1 thousand, or 50%, compared to the nine months ended September 30, 2006, primarily as a result of the amortization expense associated with the customer relationships from the Sterling Financial Acquisition and depreciation

Edgar Filing: VFINANCE INC - Form 10-Q

expense related to property and equipment additions, including computer equipment under capital leases.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have satisfied our liquidity and regulatory capital needs through the issuance of equity and debt securities. As of September 30, 2007, liquid assets consisted primarily of cash and cash equivalents of \$4.5 million and marketable securities of \$737.5 thousand, for a total of \$5.2 million, which approximates the \$5.2 million in liquid assets as of December 31, 2006. As of September 30, 2007, we had long-term capital lease obligations of \$206.6 thousand, net of current obligations of \$201.3 thousand.

20

Both vFinance Investments and EquityStation are subject to the SEC Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital. Both vFinance Investments and EquityStation have elected to use the alternative standard method permitted by the rule. This method requires that vFinance Investments maintain minimum net capital equal to the greater of \$250,000 or a specified amount per security based on the bid price of each security for which vFinance Investments is a market maker and requires EquityStation to maintain minimum capital equal to \$100,000. As of September 30, 2007, vFinance Investments and EquityStation net capital exceeded the requirement by \$764.6 thousand and \$416.4 thousand, respectively.

Advances, dividend payments and other equity withdrawals from the Company's broker-dealer subsidiary are restricted by the regulations of the SEC and other regulatory agencies. These regulatory restrictions may limit the amounts that a broker-dealer subsidiary may dividend or advance to the Company.

Cash and cash equivalents increased by \$279.5 thousand and \$254.9 thousand during the nine months ended September 30, 2007 and 2006, respectively. The major components of these changes are discussed below.

Cash provided by operating activities for the nine months ended September 30, 2007 was \$592.1 thousand compared to \$734.6 thousand for the nine months ended September 30, 2006. Cash provided by operating activities includes net income adjusted for non-cash items and the effects of changes in working capital including changes in working capital related to trading security positions. Cash provided by operating activities decreased for the nine months ended September 30, 2007 compared to the nine months ended September 30, 2006 primarily as a result of lower investment banking revenue.

Cash used in investing activities for the nine months ended September 30, 2007 decreased to \$109.4 thousand compared to \$328.9 thousand for the nine months ended September 30, 2006, when we made a \$161.9 thousand investment in an unconsolidated affiliate. Capital expenditures decreased by \$57.6 thousand for the nine months ended September 30, 2007 compared to the nine months ended September 30, 2006, as we acquired \$274.7 thousand of computer equipment under capital leases during the nine months ended September 30, 2007 compared to \$132.0 thousand during the nine months ended September 30, 2006, an increase of \$142.7 thousand.

Cash used in financing activities for the nine months ended September 30, 2007 increased to \$203.2 thousand compared to \$150.8 thousand for the nine months ended September 30, 2006 as a result of capital lease payments for equipment acquired under capital leases that commenced in 2007 and in the fourth quarter of 2006.

Edgar Filing: VFINANCE INC - Form 10-Q

We believe the Merger will be consummated, but the outcome cannot be predicted with any certainty. In the absence of consummating the Merger, we believe cash on hand is sufficient to meet our working capital requirements over the next twelve months. However, we may seek additional debt or equity financing in order to carry out our long-term business strategy if the Merger is not completed. Such funding may be a result of bank borrowings, public offerings, private placements of equity or debt securities, or a combination thereof. We cannot be certain that additional debt or equity financing will be available when required or, if available, that we can secure it on terms satisfactory to us.

21

NEW ACCOUNTING PRONOUNCEMENTS

See Note 1 to our unaudited condensed consolidated financial statements.

22

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has exposure to market risk, and does periodically hedge against that risk. The Company does not hold or issue any derivative financial instruments for trading or other speculative purposes. The Company is exposed to market risk associated with changes in the fair market value of the marketable securities that it holds. The Company's revenue and profitability may be adversely affected by declines in the volume of securities transactions and in market liquidity, which generally result in lower revenues from trading activities and commissions. Lower securities price levels may also result in a reduced volume of transactions, as well as losses from declines in the market value of securities held by the Company in trading and investment positions. Sudden sharp declines in market values of securities and the failure of issuers and counterparts to perform their obligations can result in illiquid markets in which the Company may incur losses in its principal trading activities.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this quarterly report (the "Evaluation Date"). Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective.

Edgar Filing: VFINANCE INC - Form 10-Q

Changes in Internal Controls

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of our internal controls that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, such controls.

23

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

Number of Exhibit	Exhibit Description
2.1*	Agreement and Plan of Merger dated November 7, 2007 by and among vFinance, Inc., National Holdings Corporation and vFin Acquisition Corporation (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on November 8, 2007).
31.1**	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification by Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification by Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley act of 2002.

* Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Exhibit F to the Agreement and Plan of Merger is incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on November 8, 2007. The Company hereby undertakes to furnish copies of any of the omitted schedules upon request by the Securities and Exchange Commission.

** Filed herewith.

24

SIGNATURES

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

Signature

Title

Date

Edgar Filing: VFINANCE INC - Form 10-Q

/s/ Leonard J. Sokolow	Chairman of the Board and Chief	
-----	Executive Officer	
Leonard J. Sokolow	(Principal Executive Officer)	November 14, 2007

/s/ Alan B. Levin	Chief Financial Officer and	
-----	(Principal Financial and	
Alan B. Levin	Accounting Officer)	November 14, 2007