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**FORM X-17A-5  
PART III**

SEC FILE NUMBER
8-50898

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING October 1, 2009 AND ENDING September 30, 2010  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: vFinance Investments, Inc.

OFFICIAL USE ONLY
<u>FIRM I.D. NO.</u>

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1200 North Federal Highway, Suite 400

(No. and Street)

Boca Raton

FL

33432

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Alan B. Levin

561-981-1007

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Sherb & Company, LLC

(Name - if individual, state last, first, middle name)

1900 NW Corporate Blvd. Suite 210 East Boca Raton

FL

33431

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

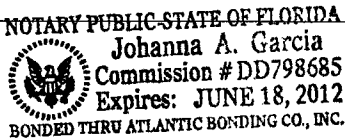
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

PN

OATH OR AFFIRMATION

I, Alan B. Levin, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of vFinance Investments, Inc. of September 30, 2010, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Handwritten signature of Alan B. Levin

Signature

Chief Financial Officer

Title

Handwritten signature of Johanna A. Garcia, Notary Public

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# **vFinance Investments, Inc.**

(a wholly owned subsidiary of National Holdings Corporation)

## **Financial Statements and Supplemental Information**

*Year ended September 30, 2010*

*with Report and Supplementary Report of Independent Auditors*

**vFinance Investments, Inc.**  
(a wholly owned subsidiary of National Holdings Corporation)  
**Financial Statements and Supplemental Information**  
Year ended September 30, 2010

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**SHERB & CO., LLP**

*Certified Public Accountants*

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Boca Raton, Florida 33431  
Tel. 561-886-4200  
Fax. 561-886-3330  
e-mail:info@sherbcpa.com

Offices in New York and Florida

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**INDEPENDENT AUDITORS REPORT**

To the Shareholder  
vFinance Investments, Inc.

We have audited the accompanying statement of financial condition of vFinance Investments, Inc. as of September 30, 2010, and the related statements of operations, changes in shareholder'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 the 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 statements. 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 VFinance Investments, Inc. as of September 30, 2010, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sherb & Co., LLP*

Boca Raton, Florida  
November 19, 2010

# vFinance Investments, Inc.

(a wholly owned subsidiary of National Holdings Corporation)

## Statement of Financial Condition

September 30, 2010

### Assets

#### Current Assets:

Cash and cash equivalents	\$ 1,963,906
Cash deposits with clearing organizations	808,577
Due from clearing organizations	594,493
Marketable securities owned - at market value	649,445
Non-marketable securities owned - at market value	10,957
Accounts receivable, net of allowance for doubtful accounts of \$318,844	39,110
Notes receivable - employees	25,248
Prepaid expenses	111,392
<b>Total Current Assets</b>	<u>4,203,128</u>

#### Non-Current Assets

Furniture and Equipment, at cost net of accumulated depreciation of \$474,722	5,278
Other Assets	3,516
<b>Total Non-Current Assets</b>	<u>8,794</u>
<b>Total Assets</b>	<u>\$ 4,211,922</u>

### Liabilities & Shareholders' Equity

#### Current Liabilities:

Due to other broker dealers	\$ 169,184
Securities sold, not yet purchased	21,265
Accounts payable, accrued expenses and other liabilities	2,092,155
<b>Total Current Liabilities</b>	<u>2,282,604</u>

#### Non-Current Liabilities

Accounts payable, accrued expenses and other liabilities	160,308
<b>Total Non-Current Liabilities</b>	<u>160,308</u>

#### Shareholder's Equity

Common Stock \$0.01 par value, 1,000,000 shares authorized, 1,000 issued and outstanding	10
Additional paid-in-capital	2,533,439
Accumulated deficit	(764,439)

<b>Total Shareholder's Equity</b>	<u>1,769,010</u>
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<b>Total Liabilities and Shareholder's Equity</b>	<u>\$ 4,211,922</u>
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See accompanying notes.

# vFinance Investments, Inc.

(a wholly owned subsidiary of National Holdings Corporation)

## Statement of Operations Year ended September 30, 2010

<b>Revenues:</b>	
Commissions	\$ 15,734,876
Net dealer inventory gains	11,128,298
Investment banking	44,699
Interest and dividend income	418,506
Transfer fees and clearing services	1,723,156
Other revenue	191,937
<b>Total Revenues</b>	<b><u>29,241,472</u></b>
<b>Operating expenses:</b>	
Commissions and fees	22,037,148
Employee compensation and related expenses	1,568,403
Clearing fees	828,824
Communications	1,272,598
Occupancy and equipment costs	697,755
Professional fees	284,032
Taxes, licenses and registration fees	340,724
Other administrative expenses	2,159,053
<b>Total operating expenses</b>	<b><u>29,188,537</u></b>
<b>Net operating income</b>	<b><u>52,935</u></b>
<b>Other income and expense</b>	
Interest expense	46,516
<b>Total other expense</b>	<b><u>46,516</u></b>
<b>Net income</b>	<b><u>\$ 6,419</u></b>

See accompanying notes.

# vFinance Investments, Inc.

(a wholly owned subsidiary of National Holdings Corporation)

## Statement of Changes in Shareholder's Equity For the Year ended September 30, 2010

	Common Stock		Additional	Accumulated	Total
	<u>Shares</u>	<u>Amount</u>	<u>Paid - in Capital</u>	<u>Deficit</u>	
Balance, September 30, 2009	1,000	\$ 10	\$ 2,387,459	\$ (770,858)	\$ 1,616,611
Capital contributed by parent or affiliates			97,418		97,418
Amortization of stock option grants contributed by parent			48,562		48,562
Net income				6,419	6,419
Balance, September 30, 2010	<u>1,000</u>	<u>\$ 10</u>	<u>\$ 2,533,439</u>	<u>\$ (764,439)</u>	<u>\$ 1,769,010</u>

*See accompanying notes.*



# vFinance Investments, Inc.

(a wholly owned subsidiary of National Holdings Corporation)

## Statement of Cash Flows For the Year ended September 30, 2010

### OPERATING ACTIVITIES

Net income	\$	6,419
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation		4,298
Amortization of stock option grants contributed by parent		48,562
Changes in operating assets and liabilities, net		
Due from broker dealers and clearing organizations		982,755
Accounts receivable, net of allowance for uncollectible accounts		(550)
Advances to registered representatives and non registered employees		16,735
Securities owned - Marketable, at market value		(32,484)
Other assets		8,027
Payable to broker dealers and clearing organizations		(129,524)
Securities sold, but not yet purchased, at market		17,584
Accounts payable, accrued expenses and other liabilities		<u>(1,578,206)</u>

**Net cash used in operating activities** (656,384)

### INVESTING ACTIVITIES

Non-marketable securities owned at market value	42,300
Purchases of furniture and equipment	<u>(4,130)</u>

**Net cash provided by financing activities** 38,170

### FINANCING ACTIVITIES

Capital contributed by parent and affiliates	<u>97,418</u>
--	---------------

**Net cash provided by financing activities** 97,418

Net decrease in cash	(520,796)
Cash at beginning of period	<u>3,293,279</u>
<b>Cash at end of period</b>	<u><u>\$ 2,772,483</u></u>

Cash Paid for:

Income Taxes	\$	400
Interest	\$	<u>46,517</u>

*See accompanying notes.*

# vFinance Investments, Inc.

(a wholly owned subsidiary of National Holdings Corporation)

## Notes to Financial Statements

### **Note 1. Significant Accounting Policies and Other Matters**

#### **Description of Business**

vFinance Investments, Inc. (“the Company”) (a wholly owned subsidiary of National Holdings Corporation) is a broker dealer licensed to conduct activities in all 50 states, Washington DC and Puerto Rico. The Company has corporate offices in New York, New Jersey and Florida and approximately 40 independent locations throughout the country, Panama, Chile and Colombia. The Company’s three core business activities include providing full service retail brokerage to high net worth individuals, investment-banking and merger and acquisition services to small and medium sized companies, and securities trading including making markets in over 4,000 micro cap, small cap, NASDAQ and NYSE Listed stocks. The Company also trades in United States Treasury securities. The Company does not require collateral from its customers. Revenues are not concentrated in any particular region of the country or with any individual or group.

Effective February 1, 2010, vFinance Investments, Inc. entered into a new clearing agreement with NFS. The agreement is for a 5 year term, and contained standard language and costs associated with a fully disclosed clearing agreement. This agreement once signed called for the payment of a onetime “Clearing fee rebate” up to a maximum of \$250,000. The Company reached this limit by April 2010 and is amortizing this reduction of its clearing costs over the life of the clearing arrangement. As of September 30, 2010, the Company had approximately \$210,000 of deferred revenue on its balance sheet in Accounts payable, accrued expenses and other liabilities.

Effective July 1, 2008 vFinance Investments, Inc., a wholly owned subsidiary of vFinance Inc., merged into National Holdings Corporation, pursuant to the terms of the Agreement and Plan of Merger Agreement, dated November 7, 2007, as amended.

**RETAIL BROKERAGE BUSINESS:** The largest portion of the Company’s revenues in 2009 was attributable to commissions generated by its brokerage activities. The Company buys and sells securities for its customers on an agency basis, and charges its customers a commission for its services. Such commission revenue is derived from brokerage transactions in listed and over-the-counter securities and mutual fund securities. The Company has agreements with numerous mutual fund management companies pursuant to which it sells shares in a variety of mutual funds. Mutual fund commissions are derived from standard dealers' discounts that are a small percentage of the purchase price of the shares, depending upon the terms of the dealer agreement and the size of the transaction. In addition, most funds permit vFinance Investments to receive additional periodic fees based upon the customer's investment in particular funds.

# vFinance Investments, Inc.

(a wholly owned subsidiary of National Holdings Corporation)

## Notes to Financial Statements

(Continued)

### Note 1. Significant Accounting Policies and Other Matters

(Continued)

#### Description of Business

(Continued)

**NET DEALER GAINS:** In support of the firm's retail brokerage and investment banking businesses, the Company offers wholesale market-making services to its retail brokerage, corporate and financial institutions. vFinance Investments makes markets in over 3,500 Over-the-Counter Bulletin Board and NASDAQ Small Cap stocks. The Company's target customers are national and regional full-service broker/dealers, electronic discount brokers and institutional investors that require fast and efficient executions. As a part of the Company's Sterling Select Asset Purchase Agreement, the Company also trades US Treasury securities in the institutional marketplace.

**INVESTMENT BANKING AND MERGERS AND ACQUISITIONS:** In December 2009, the Company combined its' banking efforts with that of its affiliate, National Securities Corporation. Since that time, vFinance has participated in some of the deals originated with its affiliate, but has not done any formal banking business.

**CLEARING BROKER:** vFinance Investments, Inc. does not hold any customer funds or securities. The Company currently utilizes four clearing firms to clear the various business lines it engages in. These clearing relationships are on a fully disclosed basis with National Financial Services, LLC ("NFS"), a wholly owned subsidiary of Fidelity Brokerage Company, Industrial and Commercial Bank of China Financial Services, LLC, a wholly owned subsidiary of Industrial and Commercial Bank of China, LTD.(Formerly known as Fortis Securities LLC, a division of Fortis Bank, NV), Legent Clearing LLC and Rosenthal Collins Clearing. The Company's clearing brokers process securities transactions for vFinance Investments and the accounts of its customers for which vFinance Investments pays a clearing fee. The Company may also pay transaction charges for other services including but not limited to billing, credit extension, control and receipt and custody and delivery of securities. According to the terms of these agreements between vFinance Investments and its clearing firms, vFinance Investments has agreed to indemnify and hold each harmless from certain liabilities and claims, including claims arising from the transactions of its customers. In the event that customers fail to pay for their purchases or fail to supply the securities that they have sold, and a clearing firm satisfies such a customer obligation, vFinance Investments would be obligated to indemnify the clearing firm for any resulting losses. vFinance Investments, to date, has not experienced any material losses as a result of the failure of its customers to satisfy their obligations.

# vFinance Investments, Inc.

(a wholly owned subsidiary of National Holdings Corporation)

## Notes to Financial Statements

(Continued)

### Note 1. Significant Accounting Policies and Other Matters

(Continued)

#### 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 amounts reported in the accompanying financial statements. Actual results may differ from those estimates, and such differences may be material to the financial statements.

#### Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased.

#### Concentrations of Credit Risk

As of September 30, 2010, we had cash balances in banks in excess of the maximum amount insured by the FDIC of approximately \$908,434. The Company maintains its cash positions at high quality financial institutions.

The Company and its subsidiaries are engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of its counterparty.

#### Income Taxes

The Company accounts for income taxes under the liability method in accordance with professional standards, "*Accounting for Income Taxes*" under this method, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company's net operating loss carry forwards may be limited due to changes in ownership in accordance with IRC Section 382.

# vFinance Investments, Inc.

(a wholly owned subsidiary of National Holdings Corporation)

## Notes to Financial Statements

(Continued)

### **Note 1. Significant Accounting Policies and Other Matters (Continued)**

#### **Furniture and Equipment**

Furniture and equipment are stated on the basis of cost less accumulated depreciation and consists primarily of computer equipment and software. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, 2-5 years, for financial reporting purposes. Depreciation expense for the year ended September 30, 2010 totaled \$4,298.

#### **Notes Receivable - Employees**

In order to remain competitive in the marketplace, the Company grants forgivable loans and repayable loans to certain employees. The terms of the loans can be up to three years with maturities during fiscal year 2011. For forgivable loans, for each year the employee is in good standing with the Company, the Company forgives a ratable portion of the loan and charges this amount to compensation expense. If the employee is terminated, the principal balance is due and payable immediately. The loans bear interest at a reasonable market rate and interest is written off over the life of the loan. For repayable loans, terms are usually no more than six months, and bear interest at a reasonable market rate. As of September 30, 2010, the balance of the forgivable loans and repayable loans was \$16,250 and \$2,557 respectively.

#### **Marketable and Non Marketable Securities**

The Company's investments consist of its proprietary trading account assets as well as equity instruments received as compensation for past investment banking services. Such investments are classified as Marketable securities and non marketable securities on the accompanying statement of financial condition. The liquidity and restrictions of a particular position (if any) determines if the asset is classified as marketable or non-marketable.

Trading account assets consist of marketable equity securities and marketable municipal debt securities and are stated at market value. They are held for resale in anticipation of short-term market movements. Realized gains and losses are recognized as net trading profits in the statement of operations when the security is sold and interim unrealized profits and losses are recorded in a similar fashion as the positions are always marked to market.

Non marketable securities include restricted common stock. These instruments are stated at market value. Primarily all of the equity instruments are received from small public companies. The stock and the stock purchase warrants received are typically restricted as to resale, although the Company generally receives a registration right within one year.

# vFinance Investments, Inc.

(a wholly owned subsidiary of National Holdings Corporation)

## Notes to Financial Statements

(Continued)

### Note 1. Significant Accounting Policies and Other Matters

(Continued)

#### Marketable and Non Marketable Securities - Continued

The Company policy is to resell these securities in anticipation of short-term market movements. The Company recognizes revenue for such equity instruments based on the fair market value of the stock and for stock purchase warrants based on the Black-Scholes valuation model, only when the underlying shares are registered. Realized gains or losses are recorded in the statement of operations when the underlying securities are sold. Unrealized gains or losses are recognized in the statement of operations on a monthly basis based on changes in the fair value of the security as quoted on national or inter-dealer stock exchanges or, for stock purchase warrants, based on the Black-Scholes valuation model.

Investments in trading securities and Securities sold, not yet purchased at September 30, 2010 consist of the following:

	Owned	Sold, not yet purchased
Debt securities	\$ 606,853	\$ -
Corporate stocks	42,592	21,265
Non-marketable stocks	10,957	-
<b>Total</b>	<b>\$ 660,402</b>	<b>\$ 21,265</b>

Investments in not readily marketable securities at September 30, 2010 consisted of \$10,957 of restricted securities and securities not having a ready market.

To determine the fair value of the intangible assets, the Company used the professional standards for Fair Value Measurements. This method provides a fair value hierarchy which gives priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. There is no active market for the Company's non marketable securities yet the prices for the underlying shares are quoted in the open market, thus we classified these assets as Level 2.

# vFinance Investments, Inc.

(a wholly owned subsidiary of National Holdings Corporation)

## Notes to Financial Statements

(Continued)

### Note 1. Significant Accounting Policies and Other Matters (Continued)

#### Marketable and Non Marketable Securities - Continued

<b>Securities owned at fair value</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Corporate stocks	\$ 42,592	\$ -	\$ -	\$ 42,592
Debt securities	606,853	-	-	606,853
Non marketable stocks	-	10,957	-	10,957
	<b>\$ 649,445</b>	<b>\$ 10,957</b>	<b>\$ -</b>	<b>\$ 660,402</b>

<b>Securities sold, not yet purchased at fair value</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Corporate stocks	\$ 21,265	\$ -	\$ -	\$ 21,265
	<b>\$ 21,265</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21,265</b>

#### Securities Transactions

Proprietary securities transactions in regular-way trades are accrued and recorded on the trade date, as if they had settled. Profit and loss arising from all securities and commodities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Commission income and expense are 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.

#### Financial Instruments with Off-Balance Sheet Risk

The securities transactions of the Company's customers are introduced on a fully disclosed basis with a clearing broker-dealer. The Company holds no customer funds or securities. The clearing broker-dealer is responsible for execution, 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

# vFinance Investments, Inc.

(a wholly owned subsidiary of National Holdings Corporation)

## Notes to Financial Statements

(Continued)

### **Note 1. Significant Accounting Policies and Other Matters**

(Continued)

#### **Financial Instruments with Off-Balance Sheet Risk**

(Continued)

contractual commitments wherein the clearing broker-dealer may charge any related losses to the Company. The Company seeks to minimize this risk through procedures designed to monitor the creditworthiness of its customers and to ensure that customer transactions are executed properly by the clearing broker-dealer. However, the Company does not require collateral from its customers or the clearing broker-dealer and potential losses could be material to the Company.

#### **Revenue Recognition and Other Matters**

The Company earns revenue from brokerage and trading activities, which are recognized on the day of the trade. The Company also earns revenue from investment banking and consulting. Monthly fees for investment banking and consulting are recognized as earned. Investment banking success fees are generally based on a percentage of the total value of a transaction and are recognized upon successful completion.

On a monthly basis, the Company recognizes unrealized gains or losses in the statement of operations based on the changes in value of its equity instruments received as compensation for investment banking services. Unrestricted securities are valued at current market value. Restricted securities are valued at current market value, discounted by a factor related to the remaining term of its restriction. Stock purchase warrants are valued when the underlying shares are registered using the Black Scholes valuation model. Realized gains or losses are recognized in the statement of operations when the equity instruments are sold. For the Year ended September 30, 2010, the Company recognized no revenue in connection with the receipt of equity securities primarily due to having moved its banking activities over to its affiliate National Securities Corporation. The Company also recognized \$12,351 in net realized loss in connection with the sale of such securities and a net unrealized loss of \$6,418 in connection with changes in the value. Net realized and unrealized gains and losses are recognized in the statement of operations as either increases or decreases to success fee revenues, a component of Investment Banking Revenue.

As of September 30, 2010, certain transactions in process may result in the Company receiving equity instruments or stock purchase warrants in subsequent periods as discussed above. In such event, the Company will recognize revenue related to the receipt of such equity instruments consistent with the aforementioned policies. In addition, the Company would also record compensation expense at fair value related to the distribution of some or all of such equity instruments to employees or independent contractors involved with the related transactions.



# vFinance Investments, Inc.

(a wholly owned subsidiary of National Holdings Corporation)

## Notes to Financial Statements

(Continued)

### Fair Value of Financial Instruments

The fair values of the Company's financial instruments, which include cash and cash equivalents, forgivable loans and investments, approximate their carrying values.

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Company places its cash with high quality financial institutions.

### Note 2: Income Taxes

Although the Company's results will be included in the consolidated income tax return of its parent company, an income tax provision has been calculated as if the Company is filing a stand-alone income tax return.

At September 30, 2010, the Company's tax provision is as follows:

Current Expense	\$	-
Deferred Expense		-
Total Expense	\$	-

The Company's Deferred Tax Assets (Liabilities) at September 30, 2010 were as follows:

Net operating losses	\$	35,626
Allowance for doubtful accounts		123,393
Gross deferred tax assets		159,019
Valuation allowance		(159,019)
Net deferred tax assets	\$	-

Management has provided a full valuation allowance due to the uncertainty regarding utilization of such deferred tax assets.

A reconciliation of the Company's income tax expense applying the Federal statutory tax rate to its effective tax rate is as follows:

Income tax at the federal statutory rate	\$	2,247
Permanenet differences		25,497
State income tax		
Net of federal tax benefit		237
Change in valuation allowance		(27,981)
Income tax at the effective tax rate	\$	-

# vFinance Investments, Inc.

(a wholly owned subsidiary of National Holdings Corporation)

## Notes to Financial Statements

(Continued)

### **Note 2: Income Taxes**

(Continued)

During the fiscal year ended September 30, 2010, the Company's valuation allowance decreased approximately \$28,000. Consolidated operating loss carry forwards, if any, may be limited due to changes in ownership in accordance with IRC Section 382.

On a standalone basis, the Company incurred a net operating loss for tax purposes of approximately \$92,000. As a result, there were no taxes that would have been due on a standalone basis and no tax benefit contributed by the parent. On a standalone basis, the Net Operating Loss expires through tax year 2030.

### **Note 3. Commitments and Contingencies**

#### **FINRA Arbitration**

The Company has been named in several customer arbitrations alleging violations of securities laws and FINRA rules. These actions have not been settled as of September 30, 2010. Management intends to vigorously defend against these claims. The accompanying financial statements do not include any accrual for estimated losses or expenses that may result from the ultimate outcome of certain of these actions (taking into consideration applicable insurance coverage and the related deductibles).

On March 4, 2008, vFinance received a customer arbitration (FINRA Case No.08-00472) from Donald and Patricia Halfmann, alleging that Jeff Lafferty, a former registered representative of vFinance, misappropriated approximately \$110,000 of the Halfmann' funds via check alteration, and that vFinance ought to be liable for an additional \$150,000 for other dishonest and fraudulent acts committed after he left vFinance. On August 6, 2009 the arbitrators' ruled that vFinance Investments must pay for losses, interest, attorneys costs and punitive damages totaling approximately \$804,000. The Company paid the entire judgment as of December 2009.

In August 2010, claimant Margarita Bueno, a resident of Colombia, commenced a FINRA arbitration against vFinance, two other securities firms and four brokers (two of whom have never been registered at vFinance). Ms. Bueno, representing herself pro se, alleges that vFinance is liable for transactions conducted at another firm, under what appears to be a corporate successor theory. Ms. Bueno seeks damages of \$435,972 from all respondents but does not specify the exact amount sought from vFinance. Because the investigation of this matter is continuing, it is too early to conclude whether settlement of the case will be more prudent than proceeding to hearing on this matter. vFinance believes it has meritorious defenses to the claims raised, and should the matter not settle, vFinance will defend the matter vigorously at the evidentiary hearing, which will occur in Florida on a date not yet determined.

# vFinance Investments, Inc.

(a wholly owned subsidiary of National Holdings Corporation)

## Notes to Financial Statements

(Continued)

### Note 3. Commitments and Contingencies

(Continued)

#### FINRA Arbitration

(Continued)

In March 2010, claimants Carl and Marie Chadband commenced a FINRA arbitration against vFinance, alleging vFinance and Dan Gambino, a securities broker formerly registered with vFinance, purchased unsuitable securities, breached fiduciary duties, violated Delaware's securities act, committed common law fraud, breached a contract with them, acted negligently, made negligent misrepresentations of material fact and/or omitted material facts in connection with the purchase of securities and churned their accounts. Claimants further alleges that vFinance negligently supervised and Mr. Gambino and is vicariously liable for his. Claimants seeks compensatory damages from vFinance in the amount of \$180,000, and interest, punitive damages, attorneys fees and costs, all in undisclosed amounts. vFinance timely responded to the Claim and has begun, but not yet completed discovery into the allegations and potential defenses. Because the investigation of this matter is continuing, it is too early to conclude whether settlement of the case will be more prudent than proceeding to hearing on this matter. vFinance believes it has meritorious defenses to the claims raised, and should the matter not settle, vFinance will defend the matter vigorously at the evidentiary hearing, which will calendared for May 17 - May 20, 2011.

In October, 2009, plaintiffs Michael, Susana, Paul and Gail Sollazzo and two related Sollazzo family trusts filed a civil action in Santa Clara Superior Court of California against Steve Cinelli (a former vFinance registered representative), Prestwick Partners, LLC (Mr. Cinelli's business entity), vFinance and others arising out of the purchase of certain shares of stock in a company known as Fresh N' Healthy, Inc. Plaintiffs allege that Mr. Cinelli, individually and as agent of Prestwick Partners, LLC and vFinance, solicited their investments in Fresh N' Healthy and allege claims against vFinance and others based on negligence, negligent misrepresentation, intentional misrepresentation and violations of state securities laws. Plaintiffs' out of pocket investment, as alleged in the complaint, was \$285,000, although plaintiffs request damages of at least \$427,500. vFinance filed an answer denying the material allegations and raising the appropriate affirmative defenses. We have learned that no private placement for Fresh N' Healthy was ever made through the Company and that the plaintiffs were never vFinance customers. Fresh N Healthy, with Cinelli acting as the chairman and founder, sold shares directly to the plaintiffs and others, although no investors other than the plaintiffs have filed suit. The plaintiffs were in fact completely unaware that vFinance even existed other than a reference to it

# vFinance Investments, Inc.

(a wholly owned subsidiary of National Holdings Corporation)

## Notes to Financial Statements

(Continued)

### Note 3. Commitments and Contingencies

#### FINRA Arbitration

(Continued)

in two emails from Cinelli's outside email address where he inserted the vFinance name on his signature line. Because the investigation of this matter is continuing, it is too early to conclude whether settlement of the case will be more prudent than proceeding to trial on this matter. vFinance believes it has meritorious defenses to the claims raised, and should the matter not settle, vFinance will defend the matter vigorously at trial. A trial date has not yet been set.

#### SEC Matters

In July 2005, The Securities and Exchange Commission contacted vFinance regarding an investigation into Lexington Resources, Inc. On May 4, 2006 the Commission issued an Order Directing Investigation advising the Company that the Division of Enforcement staff were investigating possible violations of Sections 5(a) and 5(c) of the Securities Act of 1933, Rule 10(b)5 of the Exchange Act, Section 17b of the Securities Act, Section 17(a) of the Exchange Act, Section 15(c)(1)(a) of the Exchange Act, Section 13(d) of the Exchange Act, and Section 16(a) of the Exchange Act from the period of November 2003 through May 4, 2006. From July 2005 through and including March 2007, multiple document and information requests and responses to those requests were exchanged between the SEC staff and the Company. On January 3, 2008, the SEC issued an Order Instituting Administrative Proceedings against the Company, Richard Campanella and a registered representative. The Order alleged the Company violated the federal securities laws by failing to preserve and produce customer correspondence of one of its registered representative. The SEC also alleged that the registered representative repeatedly failed to produce records and deliberately deleted data from his hard drive relating to a matter under investigation by the SEC. The SEC separately alleged that Mr. Campanella failed to respond promptly to the SEC's document requests, as required under Section 17(a) of the Exchange Act, and failed to address the registered representative's non-compliance with the firm document retention policies. The alleged violations were isolated occurrences related to this registered representative and were limited to the Flemington, New Jersey branch office. The registered representative's registration with the Company terminated on August 4, 2006. The matter went to hearing before Administrative Law Judge Robert Mahony, in July 2008. The Company and Mr. Campanella appealed Judge Mahony's decision, and in July 2010 his decision was upheld. The Company paid its restitution on this matter in July 2010 and the matter is now ended.

# vFinance Investments, Inc.

(a wholly owned subsidiary of National Holdings Corporation)

## Notes to Financial Statements

(Continued)

### Note 4. Related Party Transactions

Effective January 1, 2003, the Company entered into a management agreement with its parent, vFinance, Inc., as amended on January 1, 2007 whereby the Company agrees to make payments no less than quarterly to the parent in an amount equal to 100% of its accrued income adjusted to exclude income from non-cash items and offsetting expenses in the same form. Also excluded are profits and losses on all non allowable assets until such time as the profits or losses are realized as a result of a sale or exchange. In return, vFinance, Inc. will provide the Company with certain consideration including: office space, office personnel and other such services. The management agreement is still in place and during the year ended September 30, 2010 the Company paid \$1,911,643 in fees to the parent.

The Company entered into a services agreement in September 2009 with its affiliate, National Holdings Corporation., whereby the Company agrees to make monthly payments of approximately \$94,500 to the affiliate. In return, National Holdings Corporation will provide the Company with certain consideration including insurance and benefit related coverage and printing services. During the fiscal year ended September 30, 2010, the Company had paid approximately \$812,000 to its affiliate related to this agreement.

The Company entered into a services agreement in September 2009 with its affiliate, vFinance Inc., whereby the Company agrees to make monthly payments of approximately \$158,000 to the affiliate. In return, vFinance Inc. will provide the Company with certain consideration including insurance, rent and utilities, equipment rental, telecommunications services, professional services, record retention, postage and miscellaneous office supplies. During the fiscal year ended September 30, 2010, the Company had paid approximately \$1,172,000 to its affiliate related to this agreement.

On July 1, 2008, National Holdings Corporation, in conjunction with the merger of vFinance, Inc. and on behalf of vFinance Investments, Inc., granted options to individuals to purchase common stock of NHLD. The options have a life of no more than five years, are exercisable at various prices per share and vest over a period of four years. The amortization of stock option compensation expense for these grants for the year ended September 30, 2010 was determined to be \$48,562.

The Company signed a tri-party clearing agreement with its affiliate EquityStation, Inc. effective October 17, 2007. This payable is the net revenue due to EquityStation in accordance with this agreement, and is due and payable to the affiliate within 30 days of the close of each calendar month. As of September 30, 2010, the payable to EquityStation, Inc was \$158,125.

# vFinance Investments, Inc.

(a wholly owned subsidiary of National Holdings Corporation)

## Notes to Financial Statements

(Continued)

### **Note 5. Liabilities Subordinated to the Claims of General Creditors**

At September 30, 2010 and during the year then ended, the Company had no liabilities subordinated to the claims of general creditors.

### **Note 6. Defined Contribution Plan**

The Company participates in a defined contribution savings plan maintained by an affiliate, vFinance Holdings, Inc., in which substantially all employees are eligible to participate. The plan allows for matching of up to 25% of an employee's annual contribution however, there were no Company matches for the last three years.

### **Note 7. Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (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 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At September 30, 2010, the Company had net capital of \$1,515,247 which was \$515,247 in excess of its required net capital of \$1,000,000.

The Company's percentage of aggregate indebtedness to net capital was 333.9%.

The Company qualifies under the exemptive provisions of Rule 15c3-3 under Section (k)(2)(ii) of the Rule, as it does not carry security accounts.

### **NOTE 8: Subsequent Events**

The Company has evaluated subsequent events through November 19, 2010, which is the date the financial statements were issued, and has concluded that no such events or transactions took place which would require disclosure herein.

# vFinance Investments, Inc.

(a wholly owned subsidiary of National Holdings Corporation)

## Notes to Financial Statements

(Continued)

### Computation of Net Capital and Aggregate Indebtedness

Pursuant to Rule 15c3-1 of the Securities and Exchange Commission

September 30, 2010

<b>Total shareholder's equity</b>	<b>\$ 1,769,010</b>
Deductions and/or charges:	
Non-allowable assets:	
Investments under restriction	10,957
Accounts receivable, net of allowance for doubtful accounts	45,551
Advances to registered representatives and non registered employees	18,807
Prepaid expenses	111,392
Other assets	3,516
Furniture and equipment – net of depreciation	5,278
Total non-allowable assets	195,501
Other deductions and/or charges:	
Blockage deductions	7,632
Net capital before haircuts on securities positions	1,565,877
Haircuts on securities:	
Debt securities	42,649
Other securities	7,981
Total haircuts on securities	50,630
Net capital	1,515,247
Required minimum capital	1,000,000
Excess net capital	\$ 515,247
<b><u>Aggregate indebtedness:</u></b>	
Aggregate indebtedness as included in the Statement of Financial Condition	\$ 2,421,647
Other unrecorded amounts for arbitrations and legal matters	2,637,500
<b>Total Aggregate Indebtedness</b>	<b>\$ 5,059,147</b>
Percentage of Aggregate Indebtedness to Net Capital	333.9%
<b><u>Reconciliation:</u></b>	
Net capital, per unaudited September 30, 2009 FOCUS report, as filed	\$ 1,515,247
Net audit adjustments	-
Net capital, per September 30, 2009 audited report, as filed	\$ 1,515,247

**vFinance Investments, Inc.**  
(a wholly owned subsidiary of National Holdings Corporation)  
**Notes to Financial Statements**

**(Continued)**

**Statement Regarding SEC Rule 15c3-3**  
**September 30, 2010**

**Exemptive Provisions**

The Company claims exemption from the requirements of Rule 15c3-3 under Sections (k)(2)(A) and (k)(2)(B) of the Rule. Therefore, the following reports are not presented:

- A) Computation for Determination of Reserve Requirement under Rule 15c3-3.
- B) Information relating to the Possession or Control Requirements under Rule 15c3-3.





**SHERB & CO., LLP**

*Certified Public Accountants*

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Offices in New York and Florida

**Report on Internal Control Required by SEC Rule 17a-5(g)(1)  
for a Broker-Dealer Claiming an Exemption From SEC Rule 15c3-3**

To The Shareholders of vFinance Investments, Inc.

In planning and performing our audit of the financial statements of vFinance Investments, Inc. (the Company), as of and for the year ended September 30, 2010 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods

is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at September 30, 2010, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



Boca Raton, Florida  
November 19, 2010

General Assessment Reconciliation

For the fiscal year ended September 30, 2010  
(Read carefully the instructions in your Working Copy before completing this Form)

TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

050898 FINRA SEP  
VFINANCE INVESTMENTS INC  
1200 N FEDERAL HWY STE 400  
BOCA RATON FL 33432-2847

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

Alan Levin 561-981-1007

- 2. A. General Assessment (item 2e from page 2) \$ 68,505
- B. Less payment made with SIPC-6 filed (exclude interest) (37,703)
- 4/28/10  
    Date Paid
- C. Less prior overpayment applied (-)
- D. Assessment balance due or (overpayment) 30,802
- E. Interest computed on late payment (see instruction E) for \_\_\_\_\_ days at 20% per annum \_\_\_\_\_
- F. Total assessment balance and interest due (or overpayment carried forward) \$ 30,802
- G. PAID WITH THIS FORM:  
    Check enclosed, payable to SIPC  
    Total (must be same as F above) \$ 30,802
- H. Overpayment carried forward \$( - )

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

V Finance Investments Inc.  
(Name of Corporation, Partnership or other organization)

Alan B...  
(Authorized Signature)

CFO.  
(Title)

Dated the 10<sup>th</sup> day of November, 20 10

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

SIPC REVIEWER

Dates:                                                                                
                    Postmarked      Received      Reviewed

Calculations                           Documentation                           Forward Copy                     

Exceptions: \_\_\_\_\_

Disposition of exceptions: \_\_\_\_\_

**DETERMINATION OF "SIPC NET OPERATING REVENUES"  
AND GENERAL ASSESSMENT**

Amounts for the fiscal period  
beginning September 1, 2009  
and ending September 30, 2010  
Eliminate cents

**Item No.**

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

\$ 29,241,473

**2b. Additions:**

- (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.
- (2) Net loss from principal transactions in securities in trading accounts.
- (3) Net loss from principal transactions in commodities in trading accounts.
- (4) Interest and dividend expense deducted in determining item 2a.
- (5) Net loss from management of or participation in the underwriting or distribution of securities.
- (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.
- (7) Net loss from securities in investment accounts.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
176  
\_\_\_\_\_  
6,419  
6,595

Total additions

**2c. Deductions:**

- (1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (4) Reimbursements for postage in connection with proxy solicitation.
- (5) Net gain from securities in investment accounts.
- (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.
- (7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).
- (8) Other revenue not related either directly or indirectly to the securities business. (See Instruction C):

\_\_\_\_\_  
580,644  
\_\_\_\_\_  
1,091,209  
\_\_\_\_\_  
5,096  
\_\_\_\_\_  
\_\_\_\_\_

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ 25,903

(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ 169,172

Enter the greater of line (i) or (ii)

\_\_\_\_\_  
169,172  
1,846,121

Total deductions

2d. SIPC Net Operating Revenues

\$ 27,401,947

2e. General Assessment @ .0025

\$ 68,505

(to page 1, line 2.A.)



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Offices in New York and Florida

*Certified Public Accountants*

**Independent Accountants' Report on Applying Agreed-Upon Procedures Related to an Entity's SIPC  
Assessment Reconciliation**

To The Board of Directors and Stockholders of vFinance Investments, Inc.

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments (General Assessment Reconciliation Form SIPC-7) to the Securities Investor Protection Corporation SIPC) for the period September 30, 2010, which were agreed to by vFinance Investments, Inc. ("The Company) and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc. and SIPC, solely to assist you and the other specified parties in evaluating The Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). The Company's management is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the period ended September 30, 2010, as applicable, with the amounts reported in Form SIPC-7 for the period ended September 30, 2010 noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Sherb & Co., LLP*

Boca Raton, Florida  
November 19, 2010