

Edgar Filing: VFINANCE INC - Form 10-Q

VFINANCE INC
Form 10-Q
May 15, 2006

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 March 31, 2006

or

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

For the transition period _____ to _____

Commission File Number 1-11454-03

vFinance, Inc.

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

Delaware	58-1974423
-----	-----
State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3010 North Military Trail, Suite 300, Boca Raton, FL 33431

(Address of principal executive offices)

(561) 981-1000

(Issuer's telephone number)

(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 12-b-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

Edgar Filing: VFINANCE INC - Form 10-Q

State the number of shares outstanding of each of the issuer's classes of common equity, as of May 15, 2006: 40,126,134 shares of Common Stock \$0.01 par value

vFinance, Inc.
FORM 10-Q
QUARTERLY PERIOD ENDED MARCH 31, 2006

INDEX

PART I - FINANCIAL INFORMATION Page

Item 1 - Consolidated Financial Statements	
Consolidated Balance Sheets	
As of March 31, 2006 (Unaudited) and December 31, 2005.....	4
Consolidated Statements of Operations	
For the Three Months Ended March 31, 2006 and 2005 (Unaudited).....	5
Consolidated Statements of Cash Flows	
For the Three Months Ended March 31, 2006 and 2005 (Unaudited).....	6
Notes to Unaudited Consolidated Financial Statements.....	7
Item 2 - Management's Discussion and Analysis or Plan of Operation...	18
Item 3 - Quantitative & Qualitative Disclosures About Market Risk ...	25
Item 4 - Controls and Procedures.....	25

PART II - OTHER INFORMATION

Item 6 - Exhibits.....	26
Signatures.....	27

FORWARD-LOOKING STATEMENTS

This Form 10-Q for vFinance, Inc. (the "Company") includes statements that may constitute "forward-looking" statements, usually containing the words "believe", "estimate", "intend", "expect", or similar expressions. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, the inability of our broker-dealer operations to operate profitably in the face of intense competition from larger full service and discount brokers, a general decrease in merger and acquisition activities and our potential inability to receive success fees as a result of transactions not being completed, our potential inability to implement our growth

Edgar Filing: VFINANCE INC - Form 10-Q

strategy through acquisitions or joint ventures, our potential inability to secure additional debt or equity financing to support our growth strategies and other risks detailed in the Company's periodic report filings with the Securities and Exchange Commission.

By making these forward-looking statements, the Company undertakes no obligation to update these statements for revisions or changes after the date of this Form 10-Q.

vFinance, Inc. and Subsidiaries CONSOLIDATED BALANCE SHEETS

Assets:	March 31, 2006 (unaudited)	December
	-----	-----
Current Assets:		
Cash and cash equivalents	\$ 4,944,771	\$
Due from clearing broker	884,740	
Investments in trading securities	694,793	
Accounts receivable less allowance for doubtful accounts (\$3,500 in 2006, \$0 in 2005)	455,506	
Notes receivable - employees	65,930	
Prepaid expenses and other current assets	143,501	
	-----	-----
Total current assets	7,189,241	
Furniture and equipment, at cost:		
Furniture and equipment	1,435,421	
Software	173,890	
	-----	-----
Less accumulated depreciation	1,609,311 (950,439)	
	-----	-----
Furniture and equipment, net	658,872	
Intangible assets, net	1,373,513	
Other assets	242,828	
	-----	-----
Total assets	\$ 9,464,454	\$
	=====	=====
Liabilities and stockholders' equity:		
Current liabilities:		
Accounts payable	\$ 611,052	\$
Accrued payroll	2,297,891	
Other accrued liabilities	473,826	
Securities sold, not yet purchased	32,510	
Capital lease obligations	191,602	
Other	46,021	
	-----	-----
Total current liabilities	3,652,902	
Capital lease obligations, long term	175,702	
Stockholders' equity:		
Common stock \$0.01 par value, 75,000,000 shares authorized, 40,126,134 issued and outstanding	401,266	
Additional paid-in-capital	26,934,626	2

Edgar Filing: VFINANCE INC - Form 10-Q

Accumulated deficit	(21,700,042)	(2
Total stockholders' equity	5,635,850	
Total liabilities and stockholders' equity	\$ 9,464,454	\$

See accompanying notes to unaudited consolidated financial statements.

4

vFinance, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended March 31, 2006 (unaudited)	Three months ended March 31, 2005 (unaudited)
Revenues:		
Commissions - agency	\$ 4,755,333	\$ 3,811,391
Trading profits	1,501,034	1,368,765
Success fees	1,383,426	343,941
Consulting fees	151,401	243,294
Other brokerage related income	792,436	638,398
Other	171,193	85,368
Total revenues	8,754,823	6,491,157
Cost of revenues:		
Commissions	4,323,625	3,740,813
Clearing and transaction costs	793,249	564,739
Success	789,317	133,186
Consulting and retainers	130,346	159,620
Total cost of revenues	6,036,537	4,598,358
Gross profit	2,718,286	1,892,799
Other expenses:		
General and administrative	2,019,870	1,842,483
Professional fees	58,988	74,555
Provision for bad debt	3,500	31,890
Legal Fees	130,243	49,178
Depreciation and amortization	158,645	60,707
Amounts forgiven under forgivable loans	-	6,250
Stock based compensation	113,069	1,324
Total other expenses	2,484,315	2,066,387

Edgar Filing: VFINANCE INC - Form 10-Q

Income(loss) from operations	233,971	(173,588)
Total other income, net	19,193	19,060
Pre-tax net income (loss)	253,164	(154,528)
Income tax benefit (provision)	-	-
Net income (loss)	\$ 253,164	\$ (154,528)
Net income (loss) per share: basic	\$ 0.01	\$ (0.00)
Weighted average number of shares outstanding: basic	40,126,133	39,815,966
Net income (loss) per share: diluted	\$ 0.01	\$ (0.00)
Weighted average number of shares outstanding: diluted	42,231,218	39,815,966

See accompanying notes to unaudited consolidated financial statements.

5

vFinance, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three months ended March 31, 2006 (unaudited)	Three mo March (un
Cash flows from operating activities:		
Net income (loss)	\$ 253,164	\$
Adjustments to reconcile net income (loss) to net cash provided (used) in operating activities:		
Non-cash fees received	(576,250)	
Depreciation and amortization	158,645	
Provision for doubtful accounts	3,500	
Unrealized loss on investments, net	243,583	
Unrealized loss on warrants	9,191	
Amount forgiven under forgivable loans	-	
Stock based compensation	113,069	
Changes in operating assets and liabilities:		
(Increase) decrease		
Accounts receivable	(29,774)	
Forgivable loans	-	
Due from clearing broker	(249,076)	
Notes receivable - employees	1,658	
Investments in trading securities	498,988	
Other assets and liabilities	64,064	
Increase (decrease)		
Accounts payable and accrued liabilities	133,595	
Securities, sold not yet purchased	(9,912)	

Edgar Filing: VFINANCE INC - Form 10-Q

Net cash provided by (used in) operating activities	614,445	
Cash Flows from investing activities:		
Purchase of capital lease equipment	-	
Purchase of equipment	(51,543)	
	-----	-----
Net cash used in investing activities	(51,543)	
Cash flows from financing activities:		
Proceeds from capital leases	-	
Repayments on capital leases	(45,538)	
Proceeds from exercise of common stock options	-	
	-----	-----
Net cash (used in) provided by financing activities	(45,538)	
Increase (decrease) in cash and cash equivalents	517,364	
Cash and cash equivalents at beginning of year	4,427,407	
	-----	-----
Cash and cash equivalents at end of period	\$ 4,944,771	\$
	=====	=====

See accompanying notes to unaudited consolidated financial statements.

6

vFinance, Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
March 31, 2006

NOTE 1 - DESCRIPTION OF BUSINESS

vFinance, Inc. is a holding company engaged in the financial services business where our strategic focus is servicing the needs of high net-worth and institutional investors and high growth companies. Through our principal operating subsidiary, vFinance Investments, Inc., a licensed broker-dealer, we provide investment banking, retail and institutional brokerage services in all 50 states and the District of Columbia. The Company also operates a second broker-dealer, EquityStation, Inc. ("EquityStation") which offers institutional traders, hedge funds and professional traders a suite of services designed to enhance their trading capabilities by offering services such as trading and routing software, hedge fund incubation, capital introduction and custodial services.

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

The accompanying unaudited 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

Edgar Filing: VFINANCE INC - Form 10-Q

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-month period ended March 31, 2006 are not necessarily indicative of the results to be expected for the year ended December 31, 2006. 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-KSB for the year ended December 31, 2005.

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. Furthermore, the Company, including its wholly owned subsidiary vFinance Investments, Inc., has been named as a defendant in various customer arbitrations. These claims result from the actions of brokers affiliated with vFinance Investments, Inc. In addition, under the vFinance Investments, Inc. registered representatives contract, each registered representative has indemnified the Company for these claims. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 5 "Accounting for Contingencies," the Company has established liabilities for potential losses from such complaints, legal actions, investigations and proceedings. In establishing these liabilities, the Company's management uses its judgment to determine the probability that losses have been incurred and a reasonable estimate of the amount of losses. In making these decisions, we base our judgments on our knowledge of the situations, consultations with legal counsel and our historical experience in resolving similar matters. In many lawsuits, arbitrations and regulatory proceedings, it is not possible to determine whether a liability has been incurred or to estimate the amount of that liability until the matter is close to resolution. However, accruals are reviewed regularly and are adjusted to reflect our estimates of the impact of developments, rulings, advice of counsel and any other information pertinent to a particular matter. Because of the inherent difficulty in predicting the ultimate outcome of legal and regulatory actions, we cannot predict with certainty the eventual loss or range of loss related to such matters. If our judgments prove to be incorrect, our liability for losses and contingencies may not accurately reflect actual losses that result from these actions, which could materially

7

vFinance, Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
March 31, 2006

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

affect results in the period when expenses are ultimately determined. As of March 31, 2006, the Company has accrued approximately \$225,000 for these matters. The Company has recently acquired an errors and

Edgar Filing: VFINANCE INC - Form 10-Q

omissions insurance policy, wherein future claims may be covered in excess of the policy's \$75,000 per claim deductible up to an aggregate of \$1 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.

Accounts receivable

Accounts receivable consist of receivables incurred in the ordinary course of our business. The Company has a policy of establishing an allowance for uncollectible accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. The allowance for uncollectible receivables at March 31, 2006 was \$3,500 and as of December 31, 2005 was \$0.

A receivable from one independent contractor in the amount of \$157,096 accounted for 35% of the Company's accounts receivable balance at March 31, 2006. A receivable from one customer in the amount of \$73,847, accounted for 18% of the Company's receivable balance at December 31, 2005.

Property and equipment

Property and equipment are carried at cost. The cost of repairs and maintenance is expensed as incurred; major replacements and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income in the year of disposition. In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", the Company examines the possibility of decreases in the value of fixed assets when events or changes in circumstances reflect the fact that their recorded value may not be recoverable.

Intangible assets

Intangible assets consist of assets acquired in connection with acquisitions and includes a customer list. The Company accounts for intangible assets in accordance with SFAS 142. The asset is capitalized and is being amortized using the straight-line method over an expected useful life of five years.

Impairment of long-lived assets

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company periodically reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value.

Edgar Filing: VFINANCE INC - Form 10-Q

vFinance, Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
March 31, 2006

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

The Company follows the guidance of the Commission's Staff Accounting Bulletin 104 for revenue recognition. In general, the Company records revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectibility is reasonably assured.

We earn revenue from brokerage and trading which are recognized on the day of the trade. We also earn revenue from investment banking and consulting. Monthly consulting fees for investment banking 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.

We do not require collateral from our customers. Revenues are not concentrated in any particular region of the country or with any individual or group.

We periodically receive equity instruments which include stock purchase warrants and common and preferred stock from companies as part of our compensation for investment-banking services that are classified as investments in trading securities on the balance sheet if still held at the financial reporting date. These instruments are stated at fair value in accordance with SFAS #11 "Accounting for certain investments in debt and equity securities" and EITF 00-8 "Accounting by a grantee for an equity instrument to be received in conjunction with providing goods or services." Primarily all of the equity instruments are received from small public companies. The stock and stock purchase warrants received are typically restricted as to resale, though the Company generally receives a registration right within one year. Company policy is to sell these securities in anticipation of short-term market movements. We recognize revenue for these stock purchase warrants when received based on the Black Scholes valuation model. The revenue recognized related to other equity instruments is determined based on available market information, discounted by a factor reflective of the expected holding period for those particular equity instruments. On a monthly basis, we recognize unrealized gains or losses in the statement of operations based on the changes in value in the stock purchase warrants and other equity instruments. Realized gains or losses are recognized in the statement of operations when the related stock purchase warrant or other equity instrument is sold.

Occasionally, we receive equity instruments in private companies with no readily available market value. Equity interests and warrants for which there is not a public market are valued based on factors such as significant equity financing by sophisticated, unrelated new investors, history of positive cash flow from operations, the market value of comparable publicly traded companies (discounted for liquidity) and other pertinent factors. Management also considers recent offers to purchase a portfolio Company's securities and the

Edgar Filing: VFINANCE INC - Form 10-Q

filings of registration statements in connection with a portfolio Company's initial public offering when valuing warrants.

On occasion, we distribute equity instruments or proceeds from the sale of equity instruments to our employees as compensation for their investment banking successes. These distributions comply with compensation agreements which vary on a "banker by banker" basis. Accordingly, unrealized gains or losses recorded in the statement of operations related to securities held by us at each period end may also impact compensation expense and accrued compensation.

9

vFinance, Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
March 31, 2006

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cost of revenue

The cost of revenue primarily consists of commissions paid (including those paid on success and consulting revenue), finder's fees and direct clearing and other transaction related costs including the costs associated with trading systems and fees imposed by electronic communications networks and various exchanges. Allocated overhead is not included in cost of revenue.

Concentrations of credit risk

The Company maintains its cash in bank and brokerage deposit accounts, which, at times, are either uninsured or may exceed federally insured limits. As of March 31, 2006, the Company had approximately \$4,944,771 in United States bank deposits, which exceeded federally insured limits. The Company has not experienced any losses in such accounts through March 31, 2006.

Stock-based compensation

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), Share Based Payment ("SFAS No. 123R"). SFAS No. 123R establishes the financial accounting and reporting standards for stock-based compensation plans. As required by SFAS No. 123R, the Company recognized the cost resulting from all stock-based payment transactions including shares issued under its stock option plans in the financial statements.

Prior to January 1, 2006, the Company accounted for stock-based employee compensation plans (including shares issued under its stock option plans) in accordance with APB Opinion No. 25 and followed the pro forma net income, pro forma income per share, and stock-based compensation plan disclosure requirements set forth in the Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS No. 123").

Income taxes

The Company accounts for income taxes under the liability method in accordance with Statement of Financial Accounting Standards No. 109, ACCOUNTING FOR INCOME TAXES. Under this method, deferred income tax

Edgar Filing: VFINANCE INC - Form 10-Q

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. Net operating loss carry forwards totaled approximately \$11.6 million at March 31, 2006 and \$11.9 million at December 31, 2005. Each quarter the Company weighs the available positive and negative evidence and determines the extent to which the net operating loss carry forwards is realizable.

Utilization of the Company's net operating loss carry-forwards are limited based on changes in ownership as defined in Internal Revenue Code Section 382.

10

vFinance, Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
March 31, 2006

NOTE 2 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements

In February 2006, the Financial Accounting Standards Board issued Statement No. 155 ("SFAS No. 155"), "Accounting for Certain Hybrid Instruments: An Amendment of FASB Statements No. 133 and 140". Management does not believe that this statement will have a significant impact as the Company does not use such instruments.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

Reclassifications

Certain items in the 2005 consolidated financial statements have been reclassified to conform to the presentation in the 2006 consolidated financial statements. Such reclassifications did not have a material impact on the presentation of the overall financial statements.

11

vFinance, Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
March 31, 2006

NOTE 3 - PROPERTY AND EQUIPMENT

At March 31, 2006 and December 31, 2005 respectively, property and equipment consisted of the following:

Description	Useful Life (Years)	March 31, 2006 (unaudited)	December 31, 2005
-----	-----	-----	-----

Edgar Filing: VFINANCE INC - Form 10-Q

Furniture & fixtures	5	\$	85,132	\$	5
Equipment	5		611,047		5
Capital leases-equipment	3		572,535		1
Leasehold improvements	4		166,707		1
Software	5		173,890		1
			-----		-----
Less accumulated depreciation			(950,439)		(8
			-----		-----
Total fixed assets		\$	658,872	\$	6
			=====		=====

NOTE 4 - INTANGIBLE ASSETS

At March 31, 2006 and December 31, 2005 respectively, Intangible assets consisted of the following:

Description	Useful Life (Years)	March 31, 2006 (unaudited)	December 31, 2005
-----	-----	-----	-----
Customer list	5	1,466,700	\$ 1,466
		-----	-----
Accumulated amortization		(93,187)	(19
		-----	-----
Total intangible assets		\$ 1,373,513	\$ 1,446
		=====	=====

For the period ended March 31, 2006 amortization expense of \$73,335 was recorded by the Company. During the period ended December 31, 2005 the Company performed an impairment analysis of its goodwill and in accordance with FAS 142 paragraph 20 noted that the carrying amount of the intangible assets exceeded the implied fair value of the assets and thus recorded an impairment charge of \$420,000.

vFinance, Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
March 31, 2006

NOTE 5 - MATERIAL AGREEMENTS

On or about January 15, 2006 vFinance Investments, Inc entered into two new clearing agreements with Fortis Securities, LLC and Legent Clearing, LLC to facilitate new business anticipated as the result of a select asset purchase agreement with Sterling Financial Investments, Inc and Sterling Financial Group of Companies, Inc. (See Subsequent Events footnote) The purchase transaction closed in escrow on May 11, 2006, and as a result these two clearing agreements are in effect as of the issuance of this report. The agreement with Fortis Securities, LLC will be used to clear the fixed income transactions and the agreement with Legent Clearing, LLC will be used in the clearing of

Edgar Filing: VFINANCE INC - Form 10-Q

certain retail accounts obtained in the acquisition of Sterling's business lines.

13

vFinance, Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
March 31, 2006

NOTE 6 - STOCKHOLDERS' EQUITY

The pro forma net earnings per share amounts as if the fair value method had been used are presented below for the three months ended March 31, 2005, and the actual net earnings per share is presented below for the three months ended March 31, 2006 in accordance with the Company's adoption of SFAS 123(R) effective January 1, 2006.

Prior to January 1, 2006, the Company accounted for stock-based employee compensation plans (including shares issued under its stock option plans) in accordance with APB Opinion No. 25 and followed the pro forma net income, pro forma income per share, and stock-based compensation plan disclosure requirements set forth in the Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS No. 123").

During the quarter ended March 31, 2006, the Company issued 1,006,250 options to purchase common stock for compensation to employees and independent contractors. The fair market value of these options was valued on the grant date using the Black-Scholes option-pricing model using the following weighted average assumptions: dividend yield of 0%, expected volatility of 72.4%, risk free interest rate of 4.75% and a term of five years. For the quarter ended March 31, 2006, the net income and earnings per share reflect a non cash compensation expense of \$113,069.

	Three Months End	
	March 31,	
	2006	2005
	-----	-----
Net income (loss) - as reported	366,233	(1,000,000)
Less: stock based employee compensation determined under the Fair value method, net of income tax effect	113,069	(1,000,000)
	-----	-----
Net income (loss)	253,164	(1,000,000)
	=====	=====
Basic and diluted earnings (loss) per share - as reported	\$ 0.01	(0.01)
Basic and diluted earnings (loss) per share - pro forma	n/a	n/a

Edgar Filing: VFINANCE INC - Form 10-Q

A summary of the stock option activity for the three months ended March 31, 2006 is as follows:

	Weighted Average Exercise Price	Number of Shares	Ex
	-----	-----	-----
Outstanding options at December 31, 2005	\$ 0.23	14,614,839	\$
Granted	\$ 0.18	1,006,250	\$
Exercised	\$ -	-	\$
Cancelled	\$ 0.36	(1,298,660)	\$
Outstanding options at March 31, 2006	\$ 0.21	14,322,429	\$
	=====	=====	=====

A summary of the stock purchase warrant activity for the three months ended March 31, 2006 is as follows:

	Weighted Average Exercise Price	Number of Warrants	Ex P
	-----	-----	-----
Outstanding warrants at December 31, 2005	\$ 1.12	7,659,589	\$ 0.
Granted	\$ -	-	-
Exercised	\$ -	-	-
Cancelled	\$ 2.25	(585,000)	\$ 2.
Outstanding warrants at March 31, 2006	\$ 1.02	7,074,589	\$ 0.
	=====	=====	=====

14

vFinance, Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
March 31, 2006

NOTE 6 - STOCKHOLDERS' EQUITY
(Continued)

The following table summarizes information concerning stock options outstanding at March 31, 2006.

Exercise Price	Options Outstanding
-----	-----
0.150	260,000

Edgar Filing: VFINANCE INC - Form 10-Q

0.155	4,495,000
0.170	1,635,000
0.180	270,000
0.190	1,667,502
0.200	480,000
0.205	360,000
0.210	1,733,962
0.220	60,000
0.230	902,500
0.245	750,000
0.250	43,750
0.260	5,000
0.270	5,000
0.280	97,500
0.320	310,000
0.330	2,500
0.350	484,215
0.363	120,000
0.500	100,000
0.625	522,500
1.000	18,000

14,322,429
=====

15

vFinance, Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
March 31, 2006

NOTE 6 - STOCKHOLDERS' EQUITY
(Continued)

The following table summarizes information concerning warrants outstanding at March 31, 2006.

Exercise Price	Warrants Outstanding
0.150	750,000
0.160	2,427,923
0.200	1,000,000
0.350	1,673,500
0.630	400,000
2.250	20,000
6.000	103,166
7.200	700,000

	7,074,589
	=====

16

Edgar Filing: VFINANCE INC - Form 10-Q

vFinance, Inc. and Subsidiaries
Notes to Unaudited Consolidated Financial Statements
March 31, 2006

NOTE 7 - SUBSEQUENT EVENTS

On May 11, 2006, vFinance, Inc.'s (the "Company") wholly-owned subsidiary, vFinance Investments, Inc. ("vFinance Investments"), completed an asset purchase whereby it purchased certain assets of Sterling Financial Investment Group, Inc. ("SFIG") and Sterling Financial Group of Companies, Inc. ("SFGC" and together with SFIG, "Sterling Financial"). These transactions were approved by the National Association of Securities Dealers, Inc. on April 28, 2006.

The assets acquired from Sterling Financial include Sterling Financial's businesses as a going concern, certain intellectual property, client accounts and revenues, computer equipment, and a certain real property lease. vFinance Investments did not assume any liabilities of Sterling Financial except an office lease and select office services contracts directly relating to the operation of the business that arise and are to be paid, performed or discharged from and after the closing date. Charles Garcia, one of the principals of Sterling Financial, entered into an employment agreement with vFinance Investments that provides for an annual base salary of \$262,000 and certain performance bonuses and options to be granted in the sole discretion of vFinance Investments.

In accordance with the terms of an escrow agreement entered into on May 11, 2006, vFinance Investments has agreed to place thirteen million shares of the Company's common stock in escrow until (i) Sterling Financial has paid all commissions due to traders and retail brokers of SFIG for the month of April 2006 and due to Foreign Contractors of SFIG; (ii) Sterling Financial has paid to vFinance Investments a good faith estimate of the net profit owed under the management agreement; and (iii) certain of Sterling Financial's brokers have executed an agreement with vFinance Investments. The escrowed shares represent the full purchase price for the assets acquired by the Company. If Sterling Financial's obligations are not satisfied by May 31, 2006, the transaction with Sterling Financial will be rescinded and the thirteen million shares of the Company's common stock will be canceled. The Company has granted SFGC certain registration rights with respect to the shares.

The Company and vFinance Investments entered into a standstill agreement with each of SFGC, SFIG, Charles Garcia and Alexis Korybut to provide restrictions on certain actions for a defined time period. The Company and vFinance Investments also entered into a voting and lockup agreement with each of SFIG, SFGC, Charles Garcia, Leonard Sokolow and Timothy Mahoney, pursuant to which Leonard Sokolow and Timothy Mahoney agreed to vote for a designee of Charles Garcia to serve as a director of the Company. The voting and lockup agreement also prohibits the sale, transfer, or disposition to any person (including, without limitation, SFGC's stockholders) by SFGC of the shares issued in full or in part for the 12-month period following the closing of the transactions.

Edgar Filing: VFINANCE INC - Form 10-Q

CRITICAL ACCOUNTING POLICIES

Financial Reporting Release No. 60, which was released by the SEC, requires all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. Note 2 to our audited consolidated financial statements dated December 31, 2005 includes a summary of the significant accounting policies and methods used in the preparation of our consolidated financial statements. The following is a brief discussion of the more significant accounting policies and methods used by us.

GENERAL. 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, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

REVENUE RECOGNITION. We earn revenue from brokerage and trading activities which are recognized on the day of the trade. We also earn revenue from investment banking and consulting. Monthly retainer 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.

We do not require collateral from our customers. Revenues are not concentrated in any particular region of the country or with any individual or group.

We periodically receive equity instruments which include stock purchase warrants and common and preferred stock from companies as part of our compensation for investment-banking services that are classified as investments in trading securities on the balance sheet if still held at the financial reporting date. These instruments are stated at fair value in accordance with SFAS #11 "Accounting for certain investments in debt and equity securities" and EITF 00-8 "Accounting by a grantee for an equity instrument to be received in conjunction with providing goods or services." Primarily all of the equity instruments are received from small public companies. The stock and stock purchase warrants received are typically restricted as to resale, though the Company generally receives a registration right within one year. Company policy is to sell these securities in anticipation of short-term market movements. We recognize revenue for these stock purchase warrants when received based on the Black Scholes valuation model. The revenue recognized related to other equity instruments is determined based on available market information, discounted by a factor reflective of the expected holding period for those particular equity instruments. On a monthly basis, we recognize unrealized gains or losses in the statement of operations based on the changes in value in the stock purchase warrants and other equity instruments.. Realized gains or losses are recognized in the statement of operations when the related stock purchase warrant or other equity instrument is sold.

Occasionally, we receive equity instruments in private companies with no readily available market value. Equity interests and warrants for which there is not a public market are valued based on factors such as significant equity financing by sophisticated, unrelated new investors, history of positive cash flow from operations, the market value of comparable publicly traded companies (discounted for

Edgar Filing: VFINANCE INC - Form 10-Q

liquidity) and other pertinent factors. Management also considers recent offers to purchase a portfolio Company's securities and the filings of registration statements in connection with a portfolio Company's initial public offering when valuing warrants.

18

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

REVENUE RECOGNITION.
(Continued)

On occasion, we distribute equity instruments or proceeds from the sale of equity instruments to our employees as compensation for their investment banking successes. These distributions comply with compensation agreements which vary on a "banker by banker" basis. Accordingly, unrealized gains or losses recorded in the statement of operations related to securities held by us at each period end may also impact compensation expense and accrued compensation.

As of March 31, 2006, certain transactions in process may result in us receiving equity instruments or stock purchase warrants in subsequent periods as discussed above. In this event, we will recognize revenue related to the receipt of such equity instruments consistent with the aforementioned policies. In addition, we 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 transaction

CLEARING ARRANGEMENT. We do not carry accounts for customers or perform custodial functions related to customers' securities. We introduce all of their customer transactions, which are not reflected in these financial statements, to their respective clearing brokers, which maintain the customers' accounts and clear such transactions. Additionally, our clearing firms provide the clearing and depository operations for our proprietary securities transactions. These activities may expose the Company to off-balance-sheet risk in the event that customers do not fulfill their obligations with the clearing broker, as our subsidiary has agreed to indemnify our clearing firm.

NET CAPITAL REQUIREMENT. As of March 31, 2006, the minimum amount of net capital required to be maintained by vFinance Investments was \$1,000,000 and the minimum amount of net capital required to be maintained by EquityStation was \$100,000.

CUSTOMER CLAIMS. In the normal course of business, our operating subsidiaries have been and continue to be the subject of numerous civil actions and arbitrations arising out of customer complaints relating to our activities as a broker-dealer, as an employer and as a result of other business activities. In general, the cases involve various allegations that our employees had mishandled customer accounts. Based on our historical experience and consultation with counsel, we typically reserve an amount we believe will be sufficient to cover any damages assessed against us. However, we have in the past been assessed damages that exceeded our reserves. If we misjudged the amount of damages that may be assessed against us from pending or threatened claims or if we are unable to adequately estimate the

Edgar Filing: VFINANCE INC - Form 10-Q

amount of damages that will be assessed against us from claims that arise in the future and reserve accordingly, our operating income would be reduced.

STOCK BASED COMPENSATION. Upon the consummation of an advisory, consulting, capital or other similar transactions the Company may distribute equity instruments or proceeds from the sale of equity instruments to its employees. These distributions are made at the Company's discretion on a case by case basis as determined by the role of the employee and the nature of the transaction. At March 31, 2006 and 2005, no amounts were owed to employees of the Company in connection with equity investments received as compensation.

19

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

FAIR VALUE. "Investments in trading securities" and "Securities sold, not yet purchased" on our consolidated balance sheet are carried at fair value or amounts that approximate fair value, with related unrealized gains and losses recognized in our results of operations. The determination of fair value is fundamental to our financial condition and results of operations and, in certain circumstances, it requires management to make complex judgments.

Fair values are based on listed market prices, where possible, discounted by a factor reflective of the expected holding period for a particular equity instrument. If listed market prices are not available, or if the liquidation of our positions would reasonably be expected to impact market prices, fair value is determined based on other relevant factors including dealer price quotations. Fair values for certain derivative contracts are derived from pricing models that consider current market and contractual prices for the underlying financial instruments or commodities, as well as time value and yield curve or volatility factors underlying the positions.

Pricing models and their underlying assumptions impact the amount and timing of unrealized gains and losses recognized, and the use of different pricing models or assumptions could produce different financial results. Changes in the fixed income and equity markets will impact our estimates of fair value in the future, potentially affecting principal trading revenues. The illiquid nature of certain securities or debt instruments also requires a high degree of judgment in determining fair value due to the lack of listed market prices and the potential impact of the liquidation of our position on market prices, among other factors.

INVESTMENTS. Investments are classified as trading securities and are held for resale in anticipation of short-term market movements or until such securities are registered or are otherwise unrestricted. Any unregistered securities received generally contain a registration right within one year. Trading account assets, consisting of marketable equity securities and stock purchase warrants, are stated at fair value. Realized gains or losses are recognized in the statement of operations when the related underlying shares of a stock purchase warrant or other equity instruments 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 exchange, discounted by a

Edgar Filing: VFINANCE INC - Form 10-Q

factor reflective of the expected holding period for the particular equity instrument.

GOODWILL AND OTHER INTANGIBLE ASSETS ("FAS 142"). The provisions of FAS 141 eliminated the pooling-of-interests method of accounting for business combinations consummated after September 30, 2001. We adopted FAS 141 on July 1, 2001 and it did not have a significant impact on our financial position or results of operations. Under the provisions of FAS 142, goodwill and indefinite lived intangible assets are no longer amortized, but are reviewed annually for impairment. Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. The Company adopted the new accounting rules, as required, effective January 1, 2002.

The value of the Company's goodwill is exposed to future adverse changes if the Company experiences declines in operating results or experiences significant negative industry or economic trends or if future performance is below historical trends. The Company periodically reviews intangible assets and goodwill for impairment using the guidance of applicable accounting literature. We are subject to financial statement risk to the extent that the goodwill and other intangible assets become impaired.

20

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

The following table and discussion summarizes the changes in the major revenue and expense categories for the past two years.

	vFinance, Inc. and Subsidiaries CONSOLIDATED STATEMENTS OF OPERATIONS For the three months ended		
	2006	% of Revenues	2005
Revenues:			
Commissions - agency	\$ 4,755,333	54%	\$ 4,755,333
Trading profits	1,501,034	17%	1,501,034
Success fees	1,383,426	16%	1,383,426
Consulting fees	151,401	2%	151,401
Other brokerage related income	792,436	9%	792,436
Other	171,193	2%	171,193
Total revenues	8,754,823	100%	8,754,823
Cost of revenues:			
Commissions	4,323,625	49%	4,323,625
Clearing and transaction costs	793,249	9%	793,249
Success	789,317	9%	789,317
Consulting and retainers	130,346	1%	130,346
Total cost of revenues	6,036,537	69%	6,036,537

Edgar Filing: VFINANCE INC - Form 10-Q

Gross profit	2,718,286	31%
Other expenses:		
General and administrative	2,019,870	23%
Professional fees	58,988	1%
Provision for bad debt	3,500	0%
Legal fees	130,243	1%
Depreciation and amortization	158,645	2%
Amounts forgiven under forgivable loans	-	0%
Stock based compensation	113,069	1%
Total other expenses	2,484,315	28%
Income (loss) from operations	233,971	3%
Other income (expense)		
Interest and dividend income	19,193	0%
Total other income	19,193	0%
Pre-tax net income (loss)	253,164	3%
Income tax benefit (provision)	0	0%
Net Income (loss)	\$ 253,164	3%

21

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

THREE MONTHS ENDED MARCH 31, 2006 COMPARED TO THE THREE MONTHS ENDED March 31, 2005

STATEMENTS OF OPERATIONS

Operating revenues were \$8,754,823 for the three months ended March 31, 2006 as compared to \$6,491,157 for the three months ended March 31, 2005, an increase of \$2,263,666 or 35%. The primary reason for the increase was significantly higher revenues from success fees from investment banking transactions, higher agency commissions, trading profits, and other brokerage related income. Retail brokerage revenues, which includes commissions and other brokerage related income, which comprised 63% of total revenues, increased by \$1,097,980 or 25%, trading profits, which comprised 17% of total revenues, increased by \$132,269 or 10% and investment banking, comprised of success fees and consulting and retainers, equaled 18% of total revenues, increased by \$947,592 or 161%.

Cost of revenues were \$6,036,537 for the three months ended March 31, 2006 as compared to \$4,598,358 for the three months ended March 31, 2005, an increase of \$1,438,179 or 31%. The increase was primarily due to increased revenues and the corresponding increase to commission

Edgar Filing: VFINANCE INC - Form 10-Q

expense and transaction costs.

Gross profit amounted to \$2,718,826 for the three months ended March 31, 2006 as compared to \$1,892,799 for the corresponding period last year, an increase of \$826,027 or 44%. The increase in gross profit resulted from the increase in revenues and margin. Gross profit margin was 31% for the three months ended March 31, 2006 and 29% for the three months ended March 31, 2005. The increase in gross profit margin resulted from achieving a higher proportion of revenue from success fees which carry generally higher gross profit margins.

General and administrative expenses were \$2,019,870 for the three months ended March 31, 2006 as compared to \$1,842,483 for the three months ended March 31, 2005, an increase of \$177,387, or 10%. This increase is primarily related to an increase in salary expense and associated payroll taxes and health insurance. These increased costs were offset by reductions in email service fees due to installing onsite email servers and eliminating offsite service centers, reductions in temporary and contract labor as well as savings achieved by hosting our own website and reducing the need for certain other communication costs.

Professional fees were \$58,988 for the three months ended March 31, 2006 as compared to \$74,555 for the three months ended March 31, 2005, a decrease of \$15,567, or 21%.

Bad debt expense was \$3,500 for the three months ended March 31, 2006 as compared to \$31,890 for the three months ended March 31, 2005, a decrease of \$28,390 or 89%. The decrease was primarily due to fewer billings of services that require collections and better communications with customers to ensure more timely collections.

Litigation and arbitration expense was \$130,243 for the three months ended March 31, 2006 as compared to \$49,178 for the three months ended March 31, 2005, an increase of \$81,065, or 165%. Litigation and arbitration expense is primarily a function of the number of customer claims in any given period. The Company's cost of defending itself varies depending on the volume of claims which are in process at any given time.

Depreciation and amortization was \$158,645 for the three months ended March 31, 2006 as compared to \$60,707 for the three months ended March 31, 2005, an increase of \$97,938, or 161%. The increase in depreciation and amortization was primarily attributable to the Company's decision to reclassify goodwill to an amortizable intangible asset resulting in an expense of \$73,335. Additional investment in its technological infrastructure and facilities also caused an increase in depreciation expense.

22

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

STATEMENTS OF OPERATIONS
(Continued)

The amount forgiven under forgivable loans was \$0 for the three months ended March 31, 2006 as compared to \$6,250 for the three months ended March 31, 2005, a decrease of \$6,250, or 100%.

Edgar Filing: VFINANCE INC - Form 10-Q

Stock based compensation was \$113,069 for the three months ended March 31, 2006 as compared to \$1,324 for the three months ended March 31, 2005. The increase in stock based compensation expense is due to the Company's adoption the Statement of Financial Accounting Standards No. 123 (revised 2004), Share Based Payment ("SFAS No. 123R") on January 1, 2006.

23

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

LIQUIDITY AND CAPITAL RESOURCES

The Company had \$4,944,771 of unrestricted cash at March 31, 2006 as compared to \$4,788,490 of unrestricted cash as of March 31, 2005.

Net cash provided by operating activities for the three months ending March 31, 2006, was \$614,441 as compared to net cash used by operations of \$542,888 for the three months ending March 31, 2005. The increase in cash provided by operating activities is primarily attributable to a lower investment in trading securities in addition to the net profit for the period offset by higher non cash fees received in investment banking activity and higher depreciation and amortization expense and non-cash stock compensation expense.

Net cash used in investing activities for the three months ending March 31, 2006, was \$51,543 as compared to \$133,748 for the three months ending March 31, 2005. The primary reason for the decrease was the lack of additions to our fixed asset base under capital leases during the first quarter of 2006. In 2005, the Company invested in its disaster recovery plan by implementing communication redundancy systems that enables us to continuously service our clients. In order to finance these capital expenditures, the Company entered into capital lease agreements (discussed below under cash provided by financing).

Net cash used by financing activities for the three months ending March 31, 2006, was \$45,538 as compared to net cash provided by

Edgar Filing: VFINANCE INC - Form 10-Q

financing activities of \$208,818 for the three months ending March 31, 2005. The decrease is due to the Company not entering into any new capital lease agreements during the first quarter of 2006 and not receiving proceeds from the issuance of common stock related to stock option exercises as was the case in the first quarter of 2005.

The Company believes that its cash on hand is sufficient to meet its working capital requirements over the next 12 months. However, the Company anticipates that it may need additional debt or equity financing in order to carry out its long-term business strategy. Such funding may be a result of bank borrowings, public offerings, private placements of equity or debt securities, or a combination of the foregoing.

We do not have any material commitments for capital expenditures over the course of the next fiscal year.

The Company's operations are not affected by seasonal fluctuations but they are affected by the overall performance of the U.S. economy and to some extent reliant on the continued execution of the Company's mergers and acquisitions strategy and related financings.

24

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.

Our Chief Executive Officer and Chief Financial Officer (collectively, the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures for us. Such officers have concluded (based upon such officers' evaluation of these controls and procedures as of the end of the period covered by this report) that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in this report is accumulated and communicated to management, including our principal executive officers as appropriate, to allow timely decisions regarding required disclosure.

The Certifying Officers have also indicated that there were no significant changes in our internal controls or other factors that could significantly affect such controls subsequent to the date of their evaluation, and there were no corrective actions with regard to significant deficiencies and material weaknesses.

Edgar Filing: VFINANCE INC - Form 10-Q

Our management, including each of the Certifying Officers, does not expect that our disclosure controls or our internal controls will prevent all error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of these inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

25

Part II. OTHER INFORMATION

ITEM 6. EXHIBITS.

(a) EXHIBITS

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.

26

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.

Edgar Filing: VFINANCE INC - Form 10-Q

Signature -----	Title -----	Date -----
By: /s/ Leonard J. Sokolow ----- Leonard J. Sokolow	Chief Executive Officer and President (Principal Executive Officer)	May 15, 2006
By: /s/ Sheila C. Reinken ----- Sheila C. Reinken	Chief Financial Officer and (Principal Financial and Accounting Officer)	May 15, 2006