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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended MARCH 31, 2005

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 Actof 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes (x) No ( )

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b of the Exchange Act). Yes (   ) No (x)

State the number of shares outstanding of each of the issuer's classes of common equity, as of May 16, 2005:

40,126,134 shares of Common Stock $0.01 par value

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VFINANCE, INC.

FORWARD-LOOKING STATEMENTS

This Form 10-QSB 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 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-QSB.

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vFINANCE, INC.
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

		March 31, 2005
Assets:		
Current Assets:		
Cash and cash equivalents	$	4,788,4
Due from clearing broker		503,9
Investments in trading securities		1,232,2
Accounts receivable, net of allowance for doubtful accounts of $20,500		289,1
Forgivable loans-employees		3
Notes receivable-employees		84,1
Prepaid expenses and other current assets		74,6

Total current assets		6,972,9
Furniture and equipment, at cost:		
Furniture and equipment		1,036,2
Internal use software		161,4
		1,197,7
Less accumulated depreciation		(626,2
Furniture and equipment, net		571,4
Goodwill		1,866,8
Other assets		201,7
Total Assets	$	9,613,0
Liabilities and Shareholders' Equity:		
Current liabilities:		
Accounts payable	$	807,4
Accrued payroll		1,520,1
Other accrued liabilities		432,5
Securities sold, not yet purchased		293,0
Capital lease obligations		102,5
Other		41,9
Total current liabilities		3,197,6
Capital lease obligations, long term		181,0
Shareholders' Equity:		
Series A Convertible Preferred Stock $0.01 par value, 122,500 shares authorized, 0 shares issued and outstanding		
Series B Convertible Preferred Stock $0.01 par value, 50,000 shares authorized, 0 shares issued and outstanding		
Common stock $0.01 par value, 75,000,000 shares authorized, 40,126,134 issued and outstanding		401,2
Additional paid-in-capital		26,821,5
Deferred compensation		(18,0
Accumulated deficit		(20,970,3
Total Shareholders' Equity		6,234,4
Total Liabilities and Shareholders' Equity	$	9,613,0

See accompanying notes.

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	THREE MONTHS ENDED
	2005	2004
Revenues:		
Commissions - agency	$ 3,811,391	$ 4,100,
Trading profits	1,368,765	1,572,
Success Fees	343,941	1,280,
Consulting and retainers	243,294	70,
Other brokerage related income	638,398	680,
Other	85,368	108,
Total revenues	6,491,157	7,812,
Cost of revenues:		
Commissions	3,766,211	4,325,
Clearing and transaction costs	476,834	145,
Success	71,254	620,
Consulting and retainers	221,551	50,
Other	-	4,
Total cost of revenues	4,535,850	5,146,
Gross profit	1,955,307	2,666,
Other expenses:		
General and administrative	1,904,991	1,820,
Professional fees	74,555	56,
Bad debt expense	31,890	75,
Legal litigation	49,178	156,
Depreciation and amortization	60,707	29,
Amounts forgiven under forgivable loans	6,250	21,
Stock based compensation	1,324	1,
Total other expenses	2,128,895	2,159,
Income/(Loss) from operations	(173,588)	506,
Gain on forgiveness of debt	-	1,500,
Interest and dividend income (expense)	19,060	(262,
Pre-tax Net Income/(Loss)	(154,528)	1,743,
Income tax benefit	-	400,
Net Income/(Loss) available to common shareholders	$ (154,528)	$ 2,143,
Net Income/(Loss) per share:		
Basic	$ (0.00)	$ 0
Weighted average number of common shares used in computing basic net income/(loss) per share	39,815,966	31,160,
Diluted	$ (0.00)	$ 0
Weighted average number of common shares used in computing diluted net income/(loss) per share	39,815,966	35,434,

See accompanying notes.

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vFINANCE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three months ended March 31, 2005	2004
OPERATING ACTIVITIES		
Net (loss) income	$ (154,528)	$ 2,143,794
Adjustments to reconcile net income/(loss) to net cash used in operating activities:		
Non-cash fees received	-	(300,417)
Gain on forgiveness of debt	-	(1,500,000)
Income tax benefit	-	(400,000)
Depreciation and amortization	60,707	29,176
Provision for doubtful accounts	30,890	75,446
Non-cash compensation	-	215,585
Conversion premium expense	-	231,625
Accretion of debt discount	-	18,348
Unrealized loss (gain) on investments, net	7,666	(57,063)
Unrealized loss on warrants	112,113	115,550
Amount forgiven under forgivable loans	6,250	21,250
Stock based compensation	1,324	1,324
Changes in operating assets and liabilities:		
Accounts receivable	(230,372)	(126,474)
Due from clearing broker	148,318	58,486
Notes receivable - employees	84,590	109,494
Investments in trading securities	(210,117)	87,180
Other assets and liabilities	107,653	(4,012)
Accounts payable and accrued liabilities	(507,382)	402,122
Securities, sold not yet purchased	-	87,008
Net cash provided by (used in) operating activities	(542,888)	1,208,422
INVESTING ACTIVITIES		
Purchase of capital lease equipment	(117,020)	-
Purchase of equipment	(16,728)	(31,424)
Net cash used in investing activities	(133,748)	(31,424)
FINANCING ACTIVITIES		
Proceeds from capital lease	117,020	-
Payments of capital lease	(21,752)	-

Proceeds from issuance of common stock related to stock option exercise	113,550	-
Net cash provided by financing activities	208,818	-
Increase (decrease) in cash and cash equivalents	(467,818)	1,176,998
Cash and cash equivalents at beginning of year	5,256,308	3,783,814
Cash and cash equivalents at end of period	$ 4,788,490	$ 4,960,812

See accompanying notes.

vFinance, Inc.
Notes to Consolidated Financial Statements
March 31, 2005
(Unaudited)

1. DESCRIPTION OF BUSINESS

vFinance, Inc. is a holding company engaged in the financial services business where our strategic focus is on 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. The Company, through its website www.vfinance.com, provides financial information services to entrepreneurs and venture investors. The information on the Company's website is not incorporated into this Form 10-QSB.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

Basis of Presentation

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

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for the three-month period ended March 31, 2005 are not necessarily indicative of the results to be expected for the year ended December 31, 2005. The interim financial statements should be read in conjunction with the audited financial statements and notes contained in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004.

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 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 $8,730,000 at March 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 carryforwards are limited based on changes in ownership as defined in Internal Revenue Code Section 382.

3. IMPAIRMENT OF GOODWILL

Management determined that there was no impairment of goodwill during the quarters ended March 31, 2005 and 2004. Goodwill carried on the balance sheet was $1,866,848 as of March 31, 2005. The Company evaluates the recoverability and carrying value of its Goodwill and long-lived assets at each balance sheet date. Among other factors considered in such evaluation is the historical and projected operating performance of business operations, the operating environment and business strategy, competitive information and market trends. The Company believes that there has not been an impairment of its Goodwill or long-lived assets as of March 31, 2005.

4. SHAREHOLDER'S EQUITY

On January 31, 2005, the Company issued 300,000 common shares in connection with the exercise of options by a former executive of the Company. The Company received $60,000. The exercise price of these options was $0.20.

On March 14, 2005, the Company issued 255,000 common shares in connection with the exercise of options by an independent contractor of the Company. The Company received $53,550. The exercise price of these options was $0.21.

A summary of the stock option activity for the three months ended March 31, 2005 is as follows:

	Weighted Average Exercise Price	Number of Shares	Exercise Price Per Option
Outstanding options at December 31, 2004	$0.20	10,538,213	$0.15 - $2.25
Granted...............................	$0.26	1,277,500	$0.25 - $0.35
Exercised	$0.20	(555,000)	$0.20 - $0.21
Cancelled	$0.23	(306,250)	$0.20 - $0.35

Outstanding options at March 31, 2005....	$0.28	10,954,463	$0.15 - $2.25

A summary of the stock purchase warrant activity for the three months ended March 31, 2005 is as follows:

	Weighted Average Exercise Price	Number of Warrants	Exercise Price Per Option
Outstanding warrants at December 31, 2004	$1.18	8,096,422	$0.15 - $7.20
Granted	-	-	
Cancelled	$2.50	(290,000)	$2.50
Outstanding options at March 31, 2005....	$1.13	7,806,422	$0.15 - $7.20

The following table summarizes information concerning stock options outstanding at March 31, 2005.

Exercise Price	Options Outstanding
0.15	350,000
0.19	1,860,002
0.20	780,000
0.21	3,389,247
0.22	50,000
0.23	2,500
0.25	760,000
0.27	5,000
0.28	712,500
0.32	890,000
0.35	1,509,215
0.36	120,000
0.50	100,000
0.55	69,000
0.63	142,500
0.70	39,000
1.00	18,000
2.25	157,499
	10,954,463

The following table summarizes information concerning warrants outstanding at March 31, 2005.

Exercise Price	Warrants Outstanding

0.15	750,000
0.16	2,427,923
0.20	1,000,000
0.35	1,773,500
0.63	400,000
2.25	625,000
6.00	129,999
7.20	700,000
	7,806,422

Pro forma information regarding net loss is required by SFAS 123, which also requires that the information be determined as if the Company has accounted for its employee stock options under the fair value method. The fair value for options and warrants granted was estimated at the date of grant using the Black Scholes option pricing model with the following weighted-average assumptions: for 2005 risk free interest rates of 3.31%; no dividend yields; volatility factor of the expected market price of the Company's common stock of 0.85 for options and warrants and an expected life of the options and warrants of 4-5 years. The Company's pro forma net loss for the period ended March 31, 2005 was $252,781. The Company's pro forma basic and diluted net loss per share for the period ended March 31, 2004 was $0.02 The impact of the Company's pro forma net loss and loss per share of the SFAS 123 pro forma requirements are not likely to be representative of future pro forma results.

5. MATERIAL AGREEMENTS

In November 2004, the Company agreed to be a major sponsor of the Center for Innovative Entrepreneurship ("CIE"). CIE, a nonprofit corporation, was established to advance understanding and knowledge of the value of innovative entrepreneurship to the global economy through Education, Research and Communications initiatives. CIE, in conjunction with leading researchers, universities and grant-giving institution, is developing the full research potential of vfinance.com and its real-time access to a broad audience of entrepreneurs and investors to track the innovation economy and to measure the impact innovative entrepreneurs have on the U.S. and global economy.

In January 2005, the Company entered into a verbal agreement with CIE to develop the www.vfinance.com website as a platform for research on innovation and entrepreneurial activity. Pursuant to the agreement, CIE receives all associated online revenues and pays all expenses associated with the vfinance.com website. Concurrently, the Company entered into a management services agreement with CIE, wherein vFinance agreed to provide certain services such as management, administrative, technical, marketing, public relations, and web site operations and development. For the period ended March 31, 2005, the Company earned $85,368 as consideration for providing management services. CIE also separately contracted with the Company to provide economic and research services such as the production of general economic and sector research reports and to produce the Company's proprietary entrepreneurial confidence index as well as to provide certain other educational and informational services to entrepreneurs, investors and high growth firms seeking investment capital.

As of March 31, 2005, CIE owed the Company $138,013 in connection with these agreements and certain reimbursable expenses paid by the Company on CIE's behalf; this amount is included in accounts receivable in the consolidated balance sheet.

6. ACQUISITIONS

The following Pro Forma Combined Financial Statements of Global, EquityStation and vFinance gives effect to the acquisition of certain assets of Global and 100% of the issued and outstanding equity securities of EquityStation, under the purchase method of accounting prescribed by Accounting Principles Board Opinion No. 16, Business Combinations as if it had occurred on January 1, 2004. These pro forma statements are presented for illustrative purposes only. The pro forma adjustments are based upon available information and assumptions that management believes are reasonable.

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VFINANCE, INC
Pro Forma Combined Statement of Operations
For the Quarter Ended March 31, 2004

	vFinance	Global Partners	EquityStation	Pro Forma Adjustments	Pro F
REVENUE					
Commissions	$ 4,100,189	$ 44,285	$ 618,669	$ -	$ 4,763
Trading Profits	1,572,753	1,059,190	1,689	-	2,633
Success Fees	1,280,888	-	-	-	1,280
Consulting and Retainers	70,327	-	-	-	70
Other Brokerage Related Income	680,381	-	-	-	680
Other Income	108,033	132,401	-	-	240
	7,812,571	1,235,876	620,358	-	9,668
COST OF REVENUES					
Commissions	4,325,680	516,704	143,950	-	4,986
Clearing and Transaction Costs	145,409	236,615	235,293	-	617
Success	620,591	-	-	-	620
Consulting and Retainers	50,545	-	-	-	50
Other	4,087	2,206	836	-	7
	5,146,312	755,525	380,079	-	6,281
GROSS PROFIT	2,666,259	480,351	240,279	-	3,386
EXPENSES					
General and Administrative	1,820,065	492,196	244,952	-	2,557
Professional Fees	56,587	3,335	-	-	59
Provision for Bad Debt	75,446	-	-	-	75
Legal Litigation	156,098	15,850	9,426	-	181
Depreciation and Amortization	29,175	5,661	-	-	34
Amounts Forgiven under Forgivable Loans	21,250	-	-	-	21
Stock Based Compensation	1,324	-	-	-	1
	2,159,945	517,042	254,378	-	2,931
INCOME (LOSS) From Operations	506,314	(36,691)	(14,099)	-	455
Gain on Forgiveness of Debt	1,500,000	-	-	-	1,500

Interest and Dividend Income (Expense)	(262,520)	(23,345)	2,182		(283,
PRE TAX NET INCOME (LOSS)	1,743,794	(60,036)	(11,917)	-	1,671
Federal Income Tax	400,000	-	-	-	400
NET INCOME (LOSS) Available to Shareholders	$2,143,794	$ (60,036)	$ (11,917)	$ -	$ 2,071

7. SUBSEQUENT EVENTS

On November 2, 2004, the Company's wholly-owned subsidiary, vFinance Investments Holdings, Inc. (the "vFinance Investments"), completed its acquisition of certain assets of Global Partners Securities, Inc. ("Global") and 100% percent of the issued and outstanding equity securities of EquityStation, Inc. ("EquityStation") all of which were owned by Level2.com, Inc. ("Level2"), a subsidiary of Global.

In accordance with the terms of the acquisition agreements, the Company delivered into escrow 8,324,694 restricted shares of the Company's common stock and warrants to purchase 3,299,728 shares of the Company's common stock at a price of $0.11 per share. Subject to (a) any indemnification claims under the acquisition agreements and (b) the financial performance of EquityStation and the business of Global acquired by vFinance Investments over the periods specified in the escrow agreement, all or a portion of the shares and the warrants held in escrow were required to be distributed to Global and Level2.

On April 19, 2005, vFinance Investments instructed the escrow agent to release from escrow to Global 2,682,903 shares of the Company's common stock and warrants to purchase 1,063,445 shares of common stock. The escrow agent was also instructed by vFinance Investments to release from escrow to Level2 3,607,350 shares of the Company's common stock and warrants to purchase 1,429,876 shares. vFinance Investments further instructed the escrow agent to reserve from the share amounts to be released to Global 1,302,580 shares of the Company's common stock and warrants to purchase 516,315 shares of the Company's common stock, pending the outcome of certain litigation. Global has disputed the instructions given to the escrow agent by vFinance Investments and representatives of Global and vFinance Investments are in discussions relating to this matter.

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

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, 2004 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 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 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.

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, 2005, 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 firm provides the clearing and depository operations for our proprietary securities transactions. These activities may expose our broker dealer to off-balance-sheet risk in the event that customers do not fulfill their obligations with the clearing broker, as our broker dealer has agreed to indemnify our clearing firm.

NET CAPITAL REQUIREMENT. As of March 31, 2005, 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. However, EquityStation has agreed to maintain a minimum of $250,000 in net capital pursuant to its agreement with it clearing agent, Merrill Lynch.

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 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, 2005 and 2004, no amounts were owed to employees of the Company in connection with equity investments received as compensation.

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 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 June 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.

THREE MONTHS ENDED MARCH 31, 2005 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2004

STATEMENTS OF OPERATIONS

Operating revenues were $6,491,157 for the three months ended March 31, 2005 as compared to $7,812,571 for the three months ended March 31, 2004, a decrease of $1,321,414 or 17%. The primary reason for the decline was the unfavorable market conditions, which impacted all our business segments. Retail brokerage revenues, which comprised 69% of total revenues decreased by $288,798 or 7%, Trading Profits, which comprised 21% of total revenues decreased by $203,988 or 13% and Investment Banking, which comprised 9% of total revenues, decreased by $763,980 or 56%.

Cost of revenues were $4,535,850 for the three months ended March 31, 2005 as compared to $5,146,312 for the three months ended March 31, 2004, a decrease of $610,462, or 12%. The decrease was primarily due to decreased revenues and the corresponding decrease to commissions. The corresponding gross margin was 30% for the three months ended March 31, 2005 as compared to 34% for the three months ended March 31, 2004. The decrease in gross profit margin was primarily due to a one time $200,000 contribution provided by the Company's clearing firm National Financial Services, LLC ("NFS"), a wholly owned subsidiary of Fidelity Investments, in the first quarter of 2004 to assist the Company with transition costs related to conversion from its former clearing firm, Correspondent Services Corporation to NFS. This amount was recorded as a reduction to clearing and transaction costs.

General and administrative expenses were $1,905,340 for the three months ended March 31, 2005 as compared to $1,820,065 for the three months ended March 31, 2004, an increase of $85,275, or 5%. This increase is primarily related to the Company's investment in hiring senior executive staff and higher rent expense due to entering into a new lease in the New York office, the expansion of our Boca Raton headquarters space and the new lease for the Company's disaster recovery center in Mt. Laurel, New Jersey. These increases were partially offset by a decrease in the reserve for customer settlements.

Professional fees were $74,555 for the three months ended March 31, 2005 as compared to $56,587 for the three months ended March 31, 2004, an increase of $17,968, or 32%. This increase was primarily attributable to tax return preparation fees and consulting fees related to the build out of the Company's information technology platform.

Bad debt expense was $31,890 for the three months ended March 31, 2005 as compared to $75,446 for the three months ended March 31, 2004. The decrease was primarily due to the recognition of bad debt expense related to former employees' receivables in the first quarter of 2004 that was completely provided for by the end of that year.

Litigation expense was $49,178 for the three months ended March 31, 2005 as compared to $156,098 for the three months ended March 31, 2005, a decrease of $106,920, or 68%. As is typical in the industry, customers make claims regarding the Company's actions and the Company defends itself vigorously against such claims. The Company's cost of defending itself varies quarter-to-quarter depending on the volume of claims which are in process at any given time.

Depreciation and amortization was $60,707 for the three months ended March 31, 2005 as compared to $29,175 for the three months ended March 31, 2004, an increase of $31,532, or 108%. The increase in depreciation and amortization was primarily attributable to the Company's investment in its technological infrastructure and facilities.

The amount forgiven under forgivable loans was $6,250 for the three months ended March 31, 2005 as compared to $21,250 for the three months ended March 31, 2004, a decrease of $15,000, or 71%. The decrease is attributable to the Company's decision several years ago to discontinue the practice of providing forgivable loans to brokers as part of its recruitment efforts. Accordingly, there have been no additions to the outstanding balance and the remaining balance is being reduced over time.

Stock based compensation was $1,324 for both the three months ended March 31, 2005 and the three months ended March 31, 2004. The Company granted warrants to its landlord related to the renegotiation of its lease and this amount is being amortized over the life of the lease.

LIQUIDITY AND CAPITAL RESOURCES

The Company had $4,788,490 of unrestricted cash at March 31, 2005.

Net cash used in operating activities for the three months ending March 31, 2005, was $542,888 as opposed to net cash provided by operating activities of $1,208,422 for the three months ending March 31, 2004. The decrease in cash provided by operating activities is primarily attributable to lower net income and working capital changes. The Company's accounts payable and accrued liabilities decreased significantly from the prior year as a result of lower cost of revenues and payments on settlements and other liabilities. Accounts receivable increased as a result of revenues related to the CIE management services agreement. The Company also increased its investment in trading securities.

Net cash used in investing activities for the three months ending March 31, 2005, was $133,748 as opposed to $31,424 for the three months ending March 31, 2004. The primary reason for the increase is our strategy to introduce new services to our existing clients and affiliates which has required the investment in new systems and technologies. In addition, the Company invested in its disaster recovery plan by implementing communication redundancy systems that would enable us to continuously service our clients. In order to finance these capital expenditures, the Company entered into lease agreements (discussed below under cash provided by financing).

Net cash provided by financing activities for the three months ending March 31, 2005, was $208,818 as opposed to $0 for the three months ending March 31, 2004. The increase is due to the Company entering into certain capital lease agreements to finance its investment in information technology equipment and the proceeds from the issuance of common stock related to stock option exercises.

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 however 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.

ITEM 3. 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.

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 their 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.

Part II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

From time to time the Company, and/or one of its subsidiaries, is named as a party to a lawsuit that has arisen in the ordinary course of business. Although it is possible that losses exceeding amounts already recorded may be incurred upon ultimate resolution of these existing legal proceedings, we believe that such losses, if any, will not have a material adverse effect on our business, results of operations or financial position; however, unfavorable resolution of each matter individually or in the aggregate could affect the consolidated results of operations for the quarterly and annual periods in which they are resolved.

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

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

Company and/or its subsidiaries.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On January 31, 2005, the Company issued 300,000 shares of common stock in connection with the exercise of options by a former executive of the Company. The Company received $60,000. The exercise price of these options was $0.20.

On March 14, 2005, the Company issued 255,000 shares of common stock in connection with the exercise of options by an independent contractor of the Company. The Company received $53,550. The exercise price of these options was $0.21.

The issuance of the shares of common stock in the two transactions described in this Item 2 was exempt from registration under Section 4(2) of the Securities Act of 1933 because the two persons who exercised options are sophisticated investors who had knowledge of all material information relating to the Company. All proceeds from the transactions will be used for general corporate purposes.

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.

10.1 - CIE Master Services Agreement.

10.2 - vFinance Management Services Agreement.

SIGNATURES

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

Signature	Title	Date
By: /s/ Leonard J. Sokolow Leonard J. Sokolow	Chief Executive Officer and President (Principal Executive Officer)	May 16, 2005
By: /s/ Sheila C. Reinken Sheila C. Reinken	Chief Financial Officer and (Principal Financial and Accounting Officer)	May 16, 2005