

**North Carolina Security Breach Reporting Form**  
**Pursuant to the Identity Theft Protection Act of 2005** JUN - 7 2007

Name of Business Owning or Licensing Information Affected by the Breach: vFinance Investments Inc.  
Address: 3010 N. Military Trail  
Boca Raton, FL 33431  
Telephone: 561.981.1000  
Fax: 561.283.0480  
Email: jghaly@vfinance.com

**PLEASE SUBMIT FORM TO:**  
Consumer Protection Division  
NC Attorney General's Office  
9001 Mail Service Center  
Raleigh, NC 27699-9001  
Telephone: (919) 716-6000  
Toll Free in NC: (877) 566-7226  
FAX: (919) 716-6050

Date Security Breach Reporting Form submitted: June 5, 2007  
Date the Security Breach was discovered: March 10, 2007  
Estimated number of affected individuals: 29,000  
Estimated number of NC residents affected: 790

Name of business maintaining or possessing information that was the subject of the Security Breach, if the business that experienced the Security Breach is not the same entity as the business reporting the Security Breach (pursuant to N.C.G.S. § 75-65(b)): vFinance, Inc.

Describe the circumstances surrounding the Security Breach and state whether the information breached was in electronic or paper format: Project was stolen, someone used vulnerability to access data from the database.

Regarding electronic information breached, state whether the information breached or potentially breached was password protected or encrypted in some manner. Yes If so, please describe the security measures protecting the information: Database has password protection

Describe any measures taken to prevent a similar Security Breach from occurring in the future: Website vulnerability has been remediated

Date affected NC residents were/will be notified: April 10, 2007  
If there has been any delay in notifying affected NC residents, describe the circumstances surrounding the delay pursuant to N.C.G.S. § 75-65(a) and (c): n/a

If the delay was pursuant to a request from law enforcement pursuant to N.C.G.S. § 75-65(c), please include the written request or the contemporaneous memorandum.

How NC residents were/will be notified? (pursuant to N.C.G.S. § 75-65(e))

- written notice
- electronic notice (email)
- telephone notice
- substitute notice

Please attach copy of the notice if in written form or a copy of any scripted notice if in telephonic form.

Signature: [Signature] Date: \_\_\_\_\_  
Contact Person, Title: Jennifer M. Ghaly, Chief Compliance Officer  
Address: [Address]  
(if different from above) \_\_\_\_\_  
Telephone: 561.981.1047 Fax: \_\_\_\_\_ Email: \_\_\_\_\_

APR 16 2007

April 9, 2007

Consumer Protection Division of the Attorney General's Office  
9001 Mail Service Center  
Raleigh, NC 27699-9001

Ladies and Gentlemen:

I am writing on behalf of vFinance Investments, Inc., a broker-dealer registered in North Carolina, and vFinance, Inc. ("vFinance"). Recently we learned that one of our databases containing customer information was accessed through our website ([www.vfinance.com](http://www.vfinance.com)) by an unauthorized person. Based on available information, we believe the database was accessed solely for the purpose of defacing the website.

Even though we do not believe that any customer information has been accessed, we are notifying you of this incident.

We are sending a notice to all of our customers informing them of this security breach, and we have taken several steps to secure the website, including consulting with security experts and contacting the FBI. We expect to send this notice out before April 15, 2007. A copy of our notice is enclosed. We believe that approximately 1100 North Carolina residents may have been affected by this breach.

Should your department require additional information regarding this event, please feel free to contact us at 561.981.1047

Sincerely,



Jennifer M. Ghaly  
Chief Compliance Officer

April 2, 2007

Dear Client:

The security of your personal information is a top priority at vFinance Investments, Inc. Recently we learned that one of our databases containing customer information was accessed through our website by an unauthorized party. Based on available information, we believe the database was accessed solely for the purpose of defacing the website.

As you may know, your assets are maintained with our clearing firm (National Financial, a Fidelity Investments company) in a separate database which was not accessed.

Even though we do not believe that your personal information has been accessed, we are notifying you of this incident because the information that you shared with us was stored in the compromised database. Accordingly, we are taking this opportunity to inform you of our actions to ensure the continued security of your personal information.

Here are the measures we have taken to date:

**1. We added extra security measures**

We have changed certain functions on our website to help protect against further unauthorized access.

**2. We brought in additional experts**

We have consulted with outside security experts to provide us with additional insight regarding data security for our systems.

**3. We contacted the appropriate law enforcement agencies**

We have contacted the FBI in connection with the incident and are cooperating with an investigation into the incident. We also may contact other law enforcement agencies to inform them of the incident.

You may wish to consider contacting the credit reporting agencies to notify them that your information may have been accessed by an unauthorized individual.

|              |              |                |
|--------------|--------------|----------------|
| Equifax      | Experian     | TransUnionCorp |
| 800.525.6285 | 888.397.3742 | 800.680.7289   |

You may wish to consider requesting a copy of your credit reports and reviewing them. You can obtain your reports by contacting the above credit reporting agencies.

We sincerely apologize for any inconvenience or concerns this situation may cause. Again, we want to reassure you that there is no indication that your personal information has been accessed or obtained by a third party. We will continue to investigate this matter. If you need additional information, please contact us at 866-212-5621.

Sincerely,



Richard Campanella  
Chief Executive Officer and President