

A. BASIC IDENTIFICATION DATA

2. Enter the information requested for the following:

- Each promoter of the issuer, if the issuer has been organized within the past five years;
- Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer;
- Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issues; and
- Each general and managing partner of partnership issuers.

Check all box(es) that apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Roberts, Richardson M.

Business or Residence Address (number and Street, City, State, Zip code)

3841 Green Hills Village Drive, Suite 401, Nashville, TN 37215

Check all box(es) that apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Carter, Ron

Business or Residence Address (number and Street, City, State, Zip code)

3841 Green Hills Village Drive, Suite 401, Nashville, TN 37215

Check all box(es) that apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Edwards, James

Business or Residence Address (number and Street, City, State, Zip code)

3841 Green Hills Village Drive, Suite 401, Nashville, TN 37215

Check all box(es) that apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Siebels, Emmet

Business or Residence Address (number and Street, City, State, Zip code)

3841 Green Hills Village Drive, Suite 401, Nashville, TN 37215

Check all box(es) that apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Wade, William G.

Business or Residence Address (number and Street, City, State, Zip code)

7901 Georgetown Pike, McLean, VA 22102

Check all box(es) that apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Garman, Richard

Business or Residence Address (number and Street, City, State, Zip code)

c/o Financial Technology Ventures, 601 California Street, Suite 2200, San Francisco, CA 94108

Check all box(es) that apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Hale, James C., III

Business or Residence Address (number and Street, City, State, Zip code)

c/o Financial Technology Ventures, 601 California Street, Suite 2200, San Francisco, CA 94108

Check all box(es) that apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Cooke, Kim D.

Business or Residence Address (number and Street, City, State, Zip code)

c/o Blue Water Venture Fund II, LLC, 1420 Beverly Road, Suite 300, McLean, VA 22101

Check all box(es) that apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Blue Water Venture Fund II, LLC

Business or Residence Address (number and Street, City, State, Zip code)

1420 Beverly Road, Suite 300, McLean, VA 22101

Check all box(es) that apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Financial Technology Ventures (Q), L.P.

Business or Residence Address (number and Street, City, State, Zip code)

601 California Street, Suite 2200, San Francisco, CA 94108

Check all box(es) that apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Financial Technology Ventures II (Q), L.P.

Business or Residence Address (number and Street, City, State, Zip code)

601 California Street, Suite 2200, San Francisco, CA 94108

B. INFORMATION ABOUT OFFERING

1. Has the issuer sold, does the issuer intend to sell, to non-accredited investors in this offering? Yes No
 Answer also in Appendix, Column 2, if filing under ULOE.
2. What is the minimum investment that will be accepted from any individual? N/A - an exchange offer Yes No
3. Does the offering permit joint ownership of a single unit?
4. Enter the information requested for each person who has been or will be paid or given, directly or indirectly, any commission or similar enumeration for solicitation of purchasers in connection with sales of securities in the offering. If a person to be listed is an associated person or agent of a broker or dealer registered with the SEC and/or with a state or states, list the name of the broker or dealer. If more than five (5) persons to be listed are associated persons of such a broker or dealer, you may set forth the information for that broker or dealer only.

Full Name (Last name first, if individual)
 N/A

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of associated Broker or Dealer

State in Which Person Listed Has solicited or Intends to Solicit Purchasers
 (Check "All States" or check individual States) All States

[AL]	[AK]	[AZ]	[AR]	[CA]	[CO]	[CT]	[DE]	[DC]	[FL]	[GA]	[HI]	[ID]
[IL]	[IN]	[IA]	[KS]	[KY]	[LA]	[ME]	[MD]	[MA]	[MI]	[MN]	[MS]	[MO]
[MT]	[NE]	[NV]	[NH]	[NJ]	[NM]	[NY]	[NC]	[ND]	[OH]	[OK]	[OR]	[PA]
[RI]	[SC]	[SD]	[TN]	[TX]	[UT]	[VT]	[VA]	[WA]	[WV]	[WI]	[WY]	[PR]

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

State in Which Person Listed Has solicited or Intends to Solicit Purchasers
 (Check "All States" or check individual States) All States

[AL]	[AK]	[AZ]	[AR]	[CA]	[CO]	[CT]	[DE]	[DC]	[FL]	[GA]	[HI]	[ID]
[IL]	[IN]	[IA]	[KS]	[KY]	[LA]	[ME]	[MD]	[MA]	[MI]	[MN]	[MS]	[MO]
[MT]	[NE]	[NV]	[NH]	[NJ]	[NM]	[NY]	[NC]	[ND]	[OH]	[OK]	[OR]	[PA]
[RI]	[SC]	[SD]	[TN]	[TX]	[UT]	[VT]	[VA]	[WA]	[WV]	[WI]	[WY]	[PR]

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

State in Which Person Listed Has solicited or Intends to Solicit Purchasers
 (Check "All States" or check individual States) All States

[AL]	[AK]	[AZ]	[AR]	[CA]	[CO]	[CT]	[DE]	[DC]	[FL]	[GA]	[HI]	[ID]
[IL]	[IN]	[IA]	[KS]	[KY]	[LA]	[ME]	[MD]	[MA]	[MI]	[MN]	[MS]	[MO]
[MT]	[NE]	[NV]	[NH]	[NJ]	[NM]	[NY]	[NC]	[ND]	[OH]	[OK]	[OR]	[PA]
[RI]	[SC]	[SD]	[TN]	[TX]	[UT]	[VT]	[VA]	[WA]	[WV]	[WI]	[WY]	[PR]

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

State in Which Person Listed Has solicited or Intends to Solicit Purchasers
 (Check "All States" or check individual States) All States

[AL]	[AK]	[AZ]	[AR]	[CA]	[CO]	[CT]	[DE]	[DC]	[FL]	[GA]	[HI]	[ID]
[IL]	[IN]	[IA]	[KS]	[KY]	[LA]	[ME]	[MD]	[MA]	[MI]	[MN]	[MS]	[MO]
[MT]	[NE]	[NV]	[NH]	[NJ]	[NM]	[NY]	[NC]	[ND]	[OH]	[OK]	[OR]	[PA]
[RI]	[SC]	[SD]	[TN]	[TX]	[UT]	[VT]	[VA]	[WA]	[WV]	[WI]	[WY]	[PR]

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

1. Enter the aggregate offering price of securities included in this offering and the total amount already sold. Enter "0" if answer is "none" or "zero." If the transaction is an exchange offering, check this box and indicate in the columns below the amount of the securities offered for exchange and already exchanged.

Type of Security	Aggregate Offering Price	Amount Already Sold
Debt	\$ <u>0</u>	\$ <u>0</u>
Equity	<u>3,026,202 shares (1)</u>	<u>3,026,202 shares (1)</u>
<input checked="" type="checkbox"/> Common <input type="checkbox"/> Preferred		
Convertible Securities (including warrants)	<u>257,898 shares (1)</u>	<u>257,898 shares (1)</u>
Partnership Interests	\$ <u>0</u>	\$ <u>0</u>
Other	\$ <u>0</u>	\$ <u>0</u>
Total	<u>3,284,100 shares (1)</u>	<u>3,284,100 shares (1)</u>

Answer also in Appendix, column 3, if filing under ULOE.

2. Enter the number of accredited and non-accredited investors who have purchased securities in this offering and the aggregate dollar amounts of their purchases. For offerings under Rule 504, indicate the number of persons who have purchased securities and the aggregate dollar amount of their purchases on the total lines. Enter "0" if answer is "none" or "zero."

Type of Security	Number of Investors	Aggregate Dollar Amount of Purchases
Accredited Investors	<u>19</u>	<u>2,750,028 shares</u> <u>Common Stock</u> <u>234,362 warrants</u>
Non-Accredited Investors	<u>13</u>	<u>276,174 shares</u> <u>Common Stock</u> <u>23,536 warrants</u>
Total (for filings under Rule 504 only) ...	_____	\$ _____

Answer also in Appendix, Column 4, if filing under ULOE.

3. If this filing is for an offering under Rule 504 or 505, enter the information requested for all securities sold by the issuer, to date, in offerings of the types indicated, in the twelve (12) months prior to the first sale of securities in this offering. Classify securities by type listed in Part C - Question 1.

Type of Offering	Type of Security	Dollar Amount Sold
Rule 505	_____	\$ _____
Regulation A	_____	\$ _____
Rule 504	_____	\$ _____
Total	_____	\$ _____

4. A. Furnish a statement of all expenses in connection with the issuance and distribution of the securities in this offering. Exclude amounts relating solely to organization expenses of this issuer. The information may be given as subject to future contingencies. If the amount of an expenditure is not known, furnish an estimate and check the box to the left of the estimate.

Transfer Agent's fees	<input type="checkbox"/> \$ _____
Printing and Engraving Costs	<input type="checkbox"/> \$ _____
Legal Fees	<input checked="" type="checkbox"/> \$ <u>50,000</u>
Accounting Fees	<input checked="" type="checkbox"/> \$ <u>30,800</u>
Engineering Fees	<input type="checkbox"/> \$ _____
Sales Commissions (specify finders' fees separately)	<input type="checkbox"/> \$ _____
Other Expenses	<input type="checkbox"/> \$ <u>5,000</u>
Total	<input checked="" type="checkbox"/> \$ <u>85,800</u>

(1) Verus Financial Management, Inc. common stock and warrants to purchase Verus Financial Management, Inc. common stock were issued to the investors as consideration for the acquisition of Network 1 Financial Corporation by reverse triangular merger.

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

B. Enter the difference between the aggregate offering price given in response to Part C - Question 1 and total expenses furnished in response to Part C - Question 4.a. This difference is the "adjusted gross proceeds to the issuer." N/A (2)

5. Indicate below the amount of the adjusted gross proceeds to the issuer used or proposed to be used for each of the purposes shown. If the amount for any purpose is not known, furnish an estimate and check the box to the left of the estimate. The total of the payment listed must equal the adjusted gross proceeds to the issuers set forth in response to Part C - Question 4.b. above.

	Payments to Officers, Directors & Affiliates	Payments to Others
Salaries and fees	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Purchase of real estate	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Purchase, rental or leasing and installation of machinery and equipment	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Construction or leasing of plant buildings and facilities	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Acquisition of other business (including the value of securities involved in this offering that may be used in exchange for the assets or securities of another issuer pursuant to a merger)	<input type="checkbox"/> \$ _____	<input checked="" type="checkbox"/> \$ 14,393,827 (3)
Repayment of indebtedness	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Working Capital	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Other (specify)	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Column totals	<input type="checkbox"/> \$ _____	<input type="checkbox"/> \$ _____
Total payments listed (column totals added)		<input checked="" type="checkbox"/> \$ 14,393,827 (3)

- (2) The proceeds from this offering consisted solely of all of the stock of Network 1 Financial Corporation, which was exchanged with Verus Financial Management, Inc. for common stock and warrants.
- (3) This is the value of the shares of Verus Financial Management, Inc. common stock issued in the merger. The warrants issued are substantially "out of the money" and are not given a value in this column.

D. FEDERAL SIGNATURE

The issuer has duly caused this notice to be signed by the undersigned duly authorized person. If this notice is filed under Rule 505, the following signature constitutes an undertaking by the issuer to furnish to the U.S. Securities and Exchange Commission upon written request of this staff, the information furnished by the issuer to any non-accredited investor pursuant to paragraph (b)(2) of Rule 502.

Issuer (Print or Type) Verus Financial Management, Inc.	Signature 	Date July 25, 2002
Name of Signor (Print or Type) Ron Carter	Title of Signer (Print or Type) President and Secretary	

ATTENTION
Intentional misstatements or omissions of fact constitute federal criminal violations. (See 18 U.S.C. 1001.)

E. STATE SIGNATURE

- | | | |
|---|--------------------------|-------------------------------------|
| | Yes | No |
| 1. Is any party described in 17 CFR 230.252 (c), (d), (e) or (f) presently subject to any of the disqualification provisions of such rule | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

See Appendix, Column 5, for state response.

2. The undersigned issuer undertakes to furnish to any state administrator of any state in which this notice is filed, a notice on Form D (17 CFR 239.500) at such times as required by state law.
3. The undersigned issuer hereby undertakes to furnish to the state administrators, upon written request, information furnished by the issuer to the offerees.
4. The undersigned issuer represents that the issuer is familiar with the conditions that must be satisfied to be entitled to the Uniform Limited Offering Exemption (ULOE) of the state in which this notice is filed and understands that the issuer claiming the availability of this exemption has the burden of establishing that these conditions have been satisfied.

The issuer has read this notification and knows the contents to be true and has duly caused this notice to be signed on its behalf by the undersigned duly authorized person.

Issuer (Print or Type) Verus Financial Management, Inc.	Signature 	Date July 25, 2002
Name (Print or Type) Ron Carter	Title (Print or Type) President and Secretary	

Instruction:

Print the name and title of the signing representative under his signature for the state portion of this form. One copy of every notice on Form D must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

APPENDIX

1	2		3	4				5	
	Intend to Sell to non-accredited investors in State (Part B-Item 1)			Type of Security and Aggregate offering price offered in state (Part C-Item 1)	Type of Investor and amount purchased in State (Part C - Item 2)				Disqualification under State ULOE (If yes, attach explanation of waive granted) (Part E - Item 1)
State	Yes	No			No. of accredited Investors	Amount	No. of non-accredited Investors	Amount	Yes
AL									
AK									
AZ									
AR									
CA	X		Common Stock 25,387 shares Warrants 2,163 shares	2	Common Stock 20,121 shares Warrants 1,714 shares	1	Common Stock 5,266 shares Warrants 449 shares		X
CO	X		Common Stock 15,433 shares Warrants 1,315 shares	0	0	3	Common Stock 15,433 shares Warrants 1,315 shares		
CT									
DE									
DC		X	Common Stock 8,586 shares Warrants 732 shares	2	Common Stock 8,586 shares Warrants 732 shares	0	0		X
FL	X		Common Stock 32,948 shares Warrants 2,808 shares	2	Common Stock 30,462 shares Warrants 2,596 shares	1	Common Stock 2,486 shares Warrants 212 shares		X
GA	X		Common Stock 72,714 shares Warrants 6,197 shares	1	Common Stock 67,145 shares Warrants 5,722 shares	1	Common Stock 5,569 shares Warrants 475 shares		X
HI									

APPENDIX

1	2		3	4				5	
	Intend to Sell to non-accredited investors in State (Part B-Item 1)			Type of Security and Aggregate offering price offered in state (Part C-Item 1)	Type of Investor and amount purchased in State (Part C - Item 2)				Disqualification under State ULOE (If yes, attach explanation of waive granted) (Part E - Item 1)
State	Yes	No		No. of accredited Investors	Amount	No. of non-accredited Investors	Amount	Yes	No
ID									
IL									
IN									
IA									
KS									
KY									
LA									
ME									
MD		X	Common Stock 9,472 shares Warrants 808 shares	2	Common Stock 9,472 shares Warrants 808 shares	0	0		X
MA	X		Common Stock 7,103 shares Warrants 605 shares	0	0	1	Common Stock 7,103 shares Warrants 605 shares		X
MI									
MN									
MS									
MO									
MT									
NE									
NV									
NH									
NJ									
NM									
NY									
NC									
ND									

APPENDIX

1	2		3	4				5	
	Intend to Sell to non-accredited investors in State (Part B-Item 1)			Type of Security and Aggregate offering price offered in state (Part C-Item 1)	Type of Investor and amount purchased in State (Part C - Item 2)				Disqualification under State ULOE (If yes, attach explanation of waive granted) (Part E - Item 1)
State	Yes	No			No. of accredited Investors	Amount	No. of non-accredited Investors	Amount	Yes
RI									
SC									
SD									
TN		X	Common Stock 61,919 shares Warrants 5,277 shares	1	Common Stock 61,919 shares Warrants 5,277 shares	0	0		X
TX	X		Common stock 12,544 shares Warrants 1,069 shares	1	Common Stock 3,253 shares Warrants 277 shares	2	Common Stock 9,291 shares Warrants 792 shares		X
UT									
VT									
VA	X		Common Stock 2,780,096 shares Warrants 236,924 shares	8	Common Stock 2,549,070 shares Warrants 217,236 shares	4	Common Stock 231,026 shares Warrants 19,688 shares		X
WA									
WV									
WI									
WY									
PR									