

AD
9/3



09042370

SECURITIES AND EXCHANGE COMMISSION

RECEIVED

AUG 28 2009

DIVISION OF MARKET REGULATION

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

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

OMB APPROVAL
OMB Number: 3235-0123
Expires: February 28, 2010
Estimated average burden
hours per response..... 12.00

SEC FILE NUMBER
8-52192

FACING PAGE

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

REPORT FOR THE PERIOD BEGINNING 01/01/08 AND ENDING 09/30/08
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: EquityStation, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

3010 North Military Trail Suite 300

(No. and Street)

Boca Raton

Florida

33431

(City)

(State)

(Zip Code)

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

Alan Levin

561-981-1007

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Sherb & Company LLP

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

1900 NW Corporate Boulevard Suite 210 Boca Raton

Florida

33431

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

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

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

AD
9/17

OATH OR AFFIRMATION

I, Alan B. Levin, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of EquityStation, Inc. of September 30, 2008, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NOTARY PUBLIC-STATE OF FLORIDA
Johanna A. Garcia
Commission #DD798685
Expires: JUNE 18, 2012
BONDED THRU ATLANTIC BONDING CO., INC.

Alan B. Levin
Signature
Chief Financial Officer/FINOP
Title

Johanna A. Garcia
Notary Public

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

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

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

Financial Statements and Supplemental Information
EQUITYSTATION, INC.

(a wholly owned subsidiary of National Holdings Corporation)
For the Nine Months Ended September 30, 2008
with Report and Supplementary Report of Independent Auditors

EQUITYSTATION, INC..
(a wholly owned subsidiary of National Holdings Corporation)

Financial Statements and Supplemental Information
For the Nine Months ended September 30, 2008

Contents

Report of Independent Auditors.....	1
Audited Financial Statements	
Statement of Financial Condition.....	2
Statement of Operations.....	3
Statement of Changes in Stockholder's Equity.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6
Supplemental Information	
Computation of Net Capital and Aggregate Indebtedness	
Pursuant to Rule 15c3-1 of the Securities and Exchange Commission	11
Statement Regarding SEC Rule 15c3-3	12
Report on Internal Control Required by SEC Rule 17a-5 for a Broker-Dealer Claiming an Exemption from SEC Rule 15c 3-3	13



SHERB & CO., LLP

Certified Public Accountants

1900 NW Corporate Blvd., Suite East 210
Boca Raton, FL 33431
Tel: 561.886.4200
Fax: 561.886.3330
e-mail: info@sherbcpa.com

Offices in New York and Florida

INDEPENDENT AUDITOR'S REPORT

To the Shareholder
EquityStation, Inc.

We have audited the accompanying statement of financial condition of EquityStation, Inc. as of September 30, 2008, and the related statements of operations, changes in shareholder's equity and cash flows for the nine months then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EquityStation, Inc. as of September 30, 2008, and the results of its operations and its cash flows for the nine months then ended in conformity with accounting principles generally accepted in the United States of America.

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

SHERB & CO., LLP
Certified Public Accountants

Boca Raton, Florida
October 24, 2008

EQUITYSTATION, INC..
(a wholly owned subsidiary of National Holdings Corporation)

Statement of Financial Condition

September 30, 2008

ASSETS

Current Assets

Cash	\$ 362,920
Receivables from clearing organizations	58,607
Receivables from related party	358,622
Deposits and prepaid expenses	15,703
Total Assets	<u><u>\$ 795,852</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities

Accounts payable	\$ 45,969
Accrued liabilities	346,429
Total Liabilities	<u><u>392,398</u></u>

Stockholder's Equity

Common Stock \$.01 Par Value 1,000 share authorized, issued and outstanding	10
Additional paid-in Capital	1,036,606
Accumulated deficit	(633,162)
Total Stockholder's Equity	<u><u>403,454</u></u>
Total Liabilities and Stockholder's Equity	<u><u>\$ 795,852</u></u>

See accompanying notes.

EQUITYSTATION, INC..
(a wholly owned subsidiary of National Holdings Corporation)

Statement of Operations
For the Nine Months Ended September 30, 2008

Revenue	
Commissions	\$ 2,124,645
Net dealer gains	315
Other revenue	20,442
Interest and dividends	55,847
Other income (loss)	(95,724)
	<u>2,105,525</u>
 Expenses	
Commissions and fees	1,190,175
Employee compensation and benefits	161,184
Clearance fees	151,255
General and administrative costs	264,209
Occupancy and equipment costs	20,534
Interest expense	590
	<u>1,787,947</u>
Income before taxes	<u>317,578</u>
 Provision for income taxes	
Current expense	157,610
Deferred expense	(34,814)
Net income	<u><u>\$ 194,782</u></u>

See accompanying notes.

EQUITYSTATION, INC.
(a wholly owned subsidiary of National Holdings Corporation)

Statement of Changes in Stockholder's Equity
For the Nine Months Ended September 30, 2008

	<u>Common Stock</u> <u>Shares</u>	<u>Amount</u>	<u>Additional</u> <u>Paid - in</u> <u>Capital</u>	<u>Accumulated</u> <u>Deficit</u>	<u>Total</u>
Balance, December 31, 2007	1,000	\$ 10	\$ 1,430,780	\$ (827,944)	\$ 602,846
Capital returned to parent and related entity			(516,970)	-	(516,970)
Tax benefit contributed by parent			122,796	-	122,796
Net income			-	194,782	194,782
Balance, September 30, 2008	<u>1,000</u>	<u>\$ 10</u>	<u>\$ 1,036,606</u>	<u>\$ (633,162)</u>	<u>\$ 403,454</u>

See accompanying notes.

EQUITYSTATION, INC..
(a wholly owned subsidiary of National Holdings Corporation)

Statement of Cash Flows
For the Nine Months Ended September 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	\$ 194,782
Adjustments to reconcile net income to net cash	
Provided by operating activities:	
Non cash income tax expense	122,796
Increase (decrease)	
Deposits and prepaid expenses	13,877
Receivable from clearing organizations	(374,300)
Receivable from employees	5,456
Accounts payable	(14,068)
Accounts receivable	24,386
Accrued liabilities	211,819
Net cash provided by operating activities	<u>184,748</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Capital returned to parent and related entity	<u>(516,970)</u>
Net cash used in financing activities	<u>(516,970)</u>
Decrease in cash	<u>(332,222)</u>
Cash:	
Cash at beginning of period	695,142
Cash at end of period	<u>\$ 362,920</u>
Cash paid for	
Income taxes	<u>\$ -</u>
Interest	<u>\$ 590</u>

See accompanying notes.

EQUITYSTATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2008

NOTE 1: NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Description of Business

EquityStation, Inc. ("the Company") (a wholly owned subsidiary of National Holdings Corporation) is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA). The Company is a Florida Corporation incorporated July 22, 1999.

EquityStation offers institutional traders, hedge funds, and professional traders a suite of services designed to advance their trading through cutting-edge trading technologies and routing software, hedge fund incubation, capital introduction and custodial services.

In connection with its activities as a broker-dealer, the Company does not hold customer funds or securities, and promptly transmits all customer funds received to its clearing firm. The company uses Person Financial Services, Inc. for its primary clearing firm and has a Tri-party Clearing Agreement through its affiliate, vFinance Investments, Inc. to clear some of its fully disclosed customer transactions through National Financial Services, LLC. Although the Company's clearing firm maintains all of the accounts of such customers and preserves all required and customary records, the Company remains contingently liable for losses incurred on these accounts.

On November 2, 2004, vFinance Investments Holdings, Inc. (wholly-owned subsidiary of National Holdings Corporation), completed its acquisition of the issued and outstanding equity securities of EquityStation, all of which were owned by Level2, a subsidiary of Global Partners Securities, Inc. This transaction had been approved by the National Association of Securities Dealers, Inc.

On July 1, 2008, National Holdings Corporation completed its merger with vFinance, Inc. No material changes to the business or management of EquityStation have occurred since this change in ownership. In order to facilitate the financial reporting aspects of the merger, EquityStation requested a change in year end from the FINRA. That change was granted in July 2008.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements. Actual results may differ from those estimates, and such differences may be material to the financial statements.

EQUITYSTATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2008

NOTE 1: (Continued)

Reclassifications

Certain items in the 2007 consolidated financial statements have been reclassified to conform to the presentation in the 2008 consolidated financial statements. Such reclassifications did not have a material impact on the presentation of the overall financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company has defined cash equivalents as highly liquid investments, with original maturation of less than ninety days that are not held for sale in the ordinary course of business.

Concentrations of Credit Risk

As of September 30, 2008, we had cash balances in banks in excess of the maximum amount insured by the FDIC of approximately \$163,789. The Company maintains its cash positions at high quality financial institutions.

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

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.

Revenue Recognition

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

EQUITYSTATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2008

NOTE 1: (Continued)

Advertising

Costs of advertising are expensed as incurred and amounted to \$0 for the period ended September 30, 2008.

NOTE 2: INCOME TAXES

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

At September 30, 2008, the Company's tax provision is as follows:

Current Expense (Benefit)	\$ 157,610
Deferred Expense (Benefit)	<u>(34,814)</u>
Total Expense (Benefit)	<u>\$ 122,796</u>

At September 30, 2008, the Company had approximately \$1,000,000 of unused preacquisition net operating loss carryforwards that may be applied against future taxable income and that expire in various years from 2020 to 2024. The utilization of these loss carryforwards, for Federal income tax purposes are subject to limitation due to the changes in ownership.

At September 30, 2008 the Company had the following components of deferred tax assets:

Reserve for losses	\$ 34,814
Less: Valuation Allowance	<u>-</u>
Net Deferred tax asset	<u>\$ 34,814</u>

The deferred tax asset resulting from the net operating loss carryforwards had previously been reduced to \$0 due to the establishment of a full valuation allowance. There has been no change in the valuation allowance during the nine months ended September 30, 2008.

EQUITYSTATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2008

NOTE 2: (Continued)

INCOME TAXES

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

Federal statutory Income tax rate	35.0%
Add:	
State statutory income tax rate,	
Net of federal tax Benefit	<u>3.5%</u>
Effective Tax Rate	<u><u>38.5%</u></u>

Due to the Company's inclusion in the filing of a consolidated tax return with its parent and other affiliated members, and the utilization of consolidated net operating losses to offset the Company's taxable income, the Company credited Additional Paid-in Capital with a tax benefit contributed to the parent.

NOTE 3: Commitments and Contingencies

The Company has been named in a FINRA arbitration action filed by a former officer for allegedly not paying compensation according to his employment agreement. This action has not been settled as of September 30, 2008. Management intends to vigorously defend against this claim and the accompanying financial statements include an accrual of \$90,000 for estimated losses and expenses that may result from the ultimate outcome of certain of this action. However, due to the inherent uncertainty of these outstanding actions, losses may exceed the amounts accrued and those losses may be material.

NOTE 4: RELATED PARTY TRANSACTIONS

The Company entered into a management agreement with its parent, vFinance Investments Holdings, Inc., whereby the Company agrees to make monthly payments in the amount of \$11,000 to the parent. In return, vFinance Investments Holdings will provide the Company with certain consideration including office space, office personnel and other such services.

EQUITYSTATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2008

NOTE 5: OFF-BALANCE-SHEET RISK

The Company's customers' securities transactions are introduced on a fully disclosed basis with its clearing broker/dealer, Penson Financial Services. The clearing broker dealer is responsible for collection of and payment of funds, and receipt and delivery of securities relative to customer transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the clearing broker/dealer may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the creditworthiness of its customers and proper executions of customer transactions by the clearing broker/dealer.

NOTE 6: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At September 30, 2008, the Company had net capital of \$362,785 that was \$262,785 in excess of its required net capital of \$100,000. The Company's aggregate indebtedness equaled \$582,398 and the percentage of aggregate indebtedness to net capital was 160.5%.

The Company qualifies under the exemptive provisions of Rule 15c3-3 under Section (k)(2)(ii) of the Rule, as it does not carry security accounts of customers or perform custodial functions related to customer securities.

EQUITYSTATION, INC..
(a wholly owned subsidiary of National Holdings Corporation)

Computation of Net Capital and Aggregate Indebtedness
Pursuant to Rule 15c3-1 of the Securities and Exchange Commission
September 30, 2008

NET CAPITAL	
Total Stockholder's Equity from the Statement of Financial Condition	\$ 403,454
Deductions:	
Non-Allowable Assets	
Accounts Receivable	4,925
Other Assets	35,744
Total Non-Allowable Assets	<u>40,669</u>
Net Capital	<u>\$ 362,785</u>
AGGREGATE INDEBTEDNESS	
Accounts Payable	45,969
Accrued Expenses	346,429
Adjustment for contingent liability	190,000
Aggregate Indebtedness	<u>\$ 582,398</u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT	
Minimum Required Net Capital	<u>\$ 100,000</u>
Excess Net Capital	<u>\$ 262,785</u>
Excess Net Capital at 1000%	<u>\$ 304,545</u>
Ratio of Aggregate Indebtedness to Net Capital	<u>160.5%</u>
Reconciliation	
Net capital, per unaudited September 30, 2008 FOCUS report, as filed	\$ 355,878
Net Adjustments	6,907
Net capital, per September 30, 2008 audited report, as filed	<u>\$ 362,785</u>

EQUITYSTATION, INC..
(a wholly owned subsidiary of National Holdings Corporation)

Statement Regarding SEC Rule 15c3-3

September 30, 2008

Exemptive Provisions

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

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



SHERB & CO., LLP

Certified Public Accountants

1900 NW Corporate Blvd., Suite East 210
Boca Raton, FL 33431
Tel: 561.886.4200
Fax: 561.886.3330
e-mail: info@sherbcpa.com

Offices in New York and Florida

**REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5
FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

To the Shareholder
EquityStation, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of EquityStation, Inc. for the nine months ended September 30, 2008, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

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

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

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

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

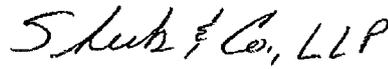
**REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5
FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3
(CONTINUED)**

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, which we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at September 30, 2008 to meet the SEC's objectives.

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

Boca Raton, Florida
October 24, 2008


Certified Public Accountants