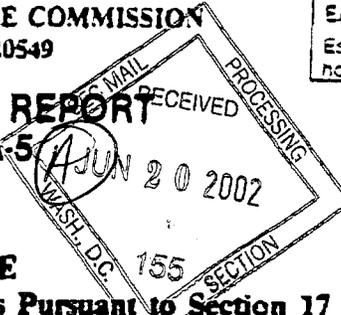




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UNITED STATES EXCHANGE COMMISSION Washington, D.C. 20549

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



OMB APPROVAL: OMB Number 3235-0123 Expires October 31, 1999 Estimated average burden hours per response 12.00 SEC FILE NUMBER 8 50898

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 01/01/2001 AND ENDING 12/31/2001

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: VFINANCE INVESTMENTS, INC

OFFICIAL USE ONLY FIRM ID. NO.

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

3010 North Military Trail - Suite 300

Boca Raton

FL

33431

(City) (State) (Zip Code)

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

A WILLIAMS

561-921-1022

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst & Young LLP

600 Peachtree St Atlanta GA 30307

(Address) (City) (State) (Zip Code)

CHECK ONE

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

PROCESSED JUL 10 2002 THOMSON FINANCIAL

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).

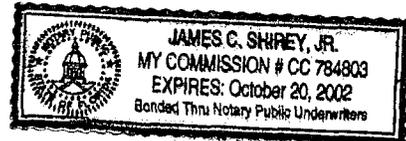
OATH OR AFFIRMATION

I, ALVIN MIRMAN, swear (or affirm) that, to best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm FINANCE, as of June 14 2002, 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:

Alvin Mirman
 Signature

Title

[Signature]
 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 Proprietor's 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).

vFinance Investments, Inc.
3010 North Military Trail
Suite 300
Boca Raton, FL 33431

June 13, 2002



Mr. Clint Johnson
Field Supervisor
NASDR, District 7
One Securities Centre, Suite 500
3490 Piedmont Road, NE
Atlanta, GA 30305

Dear Mr. Johnson:

Please excuse the delay in responding to your letter of April¹⁹, 2002, in which you pointed out that the audited statement of vFinance Investments, Inc. prepared by Ernst & Young did not contain "a reconciliation, including appropriate explanation, of the Computation of Net Capital under Rule 15c3-1 in the audit report with the broker's or dealer's corresponding unaudited Part II or Part IIA filing as material differences exist."

In error, we did not amend our December 31, 2001 FOCUS report to reflect that additional capital on a timely basis. We are in a fee dispute with E&Y and they have refused in two separate e-mails to our parent company's CFO, Bob Williamson, to do any work on this issue. Please find attached copies of both his May 16, 2002 and June 10, 2002 correspondence and the reply from Nick Franz who was the partner in charge of the audit.

It is unlikely this issue will be resolved soon or to E&Y's satisfaction since there is a significant difference between us and, in addition, our parent company dismissed E&Y on May 10, 2002. (See attached portion of our March 31, 2002 10-QSB.) We therefore submit the attached reconciliation and a new Part III Facing Page.

Yours truly,

Al Mirman
FinOp

Copies

2 Securities and Exchange Commission
450 Fifth Street NW
Washington, DC 20549

1 Securities and Exchange Commission
1401 Brickell Avenue
Miami, FL 33131
Attn: Thomas Mahoney

Robert Williamson

From: nick.franz@ey.com
Sent: Friday, May 17, 2002 9:30 AM
To: Robert Williamson
Subject: RE:

Bob-

More than happy to consider the issue once I understand what the payment schedule is for our outstanding invoices.

Nick

Nick Franz, Partner
Ernst & Young LLP
(404) 817-5963 – work
(404) 218-7375 – cell
(404) 355-0045 – home

"Robert Williamson" <bobw@vfinance.com>

05/16/2002 10:26 AM

To: "Alejandra Williams" <awilliams@vfinance.com>
cc: "Nick Franz" <nick.franz@ey.com>
Subject: RE:

NASD Audit Inquiry: First Level Audited Report

Nick:

After we filed the preliminary focus report with the NASD we made a number of changes to strengthen vFinance Investments (fka First Level).

The NASD has come back to us questioning your statement in the audited report, "There were no material differences between the computation of net capital under Rule 15c3-1 included in this audited report and the computation included in the Company's corresponding unaudited Form X-17A-5, Part IIA filing as of December 31, 2001."

Alejandra has prepared a reconciliation of those changes that caused Net Capital to increase from \$304,231 in the preliminary report to \$1,547,832 in the audited statement. Would you be able to send a letter through Alejandra to Clint Johnson stating that the reconciliation provided the basis for those changes.

Bob Williamson

Robert F. Williamson, Jr.
Vice-President Finance & CFO
vFinance, Inc.
3010 North Military Trail
Suite 300

06/13/2002

Robert Williamson

From: nick.franz@ey.com
Sent: Monday, June 10, 2002 4:04 PM
To: Robert Williamson
Subject: Re: reconciliation of 12/31/2001 focus and First Level audit.

Bob-

Before we do any further work I would like to have a payment plan put in place that Lenny agrees to. He was going to propose something back to me which I have not seen yet. Until we have a payment plan (which needs to include a payment immediately), I am not willing to discuss additional work. Thanks.

Nick Franz, Partner
Ernst & Young LLP
(404) 817-5963 – work
(404) 218-7375 – cell
(404) 355-0045 – home

"Robert Williamson" <bobw@vfinance.com>

06/10/2002 03:29 PM

To: "Nick Franz" <nick.franz@ey.com>

cc:

Subject: reconciliation of 12/31/2001 focus and First Level audit.

Nick:

Will you please confirm your reluctance to reconcile the 12/31/2001 Focus report and the First Level audit until such time as our invoices with you are paid?

Thank you.

Bob Williamson

Robert F. Williamson, Jr.

Vice-President Finance & CFO

vFinance, Inc.

06/13/2002

Part II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company's inactive subsidiary, Colonial Direct Financial Group, Inc., has \$650,000 of subordinated debt in default. The debt was incurred prior to the acquisition of Colonial by the Company in anticipation of an initial public offering by Colonial. The Company has offered the three holders of the subordinated debt to convert their notes issued by Colonial into common stock of the Company. One of the holders has sent a demand letter through her attorney seeking repayment from the Company. The Company has responded that the debt is the obligation of the subsidiary.

Item 2. CHANGES IN SECURITIES

On January 7, 2002 the Company sold 350,878 unregistered shares at a price of \$0.285 per share for a total consideration of \$100,000 to AMRO International, S.A.

On January 17, 2002 the Company sold 83,334 unregistered shares at a price of \$0.285 per share for a total consideration of \$23,750 to WorldVentures Fund I, LLC.

The above noted securities issued to the two investors were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D promulgated thereunder because the securities were acquired in a privately negotiated transaction by sophisticated investors.

During the first quarter of 2002, the Company granted stock options to purchase an aggregate of 508,117 shares of the Company's common stock to six employees of the Company. The exercise prices of these options range from \$0.35 to \$2.25. The option grants were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended, because the individuals receiving the options are sophisticated investors who have knowledge of all material information about the Company.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

Item 5. OTHER INFORMATION

The Company dismissed its independent auditors, Ernst & Young LLP, on May 10, 2002 to reduce expenses. During the past two fiscal years, Ernst & Young LLP's report on the Company's financial statements for each of the two fiscal years ended December 31, 2000 and 2001 did not contain an adverse opinion or disclaimer of opinion, nor was it modified as to uncertainty, audit scope, or accounting principles. The decision to dismiss Ernst & Young, LLP was recommended and approved by the Board of Directors.

During each of the Company's fiscal years ended December 31, 2000 and 2001 and the interim period preceding the dismissal, there were no disagreements with Ernst & Young LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of Ernst & Young LLP, would have caused Ernst & Young LLP to make reference to the subject matter of the disagreements in connection with its reports.

On May 10, 2002, the Company engaged the firm of Feldman, Sherb & Co., P.C. as its new independent auditors. The Company has authorized Ernst & Young LLP to respond fully to the inquiries of Feldman, Sherb & Co., P.C. with regard to any accounting or financial matters relating to the Company.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) EXHIBITS

Number of Exhibit	Exhibit Description
-----	-----
16.0	Letter from Ernst & Young to the Securities and Exchange Commission dated May 15, 2002

(b) REPORTS ON FORM 8-K

None.

First Level Capital, Inc.
Total Balance
For the Twelve Months Ending December 31, 2001

Account	Description	YTD 12/31/01	Asset Purchase		Client Adjustments Inter-Company		EY Adjustments										
			ADJ	ADJ	ADJ	ADJ	#1	#2	#3	#4	#5	#6	#7	#8			
1005	Cash Operating - Paine Webber	73,601	1,501,249														
1010	Cash Operating - First Union	63,547															
1020	Cash Payroll - First Union		(3,901,821)														
1025	Cash Payroll - Paine Webber		3,853,510														
1035	PW - Capital Deposit Account		250,274														
1073	PW Brokerage Accounts	321,152															
1095	Comm. Receivable		11,003														
1100	Accounts Receivable	10,000															
1103	Employee Receivable	68,500															
1105	Other Receivable																
1106	Forfeitable Loans																
1107	Forfeitable Loans - equipment	43,016															
1315	Prepaid Expenses - Other	222,693															
1400	Long Securities	90,780															
1590	Deferred Tax Assets - Current	37,849															
1620	Furniture & Fixtures	153,251															
1630	Equipment	13,695															
1680	Leasehold Improvements	23,529															
1691	Accum. Depr. - LI	(21,788)															
1693	Accum. Depr. - Firm. & Fixture	(92,135)															
1694	Accum. Depr. - Equipment	32,101															
1799	Deposits-Refundable	40,508															
1900	Due from/to vFinance Inc	47,956															
1920	Due from/to Union Atlantic Capital	36															
1922	Due from/to UA Inv Banking	11,000															
1930	Due from/to vFinance Holdings	7,031															
1950	Due from/to Colonial Direct CM	(50,265)															
1951	Valuation Allowance																
1700	Income Tax Receivable																
	Goodwill																
	Total Assets	1,070,001															
2200	Accounts Payable	(38,348)															
	Due to Employees																
2240	Deferred Rent																
2317	Short Inventory	(33,973)															
2330	New York Other Tax	(10)															
2360	Accrued 401K Contribution	(6,121)															
2390	Accrued Payroll	(133,611)															
2395	Other Accrued Expenses	(68,500)															
2403	Commitments and contingencies	(7,600)															
3100	Deferred Tax Liability	(10)															
3200	Common Stock	(1,377,412)															
3500	APIC - Common Stock	2,094															
3550	Retained Earnings	593,491															
	YTD Net Income																
	Total Liabilities and Equity	(1,070,001)															
4000	Success Fees	(74,000)															
4400	Commission Income - Listed	(54,140)															
4401	Commission Income - OTC	(107,727)															
4405	Commission Income - Invest. Co	(374)															
4406	Commission Income - Options	(80,820)															
4410	Gain/Loss Trading	(2,088,266)															
4411	Service Fee Income	(13,597)															
5220	Web Site Fees - Intranet	90															
5500	Commission Expense - Reg. Rep.	921,695															
5502	Commission Expense - Success	17,033															
5504	Commission Expense - Trading	440,743															
5505	Clearing Cost Retail	173,640															
5507	Clearing Cost Trading	571															
5510	Customer Debits and Write-offs	32,387															
5515	Floor Brokerage	18,720															
5520	Quotes & Research	98,791															

First Level Capital
Client Prepared Entries
12/31/01

#	W/P Ref	Description	\$	\$	(Decrease)/Increase	P&L Effect
1	K1.2	Accumulated Depreciation Depreciation Expense Miscellaneous Expense <i>To correct depreciation that was recorded on the tax basis</i>	3,985	(3,927) (58)	3,927 58	A4.1
2	K1.1	Equipment Miscellaneous Expense <i>To reclass certain miscellaneous expenses to fixed assets</i>	358	(358)	358	
3	NOT USED					
4						
5						
6						
7	G1	Accumulated Depreciation-Leasholds Accumulated Depreciation-F&F Accumulated Depreciation-Equipment Leasehold Improvements Furniture and Fixtures Equipment <i>Entry to book fixed assets at NBV.</i>	312 14,218 62,525	(312) (14,218) (62,525) (77,055)		
8		Accumulated Depreciation-Leasholds Accumulated Depreciation-Equipment Depreciation Expense <i>To correct depreciation expense.</i>	438 162	600 (158,453)	4,343	

#	W/P Ref	Description	\$	\$	(Decrease)/Increase P&L Effect	Post (Y/N)
1	E13.1 smr	Forgivable Loans Forgivable Loans-Noncurrent <i>To properly state current portion of forgivable loans</i>	11,000	11,000		Y
2	D11 smr	APIC Securities <i>To properly state securities at 12-31-01</i>	6,000	6,000	-	Y
3	U16 smr	Compensation Expense Amortization of Forgivable Loans <i>To reclass amortization to compensation expense</i>	40,000	40,000		Y
4	N1 smr	Accounts Payable Due to employees Accounts Receivable <i>To reclassify debit balances and employee payables from accounts payable.</i>	10,084	6,647 3,437	-	Y
5	U17 smr	Unrealized Gain/Loss Realized Gain/Loss	15,370	15,370	-	Y
6	P1e4d smr	Accrued 401(k) APIC	2,638	2,638		Y
7	J1.1 smr	Registration Expense Prepaid Expense	14,543	14,543	(14,543)	Y
8	U10 smr	Compensation Expense Bad Debt Expense	20,332	20,332	-	Y
9	O smr	Income Tax Receivable Income Tax Benefit	110,402	110,402		Y
		DTA	45,600			sum=
		DTL		10,034		201,24
		Income Tax Benefit		35,566		A3,7
		NOL Deferred Tax Asset	23,153			
		Income Tax Benefit		23,153		
		Tax Expense	23,153			
		Valuation Allowance		23,153		
		Tax Expense	27,966			
		Deferred Valuation Allowance		27,966		
		<i>To record taxes in accordance with Fas 109.</i>				
10	N1.3 smr	Expense Accounts Payable	29,142	29,142	(29,142)	Y
		<i>(Goodwill entry included in 13 below.)</i>				
11	P4 smr	Expense Accrued Litigation <i>To accrue additional liability per legal response.</i>	7,500	7,500	(7,500)	Y
12	A7.1x smr	Expense Accounts Payable <i>To record A/P related to legal fees recorded on Parent. See vFin tab for removal from Parent.</i>	12,610	12,610	(12,610)	Y
13	G1 smr	Goodwill Tax Refund DTA Deferred Rent Retained Earnings Expense APIC <i>To record adjustment to correct goodwill and incorporate other adjustments impacting goodwill.</i>	1,388,651 90,839	33,000 4,650 2,094 10,030 1,429,716		
		Amortization Expense	92,577			
		Accumulated Amortization		92,577		
14	S1 smr	Rent Expense Deferred Rent <i>To record 12/31/2001 deferred rent</i>	2,766	2,766		Y
15	Gmemo smr	Impairment loss Goodwill <i>to record goodwill impairment</i>	1,296,074	1,296,074	(1,296,074)	Y
Total P&L effect:			3,270,400	3,270,400	(1,359,869)	