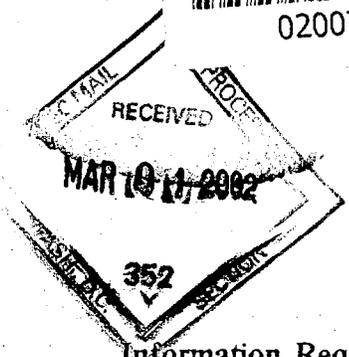




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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

SEC FILE NUMBER
8-50561

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 01-01-01 AND ENDING 12-31-01
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: HIBERNIA Southeast Capital, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

909 POYDRAS STREET, SUITE 1000
(No. and Street)

NEW ORLEANS
(City)

LOUISIANA
(State)

70112
(Zip Code)

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

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

ERNST & YOUNG

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

4200 ONE SHELL SQUARE NEW ORLEANS LOUISIANA
(Address) (City) (State)

70139
Zip Code

CHECK ONE:

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

PROCESSED

APR 01 2002

THOMSON
FINANCIAL

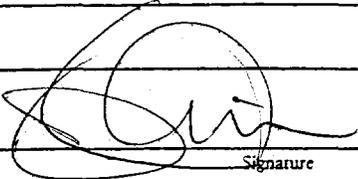
FOR OFFICIAL USE ONLY

*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).

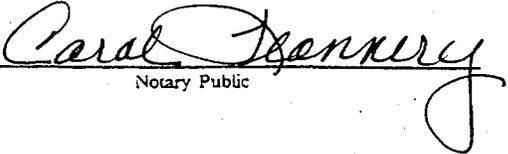
3/23

OATH OR AFFIRMATION

I, JOSEPH L. CARRERE, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of HiBERNIA Southeast CAPITAL, INC., as of DECEMBER 31, 2001 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:


Signature

PRESIDENT
Title


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~~: CASH FLOWS.
- (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).

Hibernia Southcoast Capital, Inc.
(Formerly known as Southcoast Capital, L.L.C.)

**Financial Statements and
Supplementary Information**

**For the Year ended December 31, 2001,
Period from April 1, 2000 (Inception) through December 31, 2000 and
Predecessor Statement for the Period from January 1, 2000 through March 31, 2000**

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Report of Independent Auditors

The Stockholder and Board of Directors
Hibernia Southcoast Capital, Inc.

We have audited the accompanying statements of financial condition of Hibernia Southcoast Capital, Inc. (formerly known as Southcoast Capital, L.L.C.) (the Company), a wholly owned subsidiary of Hibernia Corporation, as of December 31, 2001 and 2000, and the related statements of operations, changes in equity, and cash flows for the year ended December 31, 2001 and for the periods April 1, 2000 through December 31, 2000 (subsequent to acquisition) and January 1, 2000 through March 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 audits provide 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 Hibernia Southcoast Capital, Inc. (formerly known as Southcoast Capital, L.L.C.) at December 31, 2001 and 2000, and the results of its operations and its cash flows for the year ended December 31, 2001 and for the periods April 1, 2000 through December 31, 2000 (subsequent to acquisition) and January 1, 2000 through March 31, 2000 in conformity with accounting principles generally accepted in the United States.

Our audit of the 2001 financial statements was made for the purpose of forming an opinion on the financial statements taken as a whole. The information contained in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in our audit of the 2001 financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2001 financial statements taken as a whole.

Ernst + Young LLP

February 22, 2002

Hibernia Southcoast Capital, Inc.
(Formerly known as Southcoast Capital, L.L.C.)

Statements of Financial Condition

	December 31	
	2001	2000
Assets		
Cash on deposit with Hibernia National Bank	\$ 36,900	\$ 34,866
Securities owned	1,370,657	2,823,750
Commissions receivable from clearing correspondents	1,740,988	1,378,271
Deposits with clearing correspondents	377,436	152,023
Other receivable	-	123,869
Federal income tax receivable from Hibernia Corporation	238,812	-
Premises, furniture and equipment	340,705	247,042
Goodwill, net of accumulated amortization of \$334,966 and \$143,557 at December 31, 2001 and 2000, respectively	3,493,211	3,684,620
Deferred tax asset	262,959	167,375
Other assets	22,812	-
	\$ 7,884,480	\$ 8,611,816
Liabilities and Stockholder's Equity		
<i>Liabilities:</i>		
Securities sold, not yet purchased	\$ 26,491	\$ 15,702
Federal income taxes payable to Hibernia Corporation	-	94,983
Commissions payable to brokers and dealers	720,580	913,746
Retention pool liability	612,910	281,250
Other liabilities	143,186	165,324
	1,503,167	1,471,005
<i>Stockholder's Equity:</i>		
Common stock, no par value - 100,000 shares authorized, one share issued and outstanding	10,000	10,000
Surplus	7,321,781	7,321,781
Retained deficit	(950,468)	(190,970)
Total Stockholder's Equity	6,381,313	7,140,811
	\$ 7,884,480	\$ 8,611,816

See accompanying notes.

Hibernia Southcoast Capital, Inc.
(Formerly known as Southcoast Capital, L.L.C.)

Statements of Operations

	<u>Year Ended December 31, 2001</u>	<u>April 1, 2000 (inception) through December 31, 2000</u>	<u>Predecessor January 1, 2000 through March 31, 2000</u>
Income:			
Commissions	\$ 12,808,079	\$ 8,131,907	\$ 2,648,556
Investment banking	526,227	1,105,908	58,130
Securities gains (losses), net	(40,654)	142,401	188,751
Interest	120,829	110,498	41,019
	<u>13,414,481</u>	<u>9,490,714</u>	<u>2,936,456</u>
Expenses:			
Salaries and benefits	9,361,880	6,515,762	1,818,049
Occupancy and equipment	408,603	244,729	93,033
Commissions paid to clearing correspondents	1,951,239	1,221,331	399,867
Other operating	2,761,138	1,696,317	567,441
	<u>14,482,860</u>	<u>9,678,139</u>	<u>2,878,390</u>
Income (loss) before income taxes	(1,068,379)	(187,425)	58,066
Income tax expense (benefit)	(308,881)	3,545	-
Net income (loss)	<u>\$ (759,498)</u>	<u>\$ (190,970)</u>	<u>\$ 58,066</u>

See accompanying notes.

Hibernia Southcoast Capital, Inc.
(Formerly known as Southcoast Capital, L.L.C.)

Statements of Changes in Equity

	<u>Predecessor</u>				
	<u>Members'</u>	<u>Common</u>		<u>Retained</u>	<u>Total</u>
	<u>Capital</u>	<u>Stock</u>	<u>Surplus</u>	<u>Deficit</u>	
Balance at December 31, 1999	\$ 3,607,825	\$ -	\$ -	\$ -	\$ 3,607,825
Net income	58,066	-	-	-	58,066
Balance at March 31, 2000	3,665,891	-	-	-	3,665,891
Acquisition	(3,665,891)	10,000	7,321,781	-	3,665,890
Balances at April 1, 2000 (inception)	-	10,000	7,321,781	-	7,331,781
Net loss	-	-	-	(190,970)	(190,970)
Dividends declared	-	-	(657,500)	-	(657,500)
Capital contribution	-	-	657,500	-	657,500
Balances at December 31, 2000	-	10,000	7,321,781	(190,970)	7,140,811
Net loss	-	-	-	(759,498)	(759,498)
Balances at December 31, 2001	\$ -	\$ 10,000	\$ 7,321,781	\$ (950,468)	\$ 6,381,313

See accompanying notes.

Hibernia Southcoast Capital, Inc.
(Formerly known as Southcoast Capital, L.L.C.)

Statements of Cash Flows

	<u>Year Ended December 31, 2001</u>	<u>April 1, 2000 (inception) through December 31, 2000</u>	<u>Predecessor January 1, 2000 through March 31, 2000</u>
Operating activities			
Net income (loss)	\$ (759,498)	\$ (190,970)	\$ 58,066
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Amortization of goodwill	191,409	143,557	-
Depreciation and amortization	77,850	35,525	28,872
Decrease (increase) in securities owned	1,453,093	(441,818)	(1,465,603)
Decrease (increase) in other assets	(821,469)	(404,285)	1,184,746
Increase in liabilities	32,162	416,872	263,109
Net cash provided by (used in) operating activities	<u>173,547</u>	<u>(441,119)</u>	<u>69,190</u>
Investing activities			
Purchases of premises, furniture and equipment	<u>(171,513)</u>	<u>(33,726)</u>	<u>(22,064)</u>
Net cash used in investing activities	<u>(171,513)</u>	<u>(33,726)</u>	<u>(22,064)</u>
Financing activities			
Capital contribution	-	657,500	-
Dividends paid	<u>-</u>	<u>(657,500)</u>	<u>-</u>
Net cash used in financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in cash	2,034	(474,845)	47,126
Cash at beginning of period	34,866	509,711	462,585
Cash at end of period	<u>\$ 36,900</u>	<u>\$ 34,866</u>	<u>\$ 509,711</u>

See accompanying notes.

Hibernia Southcoast Capital, Inc.
(Formerly known as Southcoast Capital, L.L.C.)

Notes to Financial Statements

December 31, 2001

1. Organization and Significant Accounting Policies

Organization

Hibernia Southcoast Capital, Inc. (the Company) is a wholly owned subsidiary of Hibernia Corporation (the Parent). The Company was purchased by the Parent on April 1, 2000. The Company was formerly known as Southcoast Capital, L.L.C. (the Predecessor). The Company is a full-service investment banking firm providing equity research, institutional equity sales and trading services to large, institutional money managers across the United States and corporate finance services to middle-market companies in the Gulf South. The Company is registered with the Securities and Exchange Commission as a broker dealer and is a member of the National Association of Securities Dealers.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a stated maturity of three months or less when purchased to be cash equivalents. The Company does not consider its investment in the Hibernia U.S. Treasury Money Fund to be a cash equivalent in the statement of cash flows based on regulatory guidelines.

Securities

Securities transactions and related commission revenues and expenses are recorded on a settlement date basis, which approximates a trade date basis. Securities owned and securities sold, not yet purchased, are valued at market with related unrealized gains and losses included in income. The market value is based on quoted prices received from various pricing services.

Hibernia Southcoast Capital, Inc.
(Formerly known as Southcoast Capital, L.L.C.)
Notes to Financial Statements

1. Organization and Significant Accounting Policies (continued)

Premises, Furniture and Equipment

Premises, furniture and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which are 10 to 20 years for premises and leasehold improvements and 3 to 10 years for furniture and equipment.

Excess of Cost Over Fair Value of Net Assets Acquired

The excess of cost over the fair value of net assets acquired (goodwill) is being amortized using the straight-line method over the estimated period benefited of 20 years.

As events or changes in circumstance warrant, the Company evaluates the realizability of goodwill based on a comparison of the recorded balance of goodwill to the applicable estimated future discounted cumulative net income, before goodwill amortization expense, over the remaining amortization period. To the extent that impairment exists, a write down to realizable value is recorded.

Commissions

Commission income and expense are recorded on a settlement date basis, which approximates a trade date basis.

Investment Banking Income

Investment banking income is recorded when earned and includes income from private placements, public offerings and merger and acquisition advisory fees.

Income Taxes

The Company is included in the Parent's consolidated federal income tax return, but files a separate state income tax return. The Parent allocates federal income tax expense to the Company using a separate return basis.

Hibernia Southcoast Capital, Inc.
(Formerly known as Southcoast Capital, L.L.C.)
Notes to Financial Statements

1. Organization and Significant Accounting Policies (continued)

Income Taxes (continued)

Temporary differences occur between financial reporting and tax bases of assets and liabilities. Deferred income taxes are recorded to reflect these differences based on enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The Predecessor was taxed as an S Corporation for federal and state income tax purposes. Accordingly, the taxable income of the Predecessor was passed through to its members and no federal or state income tax provision was necessary.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In June 2001 the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets," effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests in accordance with the provisions of SFAS No. 142. The Company will apply the new rules regarding accounting for goodwill beginning in the first quarter of 2002. Application of the nonamortization provisions of SFAS No. 142 is expected to result in an increase in net income of \$191,409 per year. During 2002, the Company will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002. The results of these impairment tests are not expected to have a material impact on the financial position or operating results of the Company.

Hibernia Southcoast Capital, Inc.
(Formerly known as Southcoast Capital, L.L.C.)
Notes to Financial Statements

2. Acquisition

On April 1, 2000, the Parent completed its acquisition of the common stock of Southcoast Capital, L.L.C. and commenced operations of Hibernia Southcoast Capital, Inc. Consideration for the purchase, valued at approximately \$7,300,000, was comprised of 698,512 shares of Hibernia Corporation Class A Common Stock and approximately \$412,000 in cash.

The acquisition was accounted for as a purchase with the excess of the purchase price over the estimated fair value of net assets acquired pushed down and recorded as goodwill on the financial statements of the Company. The assets and liabilities were recorded at their estimated fair values as of the purchase date. The excess of purchase price over fair value of the net assets was \$3,828,177 and is being amortized on a straight-line basis over 20 years.

The financial statements for the period before April 1, 2000 were prepared using the Predecessor's historical basis of accounting. The comparability of operating results for that period and the period subsequent to the acquisition are affected by purchase accounting adjustments, including amortization of goodwill.

The acquisition agreement provides for a \$750,000 retention bonus plan which will be paid in Class A Common Stock of Hibernia Corporation. On April 1, 2002, each retention plan participant that is employed by the Company on that date will receive their pro rata share in the retention pool. If the retention plan participant is terminated, voluntarily or involuntarily, prior to April 1, 2002, their pro rata share will be forfeited to Hibernia and will not be available for distribution to other retention plan participants. The balances accrued for services rendered, adjusted for terminations, were \$612,910 and \$281,250 at December 31, 2001 and 2000, respectively. The Company has committed to purchase for cash the appropriate number of Hibernia Corporation shares, at a predetermined price, to fund the retention bonus plan in April 2002.

The acquisition agreement also contains provisions for the potential distribution of additional shares of Class A Common Stock of Hibernia Corporation in 2006 (earnout shares) as determined by a formula. The formula is based on several factors, which include average and targeted net income for the first four calendar years (the test period), the average price earnings ratio of the Parent for the test period and the Parent's stock price at the end of the test period. The additional shares, which are not expected to be material, will be recorded at the current fair value of the Class A Common Stock on the date the shares become issuable and will be accounted for as additional purchase price. The additional purchase price, if any, will be allocated to goodwill and subject to the impairment testing provisions of SFAS No. 142.

Hibernia Southcoast Capital, Inc.
(Formerly known as Southcoast Capital, L.L.C.)
Notes to Financial Statements

3. Securities

Securities owned and securities sold, but not yet purchased, consist primarily of the Company's trading and investment accounts at market value. These investments are summarized as follows:

	December 31	
	2001	2000
Securities owned :		
Hibernia U.S. Treasury Money Fund	\$ 1,236,437	\$ 2,210,787
U.S. government obligations	-	532,488
Corporate stock	134,220	80,475
	<u>\$ 1,370,657</u>	<u>\$ 2,823,750</u>
Securities sold, not yet purchased:		
Corporate stock	<u>\$ 26,491</u>	<u>\$ 15,702</u>

4. Premises, Furniture and Equipment

The following is a summary of premises, furniture and equipment.

	December 31	
	2001	2000
Leasehold improvements	\$ 119,570	\$ 116,320
Furniture and equipment	334,508	166,247
	<u>454,078</u>	<u>282,567</u>
Accumulated depreciation	(113,373)	(35,525)
Total premises, furniture and equipment	<u>\$ 340,705</u>	<u>\$ 247,042</u>

Hibernia Southcoast Capital, Inc.
(Formerly known as Southcoast Capital, L.L.C.)
Notes to Financial Statements

5. Leases

The Company leases its office facilities under operating leases that expire through 2007. The future minimum payments due under these operating leases as of December 31, 2001 are as follows: 2002 - \$253,068; 2003 - \$253,068; 2004 - \$253,068; 2005 - \$253,068; 2006 - \$253,068; and thereafter - \$63,267.

One lease contains a provision for escalation charges and a renewal option. Total rental expense included in occupancy and equipment expense was \$281,878 for the year ended December 31, 2001, \$208,637 for the nine months ended December 31, 2000 and \$64,251 for the three months ended March 31, 2000.

6. Income Taxes

The Company's deferred income tax asset is the result of deferred compensation, state income tax net operating loss carryforwards and differences in purchase accounting and depreciation for tax purposes and financial reporting purposes. Management believes this asset is realizable and there is no deferred tax valuation reserve at December 31, 2001 and 2000. The Company has state income tax net operating carryforwards of approximately \$250,000 that expire in 2016.

The components of income tax expense (benefit) are as follows:

	December 31	
	2001	2000
Current tax expense (benefit):		
Federal income tax	\$ (198,315)	\$ 94,983
State income tax	(14,982)	7,000
Total current tax expense (benefit)	<u>(213,297)</u>	<u>101,983</u>
Deferred tax benefit:		
Federal income tax	(78,982)	(98,438)
State income tax	(16,602)	-
Total deferred tax benefit	<u>(95,584)</u>	<u>(98,438)</u>
Income tax expense (benefit)	<u>\$ (308,881)</u>	<u>\$ 3,545</u>

Hibernia Southcoast Capital, Inc.
(Formerly known as Southcoast Capital, L.L.C.)
Notes to Financial Statements

6. Income Taxes (continued)

The Company's effective tax rate differs from the statutory tax rate due to permanent differences resulting from goodwill amortization and disallowed meals and entertainment.

The Company made federal income tax payments to the Parent of \$135,480 during 2001. There were no federal income tax payments made in 2000. The Company paid \$7,000 in state income taxes during 2000. There were no state income tax payments made in 2001.

7. Related Parties

Various administrative expenses are paid on the Company's behalf by the Bank. The Bank charged the Company for its share of these expenses, primarily benefits, totaling \$658,403 and \$371,806 for the year ended December 31, 2001 and for the nine months ended December 31, 2000, respectively. In addition, the Company pays a management fee to the Bank based on an internally calculated allocation of overhead cost. This fee totaled \$936,000 and \$545,000 for the year ended December 31, 2001 and for the nine months ended December 31, 2000, respectively, and is included in other operating expense.

The Company owns shares in a money market mutual fund, Hibernia U.S. Treasury Money Fund (the Fund). The Bank serves as the investment advisor for the Fund; an unrelated entity serves as the Fund's distributor. The Company recorded interest income on this investment of \$120,829 and \$110,498 in 2001 and 2000, respectively.

Effective May 19, 2000, the Company entered into a revolving subordinated loan agreement with the Parent for an amount not to exceed \$5,000,000. The revolving line of credit expires on May 19, 2002. There were no draws on this revolving line of credit in 2001 and 2000.

Hibernia Southcoast Capital, Inc.
(Formerly known as Southcoast Capital, L.L.C.)
Notes to Financial Statements

8. Services Agreement

The Company uses a third party to provide certain services as clearing correspondent. These services include carrying customers' cash and margin accounts on a fully-disclosed basis; executing transactions in the customers' accounts as instructed by the Company; preparing transaction confirmations and monthly statements for customers; settling contracts and transactions in securities on behalf of the Company; performing cashiering functions for customer accounts including receipt and delivery of securities purchased, sold, borrowed and loaned; providing custody and safekeeping of customers' securities and cash; and handling margin accounts, dividends and exchanges and rights and tender offers. Prior to November 2001, the Company had an agreement with Bear, Stearns Securities Corporation (Bear, Stearns) to provide these services. Effective November 2001, the Company terminated this agreement and entered into an agreement with the Pershing Division of Donaldson, Lufkin & Jenrette Securities Corporation (Pershing). These agreements do not have an expiration date. These agreements require the Company to maintain clearing deposits which totaled \$127,436 with Bear, Stearns and \$250,000 with Pershing at December 31, 2001 and \$152,023 with Bear, Stearns at December 31, 2000. The Company will continue to have a deposit with Bear, Stearns until all transactions have cleared.

The Company is responsible for payment to its clearing correspondent for all transactions executed both on its behalf and on behalf of its customers. Therefore, the Company is exposed to off balance sheet risk in the event a customer cannot fulfill its commitment and the clearing correspondent must purchase or sell a financial instrument at prevailing market prices. The Company and its clearing correspondent seek to control risk associated with customer transactions through daily monitoring to assure margin collateral is maintained under regulatory and internal guidelines.

The Company's receivable from clearing correspondents represents amounts on deposit with Pershing and Bear, Stearns. Additionally, as the Company clears all of its transactions through the clearing correspondent, the Company is exposed should the clearing correspondent be unable to fulfill its obligations.

Hibernia Southcoast Capital, Inc.
(Formerly known as Southcoast Capital, L.L.C.)
Notes to Financial Statements

9. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1) which requires the maintenance of minimum net capital of the greater of \$100,000 or 6 2/3% of total aggregate indebtedness. The required minimum net capital at December 31, 2001 was \$100,000. The Company had net capital of \$634,908 calculated under the provisions of Rule 15c3-1 at December 31, 2001.

10. Liabilities Subordinated to Claims of General Creditors

The Company is subject to the Securities and Exchange Commission's Rule 17a-5 regarding reports to be made by certain exchange members, brokers, and dealers. Under this rule, the Company is required to disclose liabilities subordinated to the claims of general creditors. At December 31, 2001 and 2000 the Company had no such liabilities.

**Supplementary Information
Required by SEC Rule 17a-5**

Hibernia Southcoast Capital, Inc.
(Formerly known as Southcoast Capital, L.L.C.)

**Schedule I - Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission**

December 31, 2001

Net Capital:	
Stockholder's equity	\$6,381,313
Deduction for non-allowable assets:	
Hibernia U.S. Treasury Money Fund	(1,236,437)
Deposit with previous clearing correspondent	(127,436)
Federal income tax receivable from	
Hibernia National Bank	(238,812)
Premises and equipment	(340,705)
Goodwill	(3,493,211)
Deferred tax asset	(262,959)
Other	(22,812)
Net capital before haircuts on securities	658,941
Haircuts on securities, computed, where applicable, pursuant to Rule 15c3-1	(24,033)
Net capital under Rule 15c3-1	\$ 634,908
Aggregate indebtedness	\$1,476,676
Excess Net Capital:	
Net Capital	\$ 634,908
Less: Required Net Capital	100,000
Excess Net Capital	\$ 534,908
Excess Capital at 1000% (Net Capital less 10% of Aggregate Indebtedness)	\$ 487,240
Percent of Aggregate Indebtedness to Net Capital	233%

There are no material differences between net capital computed above and the Company's computation included in Part II A of Form X-17a-5, as amended, as of December 31, 2001. Accordingly, a reconciliation of these two amounts is not included in Supplemental Schedule I.

Hibernia Southcoast Capital, Inc.
(Formerly known as Southcoast Capital, L.L.C.)

Schedule II - Computation for Determination of Reserve Requirements
Under Rule 15c3-3 of the Securities and Exchange Commission

December 31, 2001

The Company is exempt from Rule 15c3-3 pursuant to the provision of subparagraph (k)(2) thereof.

Hibernia Southcoast Capital, Inc.
(Formerly known as Southcoast Capital, L.L.C.)

**Schedule III - Information Relating to the Possession or Control
Requirements Under Rule 15c3-3 of the
Securities and Exchange Commission**

December 31, 2001

The Company is exempt from Rule 15c3-3 pursuant to the provision of subparagraph (k)(2) thereof.

Report of Independent Accountants

The Stockholder and Board of Directors
Hibernia Southcoast Capital, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Hibernia Southcoast Capital, Inc. (the Company) for the year ended December 31, 2001, 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 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 internal 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 criteria. Two of the criteria 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 conformity with accounting principles generally accepted in the United States. Rule 17a-5(g) lists additional criteria of the practices and procedures listed in the preceding paragraph.

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

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 one or more of the specific internal control components does not reduce to a relatively low level the risk that errors 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, and its operation that we consider to be material weaknesses as defined above.

We understand that practices and procedures that meet the criteria 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 criteria 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 December 31, 2001 to meet the SEC's criteria.

This report is intended solely for the information and use of the Board of Directors, 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.

Ernst + Young LLP

February 22, 2002