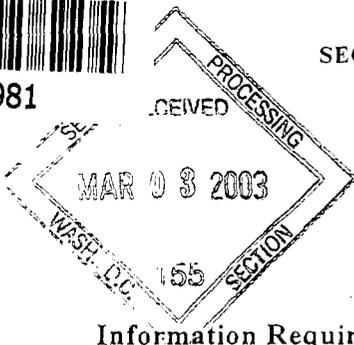




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UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

VF3-5-03 OMB APPROVAL OMB Number: 3235-0123 Expires: October 31, 2004 Estimated average burden hours per response..... 12.00

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

SEC FILE NUMBER 8- 53032

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 January 1, 2002 AND ENDING December 31, 2002 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: FN° VCE Capital, Inc. (formerly VC Experts Capital, Inc.) ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY FIRM I.D. NO.

149 West 46th Street, Third Floor New York, NY 10036 (City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT Russell O. Vernon (212) 621-1442 (Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Trien Rosenberg Rosenberg Weinberg Ciullo & Fazzari LLP (Name - if individual, state last, first, middle name)

177 Madison Avenue, Morristown, NJ 07962 (Address) (City) (State) (Zip Code)

PROCESSED MAR 24 2003 THOMSON FINANCIAL

CHECK ONE:

- [X] 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)

MAR 19 2003

OATH OR AFFIRMATION

I, RUSSELL O. VERNON, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of VCE CAPITAL, INC, as of DECEMBER 31, 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:

Russell O. Vernon
Signature

[Signature]
Notary Public

PRESIDENT & CEO
Title
MARISA SARNELLI
Notary Public, State of New York
No. 01SA6005985
Qualified in Queens County
Commission Expires Aug. 14, 2002

- 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 15c3-3 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).

VC EXPERTS CAPITAL, INC.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2002



**TRIEN ROSENBERG ROSENBERG
WEINBERG CIULLO & FAZZARI LLP**

Certified Public Accountants and Business Consultants

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of
VCE CAPITAL, INC.
149 West 46th Street
New York, NY 10036

We have audited the accompanying statement of financial condition of VCE Capital, Inc. as of December 31, 2002 and for the year then ended. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 statement referred to above presents fairly, in all material respects, the financial position of VCE Capital, Inc. as of December 31, 2002, in conformity with U. S. generally accepted accounting principles.

New York, New York
February 24, 2003

*Trien Rosenberg Rosenberg
Weinberg Ciullo & Fazzari LLP*

VCE CAPITAL, INC.
(FORMERLY VC EXPERTS CAPITAL, INC.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

Note 1 - Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

VCE Capital, Inc. (the "Company"), a wholly-owned subsidiary of VC Experts, Inc., became a broker-dealer registered with the Securities and Exchange Commission ("SEC") and a member of the National Association of Securities Dealers, Inc. ("NASD") on August 20, 2001. As a securities broker-dealer, the Company operates under the provisions of Paragraph (k)(2)(i) of rule 15c3-3 of the SEC and, accordingly, is exempt from the remaining provisions of that rule.

The Company changed its name to VCE Capital, Inc. effective June 21, 2002.

(b) Revenue Recognition

Transactions for fees, income and expense are recorded on a trade-date basis. Consulting fees are recorded as earned by performance of services.

(c) Preoperating Expenses

In accordance with SOP 98-5, costs representing start-up costs including organization costs have been expensed as incurred.

(d) Income Tax

Deferred income taxes result from significant temporary differences between income for financial reporting purposes and taxable income. These differences arose principally from the deferral of preoperating expenses as required by the Internal Revenue Code. Provision is made for taxes currently due. The Company intends to file a tax return separate from its parent.

(e) Use of Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

VCE CAPITAL, INC.
(FORMERLY VC EXPERTS CAPITAL, INC.)
NOTES TO FINANCIAL STATEMENTS
(Continued)
DECEMBER 31, 2002

Note 2 - Income Taxes

Current state income tax expense of \$875 is reflected in the accompanying financial statements.

At December 31, 2002, the Company had a deferred tax asset of approximately \$47,000, which has been fully reserved, and a net operating loss carryforward of approximately \$58,000 expiring in 2017.

Note 3 - Related Party Transactions

The Company has an agreement with its parent to share office space. Rent expense of \$12,000 has been recorded under this agreement.

Note 4 - Net Capital Requirements

The Company is subject to the Securities and Exchange Commission's net capital rule (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 1500%. At December 31, 2002, the Company had net capital, as computed under the rule, of \$ 10,867 which was \$5,867 in excess of the required amount. The net capital ratio was 0%.

A copy of the Company's Statement of Financial Condition as at December 31, 2002, pursuant to the SEC rule 17a-5, is available for examination at the Company's main office and at the regional office of the SEC.