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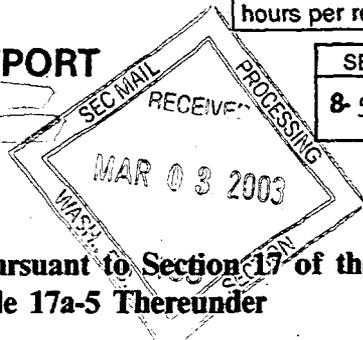


UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

BB 3/5

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



SEC FILE NUMBER  
8-51602

**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:

NEVERIC CAPITAL, INC.

OFFICIAL USE ONLY

FIRM ID. NO.

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

459 Clementia Street

(No. and Street)

San Francisco, California

94103

(City)

(State)

(Zip Code)

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

Linda Kline

(415) 227-9530

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Cropper Accountancy Corporation

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

2977 Ygnacio Valley Road, #460

Walnut Creek, CA. 94598

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

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

PROCESSED

MAR 18 2003

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).

MAR 17 2003

OATH OR AFFIRMATION

I, Scott Smith, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of NEVERIC 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:

\_\_\_\_\_  
\_\_\_\_\_

SAN FRANCISCO, CALIF  
SUBSCRIBED AND SWORN TO BEFORE ME  
THIS 27 DAY OF SEPTEMBER, 2003  
BY SCOTT T SMITH

[Signature]  
Signature  
CEO  
Title

[Signature]  
NOTARY PUBLIC  
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).

NEVERIC CAPITAL, INC.  
FINANCIAL STATEMENTS AND SCHEDULES  
DECEMBER 31, 2002 AND 2001

TO THE COMMISSIONER OF CORPORATIONS OF  
THE STATE OF CALIFORNIA

VERIFICATION FORM PURSUANT TO  
RULES 260.241.2(b) AND 350.535.1(b)

(Executed within the State of California)

I, *Scott Smith*, certify under penalty of perjury, that I have read the foregoing and annexed financial report and supporting schedule and know the contents thereof; that the same are true and correct to my best knowledge and belief; and that neither the licensee nor any partner, officer, or director thereof have any proprietary interest in any account classified solely as that of a customer.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 2003

in San Francisco, California

---

*Scott Smith*  
*Neveric Capital, Inc.*

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# Cropper Accountancy Corporation

*Certified Public Accountants*

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2977 Ygnacio Valley Road, #460  
Walnut Creek, California 94598  
Tel: (925) 932-3860  
Fax: (925) 932-3862

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Neveric Capital, Inc.  
San Francisco, California

We have audited the accompanying statements of financial condition of Neveric Capital, Inc. as of December 31, 2002 and 2001 and the related statements of operations, changes in stockholder's equity, and cash flows for the years 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 these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Neveric Capital, Inc. as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The 2002 information contained in Schedules I, II, III, and IV 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 2002 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2002 basic financial statements taken as a whole.

*Cropper Accountancy Corporation*  
Cropper Accountancy Corporation

February 25, 2003

NEVERIC CAPITAL, INC.  
 Statements of Financial Condition  
 December 31, 2002 and 2001

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ASSETS

	<u>2002</u>	<u>2001</u>
Cash in bank	\$ 29,003	\$ 6,162
Lease deposit	<u>9,300</u>	<u>9,300</u>
	<u>\$ 38,303</u>	<u>\$ 15,462</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities		
Taxes payable	<u>\$ 2,019</u>	<u>\$ -</u>
Stockholder's equity		
Common stock, no par value, authorized 25,000 shares: 1,000 shares issued and outstanding	15,000	15,000
Additional paid-in capital	28,950	28,950
Retained earnings (deficit)	<u>(7,666)</u>	<u>(28,488)</u>
Total stockholder's equity	<u>36,284</u>	<u>15,462</u>
	<u>\$ 38,303</u>	<u>\$ 15,462</u>

The accompanying notes are an integral part of these financial statements.

NEVERIC CAPITAL, INC.  
 Statements of Operations  
 For the Years Ended December 31, 2002  
 and December 31, 2001

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	<u>2002</u>	<u>2001</u>
Revenues		
Fees and commissions earned	\$ 875,182	\$ 162,363
Reimbursed expenses	336	410
	<u>875,518</u>	<u>162,773</u>
Expenses		
Management fees to related party	852,625	175,000
Regulatory fees	-	128
Rent	-	8,650
Other expenses	52	7,483
	<u>852,677</u>	<u>191,261</u>
Income (loss) before taxes	22,841	(28,488)
Provision for income taxes	<u>2,019</u>	<u>-</u>
Net income (loss)	<u>\$ 20,822</u>	<u>\$ (28,488)</u>

The accompanying notes are an integral part of these financial statements.

NEVERIC CAPITAL, INC.  
 Statements of Changes in Stockholder's Equity  
 For the Years Ended December 31, 2001  
 and December 31, 2000

	Common Stock		Additional Paid-in Capital	Retained (Deficit)	Total
	Shares	Amounts			
Balance - December 31, 2000	1,000	\$ 15,000	\$ 28,950	\$ -	\$ 43,950
Net loss	-	-	-	(28,488)	(28,488)
Balance - December 31, 2001	1,000	15,000	28,950	(28,488)	15,462
Net income	-	-	-	20,822	20,822
Balance - December 31, 2002	<u>1,000</u>	<u>\$ 15,000</u>	<u>\$ 28,950</u>	<u>\$ (7,666)</u>	<u>\$ 36,284</u>

The accompanying notes are an integral part of these financial statements.

NEVERIC CAPITAL, INC.  
 Statements of Cash Flows  
 For the Years Ended December 31, 2002  
 and December 31, 2001

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	2002	2001
Cash flows from operating activities		
Net income (loss)	\$ 20,822	\$ (28,488)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Changes in operating assets and liabilities		
Accounts receivable	-	-
Accounts payable and accrued liabilities	2,019	(170,213)
Net cash provided by (used in) operating activities	22,841	(198,701)
Cash flows from financing activities		
Contributions from stockholder	-	-
Net increase (decrease) in cash	22,841	(198,701)
Cash at beginning of period	6,162	204,863
Cash at end of period	\$ 29,003	\$ 6,162

The accompanying notes are an integral part of these financial statements.

NEVERIC CAPITAL, INC.  
Notes to Financial Statements  
December 31, 2002 and 2001

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1. General Information and Significant Accounting Policies

Neveric Capital, Inc. (the "Company"), a subsidiary of Neveric, LLC (the "Parent"), was incorporated February 3, 1999, and began business June 15, 1999. The Company is registered as a broker and dealer in securities under the Securities Exchange Act of 1934.

The Company acts as a placement agent for venture capital financing, underwriting securities transactions, and mergers and acquisitions advice. To accomplish the Company's objectives the Company shares resources with the Parent, which receives management fees and commissions for its administration and consulting services. Most expenses including rent, professional services etc are absorbed by the Parent in return for management fees.

Basis of accounting

The financial statements are prepared on the accrual basis of accounting wherein income is recognized as earned and expenses are recognized when incurred.

Estimates

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

Cash and cash equivalents

The Company considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

The Company maintains cash in one bank with FDIC insurance of up to \$100,000. At December 31, 2002 and 2001, the cash balance in the one bank account did not exceed the FDIC insured limit.

Income taxes

The Company files separate income tax returns (ie. not consolidated with its Parent.) The Parent is a limited liability company (LLC) and files as a partnership. Deferred tax balances are determined when assured by using the tax rate expected to be in effect when the taxes will actually be paid or refunds received.

NEVERIC CAPITAL, INC.  
Notes to Financial Statements  
December 31, 2002 and 2001

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2. Net Capital Requirement

As a registered broker and dealer in Securities, the Company is subject to the Securities Exchange Commission Uniform Net Capital Rule (Rule 15c3-1).

The Company's ratio of aggregate indebtedness to net capital as defined in the Uniform Net Capital Rule was approximately 0.075 to 1 and 0.000 to 1 at December 31, 2002 and 2001, respectively. Aggregate indebtedness and net capital change from day to day. The Company is required to maintain a ratio of less than 15 to 1.

At December 31, 2002 and 2001, the Company had net capital, as defined, of \$26,984 and \$6,162, respectively, which exceeded or equaled the minimum requirement of \$5,000. The Company must maintain a minimum net capital of 120% of the minimum required capital to avoid interim reporting requirements.

3. Exemption From Rule 15c3-3

The Company is exempt from certain provisions of Rule 15c3-3 since it does not clear transactions in securities or hold customer funds or securities. The Company carries no margin accounts and promptly transmits all customer funds, delivers all customer securities and will not otherwise hold funds or securities of customers.

4. Lease Commitment

The Company signed a five-year lease commencing February 1, 2000, which expires January 31, 2005. The base rent was \$4,650 per month (recently reduced to \$4,500 per month) and includes a \$9,300 security deposit. Following is a schedule of future minimum lease payments required at December 31, 2002:

<u>Year Ended</u> <u>December 31,</u>	<u>Operating</u> <u>Leases</u>
2003	\$ 54,000
2004	54,000
2005	4,500
Total	<u>\$112,500</u>

The premises are also occupied by the Parent which presently absorbs the rent and bills a management fee to Neveric Capital, Inc.

NEVERIC CAPITAL, INC.  
Notes to Financial Statements  
December 31, 2002 and 2001

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5. Income Taxes

There was no tax liability for Neveric Capital, Inc. at December 31, 2001 since the California minimum franchise tax amount \$800 was paid by the Parent and not allocated to the subsidiary. An accrual of \$2,019 has been made for 2002 California Franchise Tax. California has suspended net operating loss carryforwards for years 2002 and 2003. The Company has sufficient net operating loss carryforwards to eliminate Federal income taxes for 2002.

6. Related Party Transactions

The Company incurred \$175,000 of management fees to the Parent in exchange for administrative and consulting services in 2001 and \$852,625 in 2002. At December 31, 2002 and 2001, the Company owed no amounts to the Parent.

SUPPLEMENTARY INFORMATION

NEVERIC CAPITAL, INC.  
Schedule I  
Computation of Net Capital Under Rule 15c3-1  
of the Securities and Exchange Commission  
December 31, 2002 and December 31, 2001

	2002	2001
Stockholder's equity	\$ 36,284	\$ 15,462
Less non-allowable assets		
Security deposit	9,300	9,300
Net capital	26,984	6,162
Greater of 6-2/3% of aggregate indebtedness or \$5,000	5,000	5,000
Net capital in excess of requirement	\$ 21,984	\$ 1,162
Ratio of aggregate indebtedness to net capital; 2002 \$2,019 to \$26,984; 2001 \$0 to \$6,162	0.075 to 1	0.000 to 1

There were no differences between net capital and aggregate indebtedness submitted by the Company when compared to the audited financial statements for 2001. The following is a reconciliation for 2002:

	Aggregate Indebtedness	Net Capital	Ratio
As submitted	\$ -	\$ 29,003	0.000 to 1
Accrual of California franchise tax	2,019	(2,019)	
As adjusted	\$ 2,019	\$ 26,984	0.075 to 1

NEVERIC CAPITAL, INC.  
Schedules II, III and IV  
December 31, 2002

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Schedule II

**Computation For Determination of Reserve Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission**

During the years ended December 31, 2002 and 2001, the Company carried no margin accounts, did not hold funds or securities for, or owe money or securities to, customers. Therefore, the Formula for Determination of Reserve Requirements under Rule 15c3-3 was not applied since the various items required in the formula were nonexistent in the circumstances as described. A weekly determination of the required balance in the Special Reserve Account for the Exclusive Benefit of Customers, under the reserve formula, was not appropriate under these circumstances. No deposits to this special account were required during the years ended December 31, 2002 or 2001.

Schedule III

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

The Company is exempt from the requirements of Rule 15c3-3 under Section K(2)(1).

Schedule IV

**Schedule of Segregation Requirements and Funds in Segregation  
for Customer's Regulated Commodity Futures and Options Accounts**

This schedule is not applicable to the Company's operations in 2002 or 2001.

# Cropper Accountancy Corporation

*Certified Public Accountants*

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2977 Ygnacio Valley Road, #460

Walnut Creek, California 94598

Tel: (925) 932-3860

Fax: (925) 932-3862

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE REQUIRED BY SEC RULE 17a-5

To the Board of Directors  
Neveric Capital, Inc.  
San Francisco, California

In planning and performing our audits of the financial statements and supplemental schedules of Neveric Capital, Inc. (the "Company"), for the years ended December 31, 2002 and December 31, 2001, we considered its internal control structure, including procedures 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 the internal control structure.

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 an internal control structure 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 control structure policies and procedures 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 an internal control structure 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 accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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 structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 the internal control structure, including procedures for safeguarding securities, that 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 December 31, 2002 and 2001 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors and management of the Company, the SEC, the National Association of Securities Dealers 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.

*Cropper Accountancy Corporation*  
Cropper Accountancy Corporation

February 25, 2003