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

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

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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 01/01/02 AND ENDING 12/31/02 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Heathcliff Capital Corp. ADDRESS OF PRINCIPAL PLACE OF BUSINESS: 919 Third Avenue - 11th floor New York NY 10022

OFFICIAL USE ONLY table with FIRM I.D. NO.

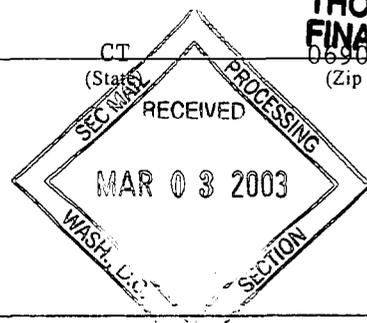
NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT Jeffrey Tucker (212) 319-6060

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\* Berkow, Schechter & Company LLP 350 Bedford Street Stamford CT 06901

PROCESSED MAR 18 2003

THOMSON FINANCIAL 06901 (Zip Code)



- CHECK ONE: [x] Certified Public Accountant [ ] Public Accountant [ ] Accountant not resident in United States or any of its possessions.

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\*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.

OATH OR AFFIRMATION

I, Gregory Bowes, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Heathcliff Capital Corp., as of December 31, 20 02, 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:

[Handwritten Signature]
Signature
Director
Title

CHERYL M. NEAL
Notary Public, State of New York
No. 01NE602217
Qualified in West Chester County
Commission Expires March 29, 2023

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).

Heathcliff Capital Corp.  
Financial Statements  
and Supplemental Information

Year ended December 31, 2002

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## Report of Independent Auditors

To the Stockholders  
Heathcliff Capital Corp.

We have audited the accompanying statement of financial condition of Heathcliff Capital Corp. (the "Company") as of December 31, 2002, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended. 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 audit.

We conducted our audit 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 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 Heathcliff Capital Corp. at December 31, 2002, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental 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 our 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.



Berkow, Schechter & Company LLP

February 28, 2003

Heathcliff Capital Corp.  
Statement of Financial Condition

December 31, 2002

|  |                   |
|--|-------------------|
| <b>Assets</b>  |                   |
| Cash and cash equivalents  | \$ 95,384         |
| Due from affiliate   | 32,001            |
| Total assets   | <u>\$ 127,385</u> |
| <br><b>Liabilities and stockholders' equity</b>                              |                   |
| Liabilities:   |                   |
| Due to affiliate   | \$ 24,676         |
| Income taxes payable   | 19,000            |
| Accrued expenses   | 4,925             |
| Total liabilities  | <u>48,601</u>     |
| <br><b>Stockholders' equity</b>  |                   |
| Common stock, no par value; 200 shares authorized,<br>issued and outstanding | 1,000             |
| Additional paid-in capital   | 25,000            |
| Retained earnings  | 52,784            |
| Total stockholder's equity   | <u>78,784</u>     |
| Total liabilities and stockholder's equity                                   | <u>\$ 127,385</u> |

*See notes to financial statements.*