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UH 3-21-02

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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**

MAR 07 2002

SEC FILE NUMBER  
8- 34554

**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:

STRATEGIC CAPITAL CORPORATION

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

654A GODWIN PLAZA

(No. and Street)

MIDLAND PARK

NJ

07432

(City)

(State)

(Zip Code)

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

BRUCE R. BARND

(201) 444-9754

(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

CONROY, SMITH & CO.

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

385 PROSPECT AVENUE

HACKENSACK

NJ

07601

(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 26 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).

UH 3-22-02

OATH OR AFFIRMATION

I, Bruce R. Barnd, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Strategic Capital Corporation, 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:

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

Notary Public  
State of New Jersey  
Christiana Janitan  
My Commission Expires Nov. 8, 2006

*Bruce R. Barnd*

Signature

President

Title

*Christiana Janitan*

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).



# CONROY, SMITH & CO.

certified public accountants

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Strategic Capital Corporation

We have audited the accompanying statement of financial condition of Strategic Capital Corporation as of December 31, 2001, 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 of America. 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 Strategic Capital Corporation as of December 31, 2001, and the results of its operations, changes in stockholders' equity, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in supplementary 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 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the examination 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, and in conformity with the rules of the Securities and Exchange Commission.

  
Certified Public Accountants

February 15, 2002  
Hackensack, NJ

STRATEGIC CAPITAL CORPORATION  
STATEMENT OF FINANCIAL CONDITION

AS OF DECEMBER 31, 2001

A S S E T S

Cash and cash equivalents	\$38,375
Related party receivables	603
Non-marketable securities	<u>20,100</u>
<b>Total assets</b>	<b><u>\$59,078</u></b>

LIABILITIES AND STOCKHOLDERS' EQUITY

**Liabilities:**

Accounts payable and accrued expenses	<u>\$ 4,760</u>
<b>Total liabilities</b>	<b><u>\$ 4,760</u></b>

**Stockholders' equity:**

Common stock, no par, 10,000 shares authorized, 1,000 shares issued and outstanding	\$22,607
Retained earnings	<u>31,711</u>
<b>Total stockholders' equity</b>	<b><u>\$54,318</u></b>

<b>Total liabilities and stockholders' equity</b>	<b><u>\$59,078</u></b>
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See the accompanying notes to financial statements.



STRATEGIC CAPITAL CORPORATION  
STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2001

**Revenues:**

Revenue from sale of investment company shares	\$ 10,700
Investment advisory fees	20,051
Other revenue	<u>100,779</u>
<b>Total revenues</b>	<b><u>\$131,530</u></b>

**Expenses:**

Salaries and other employment costs	\$ 2,135
Regulatory fees and expenses	1,371
Other expenses	<u>116,526</u>
<b>Total expenses</b>	<b><u>\$120,032</u></b>

<b>Net income before income tax expense</b>	<b>\$ 11,498</b>
<b>Income tax expense</b>	<u>2,759</u>
<b>Net income</b>	<b><u>\$ 8,739</u></b>

See the accompanying notes to financial statements.



STRATEGIC CAPITAL CORPORATION  
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, January 1, 2001	\$22,607	\$22,972	\$45,579
Net income	<u>-</u>	<u>8,739</u>	<u>8,739</u>
Balance, December 31, 2001	<u>\$22,607</u>	<u>\$31,711</u>	<u>\$54,318</u>

See the accompanying notes to financial statements.



STRATEGIC CAPITAL CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2001

**Cash Flows From Operating Activities**

Net income	\$ 8,739
Adjustments to reconcile net income to net cash:	
Changes in assets and liabilities:	
Decrease in related party receivables	137
Decrease in accounts payable and accrued expenses	( 2,453)
<b>Net increase in cash from operating activities</b>	<b><u>\$ 6,423</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>\$ 6,423</b>
<b>Cash and cash equivalents, January 1</b>	<b><u>31,952</u></b>
<b>Cash and cash equivalents, December 31</b>	<b><u>\$38,375</u></b>

See the accompanying notes to financial statements.



STRATEGIC CAPITAL CORPORATION

NOTES TO FINANCIAL STATEMENTS

**Note 1. Summary of Significant Accounting Policies**

Organization

The company is a registered broker/dealer. The company sells mutual funds shares and various forms of insurance. In addition, the company performs investment advisory and professional services for its clients.

Income Taxes

Federal income tax expense for financial reporting purposes has been calculated in accordance with FAS 109.

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Cash Equivalents

For purposes of the statement of cash flows, the company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Use of 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.

**Note 2. Related Party Transactions**

The company is provided with a variety of services including rent, use of equipment, etc. from a related company. In exchange for these services a management fee is paid annually. The fee paid for these services for the year ended December 31, 2001 was \$36,300.



STRATEGIC CAPITAL CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

**Note 3. Net Capital Requirements**

The company is subject to the Securities and Exchange Commissions Uniform 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 15 to 1. As of December 31, 2001, the company had net capital of \$33,110 which was \$28,110 in excess of its required net capital. The company's net capital ratio was .14 to 1.



SUPPLEMENTARY INFORMATION  
PURSUANT TO RULE 17a-5 OF THE  
SECURITIES EXCHANGE ACT OF 1934

AS OF DECEMBER 31, 2001



STRATEGIC CAPITAL CORPORATIONSCHEDULE OF COMPUTATION OF NET CAPITAL UNDER  
SECURITIES AND EXCHANGE COMMISSION RULE 15c3-1AS OF DECEMBER 31, 2001Net Capital

Total stockholders' equity		<u>\$54,318</u>
Total stockholders' equity qualified for net capital		\$54,318
Deductions and/or charges:		
Non-allowable assets:		
Non-marketable securities	\$20,100	
Related party receivables	<u>603</u>	<u>20,703</u>
Net capital before haircuts		\$33,615
Haircuts on securities:		
Other		<u>505</u>
Net capital		<u>\$33,110</u>

Computation of Basic Net Capital Requirement

Minimum net capital required (6-2/3% of aggregate indebtedness)		<u>\$ 317</u>
Minimum dollar net capital required		<u>\$ 5,000</u>
Excess net capital		<u>\$28,110</u>

Computation of Aggregate Indebtedness

Total A.I. liabilities		<u>\$ 7,760</u>
Percent of aggregate indebtedness to net capital		<u>14</u>



Schedule II

STRATEGIC CAPITAL CORPORATION

SCHEDULE OF COMPUTATION OF RESERVE REQUIREMENTS  
UNDER EXHIBIT A OF SECURITIES AND EXCHANGE COMMISSION RULE 15c3-3

AS OF DECEMBER 31, 2001

The firm is engaged in a general securities business and carried no customer accounts on its books. All customer transactions are cleared through another stock brokerage firm on a fully disclosed basis.



STRATEGIC CAPITAL CORPORATION

SCHEDULE RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS  
UNDER SECURITIES AND EXCHANGE COMMISSION RULE 15c3-3

AS OF DECEMBER 31, 2001

The firm is engaged in a general securities business and carried no customer accounts on its books. All customer transactions are cleared through another stock brokerage firm on a fully disclosed basis and the firm does not have possession of customer securities.



Schedule IV

STRATEGIC CAPITAL CORPORATION

RECONCILIATION OF COMPUTATION OF NET CAPITAL  
UNDER SECURITIES AND EXCHANGE COMMISSION RULE 15c3-1

AS OF DECEMBER 31, 2001

There is no difference between the audited and unaudited filings.





# CONROY, SMITH & CO.

certified public accountants

Strategic Capital Corporation  
Midland Park, New Jersey

We have audited the financial statements of Strategic Capital Corporation for the year ended December 31, 2001, and have issued our report thereon dated February 15, 2002. As part of our audit, we made a study and evaluation of the Company's system of internal accounting control (which includes the procedures for safeguarding securities) to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation, which included obtaining an understanding of the accounting system, was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the financial statements.

We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examination, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining a system of internal accounting control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control 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 Commission's above-mentioned objectives. The objectives of a system 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 generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal accounting control procedures or the practices and procedures referred to above, errors or irregularities may nevertheless 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 degree of compliance with them may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Strategic Capital Corporation taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and the 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 as of December 31, 2001, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers and other regulatory agencies which rely on Rule 17a-5 under the Securities Exchange Act of 1934 and should not be used for any other purpose.



Conroy, Smith & Co.

February 15, 2002  
Hackensack, NJ

