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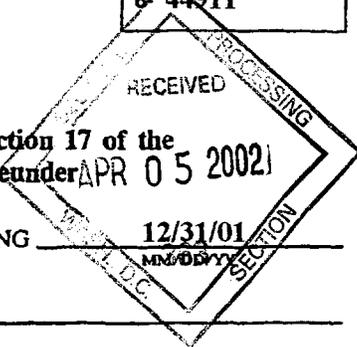
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER  
8-44911

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:  
HFC Capital Corp.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

New York NY 10271  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Ephram Pollack, President (212) 433-7577  
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Eichler Bergsman and Co., LLP

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

404 Park Avenue South, Suite 700 New York New York 10016  
(Address) (City) (State) Zip Code

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

PROCESSED  
APR 15 2002

FOR OFFICIAL USE ONLY

THOMSON  
FINANCIAL

\*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).

084-15

OATH OR AFFIRMATION

I, Ephram Pollack, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of HFC Capital Corp., as of December 31,, 20 01, 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:

None

  
Signature

President  
Title

  
Notary Public

**ROGER DOWD LAWRENCE**  
**NOTARY PUBLIC, STATE OF NEW YORK**  
**NO. 02106062406**  
**QUALIFIED IN NEW YORK COUNTY**  
**COMMISSION EXPIRES** 12/18/02

- 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).

HFC CAPITAL CORP.

DECEMBER 31, 2001

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**Eichler Bergsman & Co., LLP**  
*Certified Public Accountants*

404 Park Avenue South • New York, New York 10016

Tel 212•447•9001 Fax 212•447•9006

Gilbert Bergsman  
Paul Eichler  
Michael E. Silverman

## INDEPENDENT AUDITORS' REPORT

To the Shareholder of  
HFC Capital Corp.

We have audited the accompanying statement of financial condition of HFC Capital Corp. as of December 31, 2001. 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 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 statement referred to above presents fairly, in all material respects, the financial position of HFC Capital Corp. as of December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

As at December 31, 2001, the Company's regulatory net capital was below the minimum required. This was caused by the recording, as a liability, the settlement of a claim in February 2002 that was not determinable at December 31, 2001. However, subsequent to the year end upon reaching the settlement, the shareholder contributed capital to satisfy the minimum capital requirement.

*Eichler Bergsman & Co. LLP*

New York, New York  
March 26, 2002

HFC CAPITAL CORP.  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2001

**Assets**

Cash and cash equivalents	\$ 35,625
Receivable from clearing broker	4,898
Nonmarketable investments	46,100
Other assets	5,108
Due from shareholder (Note 7)	<u>50,000</u>
Total assets	<u>\$ 141,731</u>

**Liabilities and Shareholder's Equity**

**Liabilities:**

Accrued settlement (Note 7)	\$ 45,000
Accrued expenses	<u>12,794</u>
Total liabilities	<u>\$ 57,794</u>

Contingency (Note 4)

**Shareholder's equity:**

Common stock, no par value; authorized 1,500 shares; issued and outstanding 250 shares	\$ -
Additional paid-in capital	903,777
Accumulated deficit	<u>(819,840)</u>
Total shareholder's equity	<u>\$ 83,937</u>
Total liabilities and shareholder's equity	<u>\$ 141,731</u>

See notes to the statement of financial condition.

HFC CAPITAL CORP.  
NOTES TO STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2001

NOTE 1 - ORGANIZATION

HFC Capital Corp. (the "Company") is a broker-dealer registered with the Securities and Exchange Commission and a member of the National Association of Securities Dealers, Inc. The Company is principally engaged in a customer commission business, introducing all customers to its clearing broker pursuant to a fully disclosed clearance agreement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

Principal transactions in securities and commission revenues and expenses from customer transactions are recorded on a trade-date basis.

b) Income Taxes

The Company is recognized as an S-Corporation for Federal and State corporate tax purposes, and as such, the shareholder is individually liable for Federal and State income tax payments. The Company is subject to a New York State surcharge tax and a New York City corporate tax.

c) Cash and Cash Equivalents

Cash equivalents are defined as highly liquid investments with a maturity of three months or less when purchased.

d) 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 in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HFC CAPITAL CORP.  
NOTES TO STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2001

NOTE 3 - RECEIVABLE FROM CLEARING BROKER

The Company introduces its customer transactions to a clearing broker with whom it has a correspondent relationship for clearance and depository services in accordance with the terms of a clearance agreement. In connection therewith, the Company has agreed to indemnify the clearing broker for losses that the clearing broker may sustain as a result of the failure of the Company's customers to satisfy their obligations in connection with their securities transactions. As of December 31, 2001, customer obligations to the clearing broker were collateralized by securities with a market value in excess of the obligations.

In the normal course of business, the Company's customers may sell securities short. Subsequent market fluctuations may require the clearing broker to obtain additional collateral from the Company's customers. It is the policy of the clearing broker to value the short positions daily and to obtain additional deposits where deemed appropriate.

NOTE 4 - CONTINGENCY

The Company, along with other unaffiliated securities firms, is the subject of two NASD arbitrations, in which the claimants maintained a customer account at the Company. The customer's allegations against the Company relate to losses of approximately \$241,000 sustained as a result of transactions effected by a former employee of the Company. At this time, the Company is unable to predict the outcome of these claims, which could have a material effect on the Company's financial position.

HFC CAPITAL CORP.  
NOTES TO STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2001

NOTE 5 - NET CAPITAL REQUIREMENTS

As a registered broker-dealer and member of the National Association of Securities Dealers, Inc., the Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule 15c3-1 which requires that the Company maintain minimum net capital, as defined, of 6 $\frac{2}{3}$ % of aggregate indebtedness or \$5,000, whichever is greater. Net capital and aggregate indebtedness change from day to day, but as of December 31, 2001, the Company's net capital was below its required net capital of \$5,000. This was caused by the recording, as a liability, the settlement of a claim in February 2002 that was not determinable at December 31, 2001. However, subsequent to the year end upon reaching the settlement, the shareholder contributed capital to satisfy the minimum capital requirement.

NOTE 6 - GOING CONCERN MATTERS

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has sustained losses in the current and prior year, which have been funded by additional capital contributions made by the sole shareholder. In the event that additional funding is required, the sole shareholder is committed to provide such capital to fund the Company's current operations through December 31, 2002.

NOTE 7 - SUBSEQUENT EVENTS

On February 15, 2002, the Company settled a claim for a prior year's contingency in the amount of \$45,000. A first installment of \$15,000 was paid at that time and two subsequent installments of \$15,000 will be paid January 15, 2003 and January 15, 2004. A capital contribution from the sole shareholder totaling \$50,000 was made on February 13 and 15, 2002.