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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

SEC FILE NUMBER
8-27623

AUG 31 2006

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 07/01/05 AND ENDING 06/30/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **DIVERSIFIED CAPITAL CORPORATION**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

999 BRICKELL AVENUE SUITE 800

(No. and Street)

MIAMI

FLORIDA

33131

(City)

(State)

(Zip Code)

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

GARY J. YARUS

(305) 371-2722

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

FINKELSTEIN BROWN NEMET & ROTHCHILD, P.A.

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

6401 GALLOWAY ROAD, SUITE 203

MIAMI

FLORIDA

33173

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

SEP 11 2006

THOMSON
FINANCIAL

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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. See Section 240.17a-5(e)(2)

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Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, GARY J. YARUS, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of DIVERSIFIED CAPITAL CORPORATION, as of JUNE 30, 20 06, 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

PRESIDENT

Title

Katherine Mills 8/29/06
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 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 15c3-1 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).

DIVERSIFIED CAPITAL CORPORATION

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Finkelstein

Brown

Nemet

& Rothchild, P.A.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Diversified Capital Corporation

We have audited the accompanying balance sheet of Diversified Capital Corporation for the fiscal year ended June 30, 2006 and the related statements of operations, changes in stockholders' equity and cash flows for the year 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 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 Diversified Capital Corporation as of June 30, 2006, and the results of its operations and its cash flows for the fiscal year then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.

Our audit was conducted for the purposes of forming an opinion on the basic financial statements taken as a whole.

The information contained on pages 9 and 10 is presented for purposes of additional analysis and is not required as 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 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.

Finkelstein Brown Nemet & Rothchild P.A.

FINKELSTEIN BROWN NEMET & ROTHCHILD, P.A.

Miami, Florida
August 22, 2006

DIVERSIFIED CAPITAL CORPORATION
BALANCE SHEET
JUNE 30, 2006

ASSETS

Cash	\$ 17,953	
Commissions Receivable - Mutual Funds and Variable Annuities	6,018	
Investments, At Market	306,015	
Receivable From Broker	1,081	
Prepaid Income Taxes	1,395	
Prepaid Expenses	3,544	
Computer Equipment & Software, Less Accumulated Depreciation of \$3,240	0	<u>\$ 336,006</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:

Commissions Payable	\$ 5,334	
Deferred Income Taxes	25,656	
Accrued Expenses	4,000	\$ 34,990

STOCKHOLDERS' EQUITY:

Common Stock - Authorized 1,000,000 Shares \$.001 Par Value, Issued and Outstanding 200,000 Shares	200	
Paid In Capital In Excess of Par Value	9,800	
Retained Earnings	291,016	<u>\$ 336,006</u>

See Accompanying Notes

DIVERSIFIED CAPITAL CORPORATION
STATEMENT OF OPERATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

REVENUE:

Commissions Earned	\$ 65,525	
Advisory Fees	79,217	
Dividend and Interest Income	9,569	
Gain on Securities Held For Investment	<u>63,350</u>	\$ 217,661

**SELLING, GENERAL AND
ADMINISTRATIVE EXPENSES:**

Commissions	60,973	
Consulting Fees	28,550	
Computer Expenses	1,500	
Directors Fees	3,000	
Dues and Subscriptions	2,990	
Insurance	300	
Management Fees	24,000	
Office and Miscellaneous Expenses	7,714	
Payroll Taxes	652	
Professional Fees	5,000	
Registration Fees and Taxes	1,466	
Seminars	430	
Wages	<u>7,500</u>	<u>144,075</u>

INCOME BEFORE INCOME TAXES

73,586

PROVISION FOR INCOME TAXES:

Deferred Tax Expense	15,121	
Current Tax Expense	<u>453</u>	<u>15,574</u>

INCOME

\$ 58,012

See Accompanying Notes

DIVERSIFIED CAPITAL CORPORATION
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>COMMON STOCK</u>	<u>PAID-IN CAPITAL</u>	<u>RETAINED EARNINGS</u>	<u>TOTAL</u>
STOCKHOLDERS' EQUITY JULY 1, 2005	\$ 200	\$ 9,800	\$ 233,004	\$ 243,004
NET INCOME	<u>-</u>	<u>-</u>	<u>58,012</u>	<u>58,012</u>
STOCKHOLDERS' EQUITY JUNE 30, 2006	<u>\$ 200</u>	<u>\$ 9,800</u>	<u>\$ 291,016</u>	<u>\$ 301,016</u>

See Accompanying Notes

**DIVERSIFIED CAPITAL CORPORATION
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

CASH FLOWS FROM OPERATING ACTIVITIES:		\$ <u>58,012</u>
Net Income		
Adjustments To Reconcile Income To Net Cash Used In Operating Activities:		
Gain On Investments Net of Related Deferred Income Taxes		(46,300)
Decrease in Receivables		4,094
Increase in Prepaid Expenses		(580)
Increase in Commissions Payable		2,770
Increase in Accrued Expenses		<u>4,000</u>
 Total Adjustments		 <u>(36,016)</u>
 Net Cash Flow Used By Operating Activities		 <u>21,996</u>
 CASH FLOW USED IN INVESTING ACTIVITIES:		 \$ <u>(36,613)</u>
Purchase of Stock		
 DECREASE IN CASH		 (14,617)
 CASH BALANCE - JULY 1, 2005		 <u>32,570</u>
 CASH BALANCE - JUNE 30, 2006		 <u>\$ <u>17,953</u></u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for income taxes		515
Cash paid during the year for interest		-0-

DISCLOSURE OF ACCOUNTING POLICY:

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

See Accompanying Notes

DIVERSIFIED CAPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

The Company operates as a broker/dealer and is thus, registered with the United States Securities and Exchange Commission, the National Association of Securities Dealers, Inc. and the Florida Division of Securities. The company is located in, and operates throughout, South Florida.

The Company is subject to the "Net Capital Rule" of the Securities and Exchange Commission which requires that the aggregate indebtedness as defined shall not exceed fifteen times net capital, as defined. At June 30, 2006, the Company's net capital was \$ 247,282 and the "Required Net Capital" as defined was \$5,000. The ratio of "Aggregate Indebtedness" to Net Capital was 14.68%.

ESTIMATES:

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

NOTE 2 - INCOME TAXES:

Income taxes are calculated based on the tax effect of transaction reported in the financial statements. The provision on the Statement of Operations consists of taxes paid currently plus deferred taxes as described in Note 3.

Current income tax expense consists of:

State	\$ (13)
Federal	<u>466</u>
	<u>\$ 453</u>

DIVERSIFIED CAPITAL CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 3 - DEFERRED INCOME TAXES:

Deferred income taxes are provided to reflect timing differences in reporting results of operations for financial statement and income tax purposes. Timing differences, resulting from the income tax effect of unrealized gains on investment securities, are as follows:

Deferred income tax expense:

State	\$ 5,912
Federal	<u>24,819</u>
	\$ <u>30,731</u>

The deferred income tax liability is due to the cumulative result of those same timing differences.

NOTE 4 - RELATED PARTY TRANSACTIONS:

The Company occupies office space at the facilities of its 50% shareholder on a month-to-month basis. The shareholder provides office facilities, telephone service, administrative and clerical personnel and various administration services for a total of \$2,500. The management fee of \$24,000 was paid to a corporation owned by a 50% shareholder. The commission expense of \$60,973 includes \$6,116 paid to a 50% shareholder. The consulting expense of \$28,550 was paid to a 50% shareholder.

SUPPLEMENTARY INFORMATION

**DIVERSIFIED CAPITAL CORPORATION
COMPUTATION OF NET CAPITAL PER
UNIFORM NET CAPITAL RULE 15c 3-1
JUNE 30, 2006**

CREDITS:

Stockholders' Equity		\$ 301,016
Deferred Income Taxes Related to Unrealized Appreciation of Investments Subject to Haircut		<u>9,713</u>
TOTAL CREDITS		310,729

DEBITS:

Over 30 Day Receivables		3,416
Cash Account at Schwab		1,081
Prepaid Expenses		<u>4,939</u>
		<u>9,436</u>
NET CAPITAL BEFORE HAIRCUTS ON SECURITIES POSITION		301,293

Haircuts on Securities Position:

Investment Securities	\$ 45,902	
Money Market Fund	359	
Undue Concentration	<u>7,750</u>	<u>54,011</u>
NET CAPITAL		247,282

MINIMUM NET CAPITAL REQUIREMENT:

6-2/3% of Aggregate Indebtedness of \$34,990 or \$5,000, whichever is greater		<u>5,000</u>
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EXCESS NET CAPITAL **\$ 242,282**

**RATIO OF AGGREGATE INDEBTEDNESS
TO NET CAPITAL**

14.68%

SCHEDULE OF AGGREGATE INDEBTEDNESS:

Commissions Payable		\$ 5,334
Deferred Income Tax Payable		25,656
Accrued Expenses		<u>4,000</u>
		<u>\$ 34,990</u>

**COMPUTATION FOR DETERMINATION OF RESERVE
REQUIREMENTS PURSUANT TO RULE 15c3-3**

The Company claims an exception from Rule 15c3-3 under the following sections:

(K) (2) (I) - All required transactions would be through a special account for the exclusive benefit of customers but the company had no such transactions during previous years.

See Accompanying Accountants' Report

**DIVERSIFIED CAPITAL CORPORATION
RECONCILIATION OF COMPUTATION OF NET CAPITAL
PER UNIFORM CAPITAL RULE 15c 3-1 TO
COMPANY'S CORRESPONDING UNAUDITED
FORM X-17A-5 PART IIA FILING
JUNE 30, 2006**

NET CAPITAL PER COMPUTATION (Page 9) \$ 247,282

Adjustments:	13,225
Deferred Income Tax Payable	3,565
Haircut Adjustment	<u>4,000</u>
Accrued Expenses	20,790

NET CAPITAL PER COMPUTATION INCLUDED
IN THE COMPANY'S UNAUDITED FORM
X-17A-5 PART IIA FILING \$ 268,072

SUBORDINATED DEBT

The Company did not have subordinated debt as of June 30, 2006 or at any time during the year then ended.

See Accompanying Accountants' Report

Finkelstein

Brown

Nemet

& Rothchild, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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Miami, Florida 33173

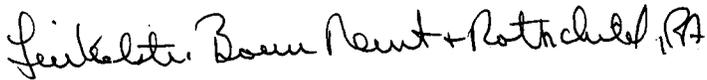
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SIPC SUPPLEMENTAL REPORT PURSUANT TO RULE 17A-5 (e) (4)

To the Board of Directors
Diversified Capital Corporation

As a result of our audit of Diversified Capital Corporation for the fiscal year ended June 30, 2006, the Company is entitled to continue taking the SIPC exemption due to the type of business engaged in such as limiting their income to sales of mutual funds and insurance products.



FINKELSTEIN BROWN NEMET & ROTHCHILD, P.A.

Miami, Florida
August 22, 2006

Finkelstein

Brown

Nemet

& Rothchild, P.A.

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

To the Board of Directors
Diversified Capital Corporation

In planning and performing our audit of the financial statements of Diversified Capital Corporation for the fiscal year ended June 30, 2006, we considered its internal control, including control activities 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.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission we have made a study of the practices and procedures followed by the Company including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e)
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the 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.
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3

The management of the Company is responsible for establishing and maintaining internal control 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 controls 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 internal control 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 17a05(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud 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 internal control would not necessarily disclose all matters in the internal control 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 components does not reduce to a relatively low level the risk that error or fraud 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 internal control, including control activities 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 purpose in accordance with the Securities and 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 June 30, 2006 to meet the SEC's objectives.

To the Board of Directors
Diversified Capital Corporation

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies which 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.

Finkelstein Brown Nemet + Rothchild P.A.

FINKELSTEIN BROWN NEMET & ROTHCHILD, P.A.

Miami, Florida
August 22, 2006