

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



07004381

VAL  
35-0123  
31, 2007

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

SEC FILE NUMBER

8-66926

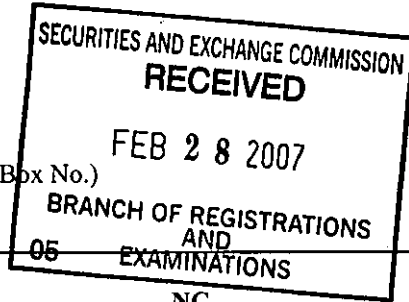
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Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 1/1/05 AND ENDING 12/31/06  
(MM/DD/YY) (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Republic Strategic Advisory, Inc.



OFFICIAL USE ONLY

FIRM ID. NO.

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

190 Oak Plaza Blvd.

(No. and Street)

Winston-Salem

(City)

NC

(State)

27105

(Zip Code)

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

Tom Clark

336-661-4145

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Johnson Lambert & Co. LLP

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

700 Spring Forest Road Suite 335

(Address)

Raleigh

(City)

NC

(State)

27609

(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 19 2007

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).

SEC 1410 (06-02)

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## OATH OR AFFIRMATION

I, Tom Clark, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Republic Strategic Advisory, Inc. as of December 31, 2006, 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:

Not applicable



M. B. Riger-Hartman  
Notary Public

Thomas J. Clark  
Signature

Chief Financial Officer

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 15c-3-3 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.
- (o) Independent Auditing report on internal accounting controls.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



Republic Strategic Advisory, Inc.

Audited Financial Statements

*Years ended December 31, 2006 and 2005*  
*With Report of Independent Auditors*

Republic Strategic Advisory, Inc.  
Audited Financial Statements  
Years ended December 31, 2006 and 2005

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## Report of Independent Auditors

Board of Directors  
Republic Strategic Advisory, Inc.

We have audited the accompanying statements of financial condition of Republic Strategic Advisory, Inc. ("the Company") as of December 31, 2006 and 2005, and the related statements of operations, changes in shareholder'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. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Republic Strategic Advisory, Inc. at December 31, 2006 and 2005, 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 made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplemental schedules, as referred to in the table of contents, 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 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.

*Johnson Lambert & Co. LLP*

Raleigh, North Carolina  
February 21, 2007

Republic Strategic Advisory, Inc.  
 Statements of Financial Condition

	As of December 31,	
	2006	2005
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 100,845	\$ 210,282
Accounts Receivable	-	4,071
Other Assets	322	986
<b>Total Assets</b>	<b>\$ 101,167</b>	<b>\$ 215,339</b>
<b>LIABILITIES:</b>		
Accrued Expenses	\$ 955	\$ -
Due to Affiliates	19,724	23,117
<b>Total Liabilities</b>	<b>20,679</b>	<b>23,117</b>
<b>SHAREHOLDER'S EQUITY:</b>		
Common Stock/Contributed capital, no par value; 100,000 shares authorized; 100 shares issued and outstanding	350,000	300,000
Retained Deficit	(269,512)	(107,778)
<b>Total Shareholder's Equity</b>	<b>80,488</b>	<b>192,222</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>\$ 101,167</b>	<b>\$ 215,339</b>

Republic Strategic Advisory, Inc.  
Statements of Operations

	Years ended December 31,	
	2006	2005
REVENUES:		
Mergers/Acquisitions	\$ 91,288	\$ 61,809
Consulting/Advisory	75,962	47,864
Warehouse Reviews	20,637	69,061
Total Revenues	<u>187,887</u>	<u>178,734</u>
EXPENSES:		
Management Fees	345,693	243,650
Travel and Entertainment	33,386	38,935
Bonus Fees	16,214	9,581
Professional Services	12,673	9,276
Conventions	8,209	4,851
Other	17,700	36,010
Total Expenses	<u>433,875</u>	<u>342,303</u>
Net Loss, before Income Taxes	(245,988)	(163,569)
Current Income Tax Benefit	<u>84,254</u>	<u>55,791</u>
NET LOSS	<u>\$ (161,734)</u>	<u>\$ (107,778)</u>

**Republic Strategic Advisory, Inc.**  
**Statements of Changes in Shareholder's Equity**

	<u>Shares</u>	<u>Common Stock / Contributed Capital</u>	<u>Retained Deficit</u>	<u>Total</u>
Balance at January 1, 2005	-	\$ -	\$ -	\$ -
Net (loss)	-	-	(107,778)	(107,778)
Common stock issue	100	1,000	-	1,000
Capital contributions	-	299,000	-	299,000
Balance at December 31, 2005	<u>100</u>	<u>300,000</u>	<u>(107,778)</u>	<u>192,222</u>
Net (loss)	-	-	(161,734)	(161,734)
Capital contributions	-	50,000	-	50,000
Balance at December 31, 2006	<u>100</u>	<u>\$ 350,000</u>	<u>\$ (269,512)</u>	<u>\$ 80,488</u>



Republic Strategic Advisory, Inc.  
Statements of Cash Flows

	Years ended December 31,	
	2006	2005
Cash flows used in operating activities:		
Net Loss	\$ (161,734)	\$ (107,778)
Decrease (increase) in accounts receivable	4,071	(4,071)
Decrease (increase) in other assets	664	(986)
Increase in accrued expenses	955	-
(Decrease) increase in due to affiliates	(3,393)	23,117
	(159,437)	(89,718)
Cash flows from financing activities:		
Capital contribution from Parent	50,000	300,000
	50,000	300,000
Net cash provided by financing activities	50,000	300,000
Net (decrease) increase in cash	(109,437)	210,282
Cash and cash equivalents at beginning of period	210,282	-
Cash at end of period	\$ 100,845	\$ 210,282
Supplemental cash flows disclosures:		
Income tax recovery from Parent	\$ 130,302	\$ -

Republic Strategic Advisory, Inc.  
Notes to Consolidated Financial Statements  
Years ended December 31, 2006 and 2005

**1. Organization and Nature of Business**

Republic Strategic Advisory, Inc. (the Company) is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD). The Company is a North Carolina corporation that is a wholly-owned subsidiary of RMIC Corporation (Parent), which is a wholly-owned subsidiary of Old Republic Mortgage Guarantee Group, which is a wholly-owned subsidiary of Old Republic International.

The Company commenced operations January 1, 2005 and is engaged in a single line of business as a securities broker-dealer, which consists of merger and acquisition advisory services. Additionally, the Company provides consulting and advisory services to mortgage banks.

**2. Significant Accounting Policies**

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes**

The Company is included in the consolidated federal income tax return filed by the Parent. Federal income taxes are calculated on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from the Parent. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax liabilities or assets between years.

**Revenue Recognition**

Revenue is not recognized until it is realized or realizable and earned. Revenue is realized or realizable and earned when all of the following criteria are met: (1) Persuasive evidence of an arrangement exists (2) Delivery has occurred or services have been rendered (3) The fee to the client is fixed or determinable, and (4) Collectibility is reasonably assured.

**Statements of Cash Flows**

For purposes of the Statements of Cash Flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days that are not held for sale in the ordinary course of business. The Company maintains certain cash and cash equivalent balances that exceed FDIC insured limits. Management does not believe that these balances present a significant credit risk to the Company.

**Reclassification**

Certain balances in the 2005 basis financial statements have been reclassified to conform to the 2006 presentation. Such reclassifications had no net impact on reported net loss or shareholder's equity.

### 3. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC 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. At December 31, 2006, the Company had net capital of \$80,166, which was \$75,166 in excess of its required net capital of \$5,000.

The Company's percentage of aggregate indebtedness to net capital was .258 to 1. The Company is exempt from the requirement of the Securities and Exchange Commission Customer Protection Rule, Rule 15c3-3, to maintain a special reserve bank account, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (K)(1) of the rule.

### 4. Common Stock

Effective January 1, 2005 the Company was authorized to issue 100,000 shares of common stock at no par value. On January 1, 2005, 100 shares of no par value common stock were issued to the Parent for consideration of \$1,000. During the years ended December 31, 2006 and 2005, \$50,000 and \$299,000, respectively, of additional capital infusions were made by the Parent.

### 5. Income and Franchise Taxes

The Company is included in the consolidated federal income tax return filed by its Parent. Federal income taxes are calculated as if the Company filed a separate federal income tax return. The Company files its own state and local tax returns. The current and deferred portions of the income tax expense (benefit) included in the statement of operations as determined in accordance with FASB Statement No. 109, *Accounting for Income Taxes*, are as follows:

	December 31, 2006		
	Current	Deferred	Total
Federal – Income tax benefit	(\$84,254)	-	(\$84,254)

	December 31, 2005		
	Current	Deferred	Total
Federal – Income tax benefit	(\$55,791)	-	(\$55,791)

### 6. Related Party Transactions

The Company shares certain facilities and personnel with the Parent. Under an agreement (Agreement) between the Parent and the Company, the Parent also provides certain operational support services, including the maintenance and preservation of books and records appropriate to a registered broker/dealer, among others. The amount paid by the Company to the Parent under the Agreement for the years ended December 31, 2006 and 2005 is 10% and 5%, respectively, of collected fees from each transaction or engagement, subject to a maximum of \$37,500 on any one transaction. For the years ended December 31, 2006 and 2005, fees associated with the Agreement amounted to \$16,214 and \$9,581 respectively. Indirect expenses of the Company incurred by the Parent on behalf of the Company will be allocated to the Company in accordance with an executed expense allocation agreement. For the years ended December 31, 2006 and 2005, allocated indirect expenses amounted to \$345,693 and \$243,650 respectively. As of December 31, 2006 and 2005 there are accruals for \$19,724 and \$23,117, respectively, due to the Parent.

During the years ending and ended December 31, 2007, 2006 and 2005, the Parent authorized capital contributions of \$200,000, \$200,000 and \$500,000, respectively, for the Company to draw upon as needed. During the years ended December 31, 2006 and 2005, the Company accepted \$50,000 and \$299,000, respectively, of capital contributions from the Parent.

# Supplemental Schedules

Republic Strategic Advisory, Inc.  
 Schedule of Computation of Net Capital Under Rule 15c3-1 of the Securities and  
 Exchange Commission

As of December 31, 2006

Net capital computation:	
Total shareholder's equity	\$ 80,488
Deductions and/or charges:	
Other assets	<u>322</u>
Net capital	<u>\$ 80,166</u>
Aggregate indebtedness	<u>\$ 20,679</u>
Computation of basic net capital requirement:	
Minimum capital required	<u>\$ 5,000</u>
Capital in excess of minimum requirements	<u>\$ 75,166</u>
Ratio of aggregate indebtedness to net capital	<u>.26 to 1</u>
Reconciliation with Corporation's Computation (included in Part II of Form X-17A-5 as of December 31, 2006)	
Net capital as reported in Corporation's Part II (Unaudited)	
FOCUS Report	\$ 80,166
Net audit adjustments	<u>-</u>
Net capital per above	<u>\$ 80,166</u>

Republic Strategic Advisory, Inc.  
Computation for Determination of Reserve Requirements Under Rule 15c3-3 of the Securities and  
Exchange Commission

As of December 31, 2006

The Company is exempt from this requirement under SEC Rule 15c3-3(k)(1) and, therefore, no deposit was required.

Republic Strategic Advisory, Inc.  
Information Relating to the Possession or Control Requirements Under Rule 15c3-3 of the  
Securities and Exchange Commission

As of December 31, 2006

The Company is exempt from this requirement under SEC Rule 15c3-3(k)(1).

## Other Information





Board of Directors  
Republic Strategic Advisory, Inc.

In planning and performing our audit of the financial statements for Republic Strategic Advisory, Inc. ("the Company") as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

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 consideration of control activities for safeguarding securities. This study included 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 and recordation of differences required by rule 17a-13
2. 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 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 preparation of financial statements in conformity 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 internal control and 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.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and 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 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, as described in the second paragraph of this report, were adequate at December 31, 2006 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, 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.

Johnson Lambert & Co. LLP

Raleigh, North Carolina  
February 21, 2006

END