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3-30-2004



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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- 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 01/01/03 AND ENDING 12/31/03
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.)

39 Broadway

(No. and Street)

New York

NY

10005

(City)

(State)

(Zip Code)

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

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Joseph Amundsen, CPA

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

PROCESSED

MAR 30 2004

**THOMSON
FINANCIAL**

67 Wall Street, Suite 2200

NY, NY 10005

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

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).

AA
3-30-2004

OATH OR AFFIRMATION

I, EPHRAIM 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 12/31/2003, 19____, 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:

EPHRAIM POLLACK

Signature

PRESIDENT

Title

GIL J. WINOKUR

Notary Public

GIL J. WINOKUR
NOTARY PUBLIC, STATE OF NEW YORK
NO. 01WI 4841934
QUALIFIED IN QUEENS COUNTY
COMMISSION EXPIRES 4/21/06

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.
- ☒ (o) Internal Control

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

Joseph Amundsen
Certified Public Accountant
67 Wall Street, #2211
New York, New York 10005
212/709-8250
212/943-2300(fax)
exbaker@juno.com

HFC Capital Corp.

Index to Financial Statements

December 31, 2003

Annual Audit Report Form X-17A-5

Change of Accountant Notice

Independent Auditor's Report

Statement of Financial Condition

Statement of Operations

Statement of Changes in Stockholder Equity

Statement of Cash Flows

Notes to Financial Statements including Patriot
Act Compliance

Computation of Net Capital for Brokers and Dealers
Pursuant to Rule 15c 3-1

Computation for Determination of the Reserve Requirements
For Brokers and Dealers Pursuant to Rule 15c 3-3

Independent Auditor's Report on Internal
Control Structure Required by SEC Rule 17a-5

HFC Capital Corp.
39 Broadway, Suite 1601
New York, New York 10004
212/843-8313
212/584-4977(fax)
HFCcap@aol.com

January 12, 2004

U.S. Securities and Exchange Commission
233 Broadway
New York, NY 10006

RE: Notification of Change in Auditors

Gentlemen:

This letter is to notify you and the NASD of our intent to change independent CPA auditors effective as of this date. Our intent is to have a rotation of auditors so that we fully comply in our own minds with all the intent of the Sarbanes-Oxley Act. We further expect to review the work of succeeding accountants on an annual basis to insure that we are meeting all relevant regulations. During the past 24 months preceding our decision, there have been no problems relating to accounting, audit or compliance issues and there have been no unresolved such problems.

We are sending a notice of this letter to our former accountant, and asking them to initial this notice in agreement. A copy is also being sent to the new accountant, Joseph Amundsen, CPA, NY License #87609.

Yours truly,

HFC Capital Corp.

AGREED AND ACCEPTED: 

cc: U.S. Securities and Exchange Commission
450 Fifth Street
Washington, DC 20549

National Association of Securities Dealers Inc.
1390 Pickard Drive
Rockville, MD 20850

Joseph Amundsen
Certified Public Accountant
67 Wall Street
New York, NY 10005
212/709-8250

Independent Auditor's Report

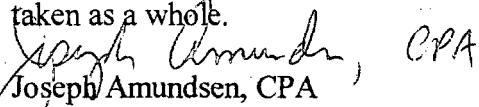
To the Shareholder of
HFC Capital Corp:

I have audited the accompanying statement of financial condition of HFC Capital Corp. as of December 31, 2003, and the related statements of income, changes in member's capital, 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HFC Capital Corp. at December 31, 2003, 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 of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I 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 and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 CPA
Joseph Amundsen, CPA
New York, New York
February 20, 2004

HFC CAPITAL CORP
STATEMENT OF FINANCIAL CONDITION
December 31, 2003

Assets

Cash	<u>\$ 22,919</u>
Current Assets	<u>22,919</u>
Other Assets	
Receivable from Clearing Broker	2,768
Marketable Securities	18,900
Nonmarketable Investment	<u>20,100</u>
Total Other Assets	<u>41,768</u>
Total Assets	<u><u>64,687</u></u>

Liabilities and Shareholder's Equity

Accrued expenses	8,155
Accrued settlement cost	<u>15,000</u>
Total Liabilities	<u>23,155</u>
Shareholder's equity	
Common stock, no par value, authorized 1,500 shares, issued and outstanding 250 shares	-
Additional paid in capital	941,277
Accumulated deficit	<u>(899,745)</u>
Total Shareholder's Equity	<u>41,532</u>
Total Liabilities and Shareholder's Equity	<u><u>\$ 64,687</u></u>

The accompanying notes are an integral part of these financial statements.

HFC CAPITAL CORP
STATEMENT OF LOSS
FOR THE YEAR ENDED DECEMBER 31, 2003

Revenues:

Commissions	\$ 44,616
Other	106
Investments	<u>(1,120)</u>
Total Revenues	<u>43,602</u>

Expenses:

Clearance	17,095
Professional Fees	14,012
Office Expense	5,146
Other Expenses	34,314
Total Expenses	<u>70,567</u>
Net (Loss)	<u>\$ (26,965)</u>

The accompanying notes are an integral part of these financial statements.

HFC CAPITAL CORP
STATEMENT OF CHANGES IN SHAREHOLDER'S DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2003

	Total	Common Stock	Additional Paid-in Capital	Accumulated Deficit
Shareholder's deficit January 1, 2003	\$ 48,497	\$ -	\$ 921,277	\$ (872,780)
Capital contribution	20,000	-	20,000	-
Net loss	(26,965)	-	-	(26,965)
Shareholder's deficit December 31, 2003	<u>\$ 41,532</u>	<u>\$ -</u>	<u>\$ 941,277</u>	<u>\$ (899,745)</u>

The accompanying notes are an integral part of these financial statements.

HFC CAPITAL CORP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003

Cash Flows From Operating Activities:

Net Loss		\$ (26,965)
Adjustments to reconcile net loss to cash used in operating activities:		
(Increase) in receivables	\$ (1,418)	
Decrease in marketable securities	1,120	
Decrease in due from shareholder	10,813	
Decrease in liabilities	<u>\$ (19,271)</u>	<u>(8,756)</u>
Net cash used in operating activities		(35,721)

Cash Flows From Financing Activities:

Capital contribution	<u>20,000</u>	
Decrease in Cash		(15,721)
Cash, beginning of year	<u>38,639</u>	
Cash, end of year		<u><u>\$ 22,919</u></u>

The accompanying notes are an integral part of these financial statements.

HFC Capital Corp

Notes to Financial Statements

For the Year Ended December 31, 2003

1. Significant Accounting Policies

HFC Capital Corp, (the Company) is a securities 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 commission business, introducing all customers to its broker dealer pursuant to a fully disclosed clearing agreement. No brokerage business is conducted with the general public or with any other class of investor.

The Company prepares its financial statements on the accrual basis of accounting. Principal transactions in securities and commission revenues and expenses from customer transactions are recorded on a trade-date basis.

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.

The Company owns 2,000 shares of the NASDAQ Stock Market, Inc. The Company carries the security at market value, the closing price at December 31, 2003.

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.

2. Stockholders' Equity

The Company is authorized to issue 1,500 shares of no par voting common stock. The Company has issued, and are outstanding 250 shares of common stock. Stockholder contributed \$20,000 to additional paid in capital for the year ended December 31, 2003.

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, 2003, 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 position daily and to obtain additional deposits where deemed appropriate.

4. Contingencies

The Company has settled outstanding NASD arbitrations. The remaining \$15,000 is payable in 2004.

5. Net Capital Requirement

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, 2003, the Company was in compliance with these regulations.

6. Related Party Transactions

All of the commission income of the Company is derived from transactions with the sole shareholder of the Company.

7. Anti-Money Laundering Program.

The Company is required to have a program to actively prevent and prohibit money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. At December 31, 2003, the Company was in compliance with this program.

HFC CAPITAL CORP

Compilation of Net Capital Under 15c3-1 of the

Securities and Exchange Commission

December 31, 2003

Schedule 1

Total Shareholders' Equity	\$ 41,532
Less: Haircut	<u>(2,835)</u>
	38,697
Less: Unallowable Assets	<u>(20,100)</u>
Net Capital	18,597
Minimum Net Capital required	<u>(5,000)</u>
Excess net capital	<u><u>\$ 13,597</u></u>
Aggregate indebtedness	\$ 23,154
Net Capital	\$ 18,597
Ratio AI to NC	124%

RECONCILIATION WITH COMPANY'S NET CAPITAL COMPUTATION

There is no material difference between the net capital computation as reported on Capital Markets America Inc's FOCUS report - Part IIA as of December 31, 2003.

HFC CAPITAL CORP.
Computation for Determination of the Reserve Requirements
And Information Relating to Possession or Control Requirements
For Brokers and Dealers Pursuant to Rule 15c3-3
For the Year Ended December 31, 2003

The Company does not effect transactions for anyone defined as a customer under Rule 15c3-3. Accordingly, there are no items to report under the requirements of this Rule.

Joseph Amundsen
Certified Public Accountant
67 Wall Street, #2211
New York, New York 10005
212/709-8250
212/943-2300(fax)
exbaker@juno.com

Independent Auditor's Report of Internal
Accounting Control Required by SEC Rule 17a-5

To the Shareholder of
HFC Capital Corp

In planning and performing my audit of the financial statements of HFC Capital Corp, (the Company), for the year ended December 31, 2003, I considered its internal control, including its anti-money laundering measures and control activities for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my 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 (SEC), I have made a study of the practices and procedures that I considered relevant to the objectives stated in rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate indebtedness (AI) 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.

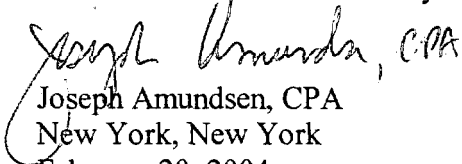
The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs 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 of disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the 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 paragraphs.

Because of the 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. My consideration of internal control would not necessarily disclose all matters in 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, I noted no matters involving internal control, including control activities for safeguarding securities, that I consider to be material weaknesses as defined above.

I 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 purposes 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 my study, I believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the SEC's objectives.

This report is intended solely for the information and use of the management, the SEC, NASD, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered broker dealers, and is not intended to be and should not be used by anyone other than these specified parties.


Joseph Amundsen, CPA
New York, New York
February 20, 2004