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2/25/2002

Art 2/25/2002

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

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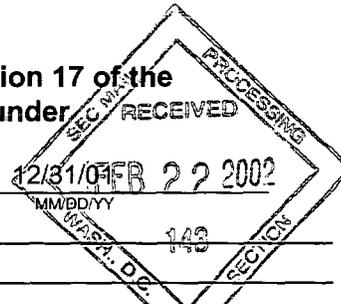
ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

SEC FILE NUMBER  
8-47089

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  
MM/DD/YY



A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

ING America Equities, Inc.

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

OFFICIAL USE ONLY  
FIRM ID. NO.

1290 Broadway

(No. and Street)

Denver

CO

80203

(City)

(State)

(Zip Code)

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

Anita F. Woods

770-933-3620

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Ernst & Young LLP

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

600 Peachtree Street Ste 2800

Atlanta

GA

30308

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

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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).

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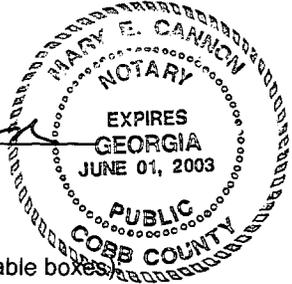
**OATH OR AFFIRMATION**

I, Anita F. Woods, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of ING America Equities, Inc., as of 12/31/2001, 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:

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

Anita F. Woods  
Signature  
Chief Financial Officer / FINOP  
Title

Mary Cannon  
Notary Public



- This report\*\* contains (check all applicable boxes)
- (a) Facing page.
  - (b) Statement of Financial Condition.
  - (c) Statement of Operations.
  - (d) Statement of 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 or 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 or 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) Schedule of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges.
  - (p) Statement of Secured Amount and Funds Held in Separate Accounts for Foreign Futures and Options Customers Pursuant to Commission Regulation 30.7.

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

ING America Equities, Inc.

Audited Financial Statements and Supplemental Information

For the years ended December 31, 2001 and 2000

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## Report of Independent Auditors

Stockholder and Board of Directors  
ING America Equities, Inc.

We have audited the accompanying statements of financial condition of ING America Equities, Inc. (a wholly owned subsidiary of Security Life of Denver Insurance Company, which is a wholly owned subsidiary of ING America Insurance Holdings, Inc.) as of December 31, 2001 and 2000, and the related statements of operations, changes in stockholder'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 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 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 ING America Equities, Inc. at December 31, 2001 and 2000, 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information contained in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplemental information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in our audits 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.

*Ernst & Young LLP*

Atlanta, Georgia  
February 8, 2002

ING America Equities, Inc.

Statements of Financial Condition

	December 31	
	2001	2000
<b>Assets</b>		
Cash and cash equivalents	\$ 114,080	\$ 267,963
Due from affiliates, including \$2,184 in 2001 under tax allocation agreement	328,171	529,532
Other assets	38,910	30,196
<b>Total assets</b>	<b>\$ 481,161</b>	<b>\$ 827,691</b>
<b>Liabilities and stockholder's equity</b>		
<b>Liabilities:</b>		
Commissions and concessions payable	\$ 283,949	\$ 529,532
Due to affiliates, including \$36,539 in 2000 under tax allocation agreement	6,147	62,042
Accounts payable and other accrued expenses	72	48,008
<b>Total liabilities</b>	<b>290,168</b>	<b>639,582</b>
<b>Stockholder's equity:</b>		
Common stock, par value \$1 per share; 250,000 shares authorized; 150,000 shares issued and outstanding	150,000	150,000
Additional paid-in capital	251,000	251,000
Retained deficit	(210,007)	(212,891)
<b>Total stockholder's equity</b>	<b>190,993</b>	<b>188,109</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$ 481,161</b>	<b>\$ 827,691</b>

*See accompanying notes.*

ING America Equities, Inc.

Statements of Operations

	Year ended December 31	
	2001	2000
Revenues:		
Commissions	\$51,439,990	\$60,230,633
Distribution fee	531,001	680,444
Interest and dividend income	336	547
Total revenues	<u>51,971,327</u>	<u>60,911,624</u>
Expenses:		
Commissions	51,439,990	60,230,633
Other operating expenses	533,649	590,270
Total expenses	<u>51,973,639</u>	<u>60,820,903</u>
Income (loss) before taxes	(2,312)	90,721
Income tax (benefit) expense:		
Current	(5,196)	36,539
Total income tax (benefit) expense	<u>(5,196)</u>	<u>36,539</u>
Net income	<u>\$ 2,884</u>	<u>\$ 54,182</u>

*See accompanying notes.*

ING America Equities, Inc.

Statements of Changes in Stockholder's Equity

	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Retained Deficit</b>	<b>Total</b>
Balance at January 1, 2000	\$150,000	\$251,000	\$(267,073)	\$133,927
Net income	-	-	54,182	54,182
Balance at December 31, 2000	150,000	251,000	(212,891)	188,109
Net income	-	-	2,884	2,884
Balance at December 31, 2001	<u>\$150,000</u>	<u>\$251,000</u>	<u>\$(210,007)</u>	<u>\$190,993</u>

*See accompanying notes.*

ING America Equities, Inc.

Statements of Cash Flows

	Year ended December 31	
	2001	2000
<b>Operating activities</b>		
Net income	\$ 2,884	\$ 54,182
Adjustments to reconcile net income to net cash (used in ) provided by operating activities:		
Changes in operating assets and liabilities:		
Due from affiliates	201,361	(194,332)
Other assets	(8,714)	83,182
Commissions and concessions payable	(245,583)	194,332
Accounts payable and other accrued expenses	(47,936)	39,667
Due to affiliates	(55,895)	(103,492)
Net cash (used in) provided by operating activities	(153,883)	73,539
Cash and cash equivalents at beginning of year	267,963	194,424
Cash and cash equivalents at end of year	<u>\$ 114,080</u>	<u>\$ 267,963</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for:		
Interest	\$ 295	\$ —
Income taxes	\$ 33,230	\$ 41,000

*See accompanying notes.*

# ING America Equities, Inc.

## Notes to Financial Statements

December 31, 2001

### **1. Nature of Business and Ownership**

ING America Equities, Inc.'s (the "Company") business consists solely of the wholesale distribution of variable life policies and annuity contracts on behalf of affiliated insurance companies. The Company operates as a broker-dealer under the Securities and Exchange Act of 1934 and is a member of the National Association of Securities Dealers. The Company is a wholly owned subsidiary of Security Life of Denver Insurance Company ("Security Life") and ultimately of ING America Insurance Holdings, Inc. ("ING AIH"). ING AIH is a wholly owned subsidiary of ING Groep N.V., a global financial services holding company based in The Netherlands.

### **2. Summary of Significant Accounting Policies**

#### **General**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Certain reclassifications have been made to prior year amounts to conform with the current financial statement presentation.

#### **Cash and Cash Equivalents**

The Company considers deposits that can be redeemed on demand and highly liquid investments that have original maturities of three months or less, when purchased, to be cash and cash equivalents.

#### **Liabilities Subordinated to the Claims of General Creditors**

At December 31, 2001 and 2000 and during the years then ended, the Company had no liabilities subordinated to the claims of general creditors.

#### **Income Taxes**

The Company has not recorded any deferred tax expense as there are no book-to-tax differences in the basis of its assets and liabilities.

# ING America Equities, Inc.

## Notes to Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

#### Revenue Recognition

Commissions revenue and expenses are recognized when the insurance policies or annuity contracts are issued.

The Company is compensated for distribution services through an annual distribution fee. Distribution fee income is recognized as the distribution services are provided.

#### 3. Income Taxes

The results of the Company's operations are included in the consolidated tax returns of ING AIH. ING AIH and its subsidiaries each report current income tax expense as allocated under a consolidated tax allocation agreement. Generally, this allocation results in profitable companies recognizing a tax provision as if the individual company filed a separate return and loss companies recognizing benefits to the extent their losses.

For financial reporting purposes, all of the 2001 and 2000 income tax (benefit) expense pertained to current federal income taxes.

Variations from the federal statutory rate are as follows:

	Year ended December 31	
	2001	2000
Expected federal income tax (benefit) expense at statutory rate of 35%	\$ (809)	\$31,752
Effect of permanent differences	(4,387)	4,787
Income tax (benefit) expense	<u>\$ (5,196)</u>	<u>\$36,539</u>

## ING America Equities, Inc.

### Notes to Financial Statements (continued)

#### 4. Related Party Transactions

The Company distributes variable life policies and annuity contracts issued by Security Life of Denver and Southland Life Insurance Company, affiliates of the Company. The Company receives all of its commission revenue from the affiliated insurance companies which is passed through to retail broker-dealers as commission payments.

Pursuant to distribution service agreements with affiliated insurance companies, the Company receives compensation from the affiliated companies through an annual distribution fee.

The Company participates in administrative service agreements with affiliated insurance companies for general business, administrative, and management services provided by the affiliated insurance companies to the Company. These services are provided on the basis of the affiliated insurance companies' allocated costs. During 2001 and 2000, the Company incurred expenses under these contracts of \$377,477 and \$450,225, respectively. All operating expenses other than those allocated under the administrative agreements are paid directly by the Company.

#### 5. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission 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. Rule 15c3-1 also provides that equity may not be withdrawn or cash dividends paid if the resulting net capital would exceed 10 to 1. At December 31, 2001, the Company had net capital of \$107,861, which was \$88,517 in excess of its required net capital of \$19,344. The Company's ratio of aggregate indebtedness to net capital at December 31, 2001 was 2.69 to 1.

## Supplemental Information

ING America Equities, Inc.

Schedule I  
Computation of Net Capital and Aggregate Indebtedness  
Pursuant to Rule 15c3-1 of the Securities and Exchange Commission

December 31, 2001

<b>Stockholder's equity</b>	<b>\$ 190,993</b>
<b>Non-allowable assets</b>	
Due from affiliates, aged	44,222
Other assets	<u>38,910</u>
<b>Net Capital</b>	<b><u>\$ 107,861</u></b>
<b>Aggregate indebtedness (AI)</b>	
Commissions and concessions payable	\$ 283,949
Due to affiliates	6,147
Accounts payable and other accrued expenses	<u>72</u>
<b>Total aggregate indebtedness</b>	<b><u>\$ 290,168</u></b>
Minimum net capital requirement, 6 2/3 % of AI	<u>\$ 19,344</u>
Minimum dollar net capital requirement	<u>\$ 5,000</u>
Excess net capital	<u>\$ 88,517</u>
Excess net capital at 1000%, as defined	<u>\$ 78,844</u>
Ratio of aggregate indebtedness to net capital	<u>2.69 to 1</u>

ING America Equities, Inc.

Schedule II  
Statement Pursuant to Rule 17a-5(d)(4)

December 31, 2001

There were no differences between the computation of net capital under Rule 15c3-1 included in this audited report and the computation included in the Company's corresponding unaudited Form X-17A-5 Part IIA filing as of December 31, 2001.

ING America Equities, Inc.

Schedule III  
Statement Regarding SEC Rule 15c3-3

December 31, 2001

**Exemptive Provision**

The Company claims exemption from the requirements of Rule 15c3-3 under Section (k)(2)(i) of the Rule.

## Report on Internal Control Required by SEC Rule 17a-5 for a Broker-Dealer Claiming an Exemption from SEC Rule 15c3-3

### Report of Independent Auditors

Stockholder and Board of Directors  
ING America Equities, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of ING America Equities, Inc. (the "Company") for the year ended December 31, 2001, 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 internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the criteria stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness 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.
2. Recordation of differences required by rule 17a-13; and
3. Complying with the requirements for prompt payments 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 judgments by management are required to assess the expected benefits and related costs of internal 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 criteria 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 accounting principles generally accepted in the United States. Rule 17a-5(g) lists additional criteria of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that internal control may become inadequate because of changes in conditions, or that the effectiveness of its design and operation may deteriorate.

Our 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 one or more of the specific internal control components does not reduce to a relatively low level the risk that errors 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, and its operation that we consider to be material weaknesses as defined above.

We understand that practices and procedures that meet the criteria 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 meet such criteria 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 December 31, 2001 to meet the SEC's criteria.

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.

*Ernst & Young LLP*

Atlanta, Georgia  
February 8, 2002

**Audited Financial Statements and Supplemental Information**  
**ING America Equities, Inc.**  
*For the years ended December 31, 2001 and 2000*  
*with Reports of Independent Auditors*

