

AKP 5/31/2002

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

RECD S.E.C.  
MAY 29 2002  
623

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

SEC FILE NUMBER  
8- 41407

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 4/1/01 AND ENDING 3/31/02  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

GIC Capital Markets, Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

25 East Washington, Suite 1458

(No. and Street)

Chicago

IL

60602

(City)

(State)

(Zip Code)

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

William A. Godar

(312) 357-0400

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Crowe, Chizek and Company LLP

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

One Mid America Plaza, P.O. Box 3697, Oak Brook, IL 60522

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

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

PROCESSED  
JUN 05 2002  
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).

AKP  
5/31/2002

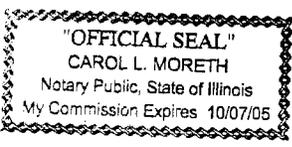
## OATH OR AFFIRMATION

I, William A. Godar, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of G.I.C. Capital Markets, Inc., as of March 31, X 2002, 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  
 \_\_\_\_\_  
 MANAGING DIRECTOR  
 \_\_\_\_\_  
 Title

*[Handwritten Signature: Carol L. Moreth]*  
 \_\_\_\_\_  
 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 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) Independent Auditor's Report on Internal Control.
- (p) Reconciliation of Computation of Net Capital Rule 15c3-1 included in the Company's

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3), corresponding Unaudited Form X-17a-5 Part IIA Filing.

**G.I.C. CAPITAL MARKETS, INC.**

**FOCUS REPORT**

March 31, 2002

G.I.C. CAPITAL MARKETS, INC.  
FOCUS REPORT

March 31, 2002

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Form  
X-17A-5

**FOCUS REPORT**  
(Financial and Operational Combined Uniform Single Report)  
**PART IIA** 12

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

- 1) Rule 17a-5(a)  16      2) Rule 17a-5(b)  17      3) Rule 17a-11  18  
4) Special request by designated examining authority  19      5) Other  25

NAME OF BROKER-DEALER G.I.C. Capital Markets, Inc.		SEC FILE NO. 8-41407
	<span style="border: 1px solid black; padding: 0 5px;">13</span>	<span style="border: 1px solid black; padding: 0 5px;">14</span>
ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.) 25 East Washington, Suite 1458		FIRM I.D. NO. 024815
	<span style="border: 1px solid black; padding: 0 5px;">20</span>	<span style="border: 1px solid black; padding: 0 5px;">15</span>
(No. and Street)		FOR PERIOD BEGINNING (MM/DD/YY) 4/1/01
Chicago IL 60602		<span style="border: 1px solid black; padding: 0 5px;">24</span>
(City) <span style="border: 1px solid black; padding: 0 5px;">21</span> (State) <span style="border: 1px solid black; padding: 0 5px;">22</span> (Zip Code) <span style="border: 1px solid black; padding: 0 5px;">23</span>		AND ENDING (MM/DD/YY) 3/31/02
		<span style="border: 1px solid black; padding: 0 5px;">25</span>

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT Janet Hickerson		(Area Code)—Telephone No. (312) 357-0400
	<span style="border: 1px solid black; padding: 0 5px;">30</span>	<span style="border: 1px solid black; padding: 0 5px;">31</span>
NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:	<span style="border: 1px solid black; padding: 0 5px;">32</span>	OFFICIAL USE <span style="border: 1px solid black; padding: 0 5px;">33</span>
	<span style="border: 1px solid black; padding: 0 5px;">34</span>	<span style="border: 1px solid black; padding: 0 5px;">35</span>
	<span style="border: 1px solid black; padding: 0 5px;">36</span>	<span style="border: 1px solid black; padding: 0 5px;">37</span>
	<span style="border: 1px solid black; padding: 0 5px;">38</span>	<span style="border: 1px solid black; padding: 0 5px;">39</span>

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES  40 NO  41  
CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT  42

**EXECUTION:**

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 28<sup>th</sup> day of May 2002

- Manual signatures of:
- 1) [Signature]  
Principal Executive Officer or Managing Partner
  - 2) \_\_\_\_\_  
Principal Financial Officer or Partner
  - 3) [Signature]  
Principal Operations Officer or Partner

**ATTENTION**—Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:f(a))

**TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

Crowe, Chizek and Company LLP

70

ADDRESS

One Mid America Plaza  
PO Box 3697

Oak Brook

IL

60522

71

72

73

74

Number and Street

City

State

Zip Code

CHECK ONE

Certified Public Accountant

75

Public Accountant

78

Accountant not resident in United States  
or any of its possessions

77

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WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				



# CROWE CHIZEK

## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
G.I.C. Capital Markets, Inc.  
Chicago, Illinois

We have audited the accompanying statement of financial condition of G.I.C. Capital Markets, Inc. as of March 31, 2002, and the related statements of income (loss), changes in ownership equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended. 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 G.I.C. Capital Markets, Inc. as of March 31, 2002, 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained on pages 11 through 14 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 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.

*Crowe Chizek and Company LLP*  
Crowe, Chizek and Company LLP

Oak Brook, Illinois  
April 24, 2002

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **G.I.C. Capital Markets**

N 3

100

## STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

as of (MM/DD/YY) 3/31/02

SEC FILE NO. 8-41407

Consolidated

Unconsolidated x

99
98
198
199

	<u>Allowable</u>		<u>Non-Allowable</u>		<u>Total</u>
1. Cash and Cash Equivalents	\$ 84,430	200			\$ 84,430 750
2. Receivables from brokers or dealers:					
A. Clearance account		295			
B. Other		300	\$ 550		810
3. Receivables from non-customers		355	600		955
4. Securities and spot commodities owned, at market value:					
A. Exempted securities		418			
B. Debt securities		419			
C. Options		420			
D. Other securities		424			
E. Spot commodities		430			850
5. Securities and/or other investments not readily marketable:					
A. At cost	\$ 130				
B. At estimated fair value		440	610		850
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:					
A. Exempted securities	\$ 150				
B. Other securities	160	460	630		890
7. Secured demand notes:		470	640		890
Market value of collateral:					
A. Exempted securities	\$ 170				
B. Other securities	180				
8. Memberships in exchanges:					
A. Owned, at market	\$ 190				
B. Owned, at cost			650		
C. Contributed for use of the company, at market value			660		900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships		480	670		910
0. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization		490	3,077 680		3,077 920
1. Other assets		535	700 735		700 930
2. TOTAL ASSETS	\$ 84,430	540	\$ 3,777 740		\$ 88,207 940

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER G.I.C. Capital Markets, Inc.

as of 3/31/02

## STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

### LIABILITIES AND OWNERSHIP EQUITY

<u>Liabilities</u>	<u>A.I. Liabilities</u>	<u>Non-A.I. Liabilities</u>	<u>Total</u>
13. Bank loans payable .....	\$ 1045	\$ 1255	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account .....	1114	1315	1560
B. Other .....	1115	1305	1540
15. Payable to non-customers .....	1155	1355	1610
16. Securities sold not yet purchased, at market value: .....		1360	1620
17. Accounts payable, accrued liabilities, expenses and other .....	1205	1385	1685
18. Notes and mortgages payable:			
A. Unsecured .....	1210		1690
B. Secured (capital lease obligation) .....	2,874 1211	1390	2,874 1700
19. E. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings: .....		1400	1710
1. from outsiders \$ .....	970		
2. Includes equity subordination (15c3-1(d)) of ... \$ .....	980		
B. Securities borrowings, at market value .....		1410	1720
from outsiders \$ .....	990		
C. Pursuant to secured demand note collateral agreements .....		1420	1730
1. from outsiders \$ .....	1000		
2. Includes equity subordination (15c3-1(d)) of ... \$ .....	1010		
D. Exchange memberships contributed for use of company, at market value .....		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes .....	1220	1440	1750
20. TOTAL LIABILITIES .....	\$ 2,874 1230	\$ 1450	\$ 2,874 1760

### Ownership Equity

21. Sole proprietorship .....		1770
22. Partnership (limited partners) .....	1020	1780
23. Corporation:		
A. Preferred stock .....		1791
B. Common stock \$.00 par value; 1,000 shares authorized, 124 outstanding .....		1792
C. Additional paid-in capital .....		1793
D. Retained earnings (accumulated deficit) .....		1794
E. Total .....		1795
F. Less capital stock in treasury .....		1796
TOTAL OWNERSHIP EQUITY .....		1800
TOTAL LIABILITIES AND OWNERSHIP EQUITY .....		1810

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See accompanying notes to financial statements.

SEC 1696 5 of 16

#### NOTE 1 - ORGANIZATION

G.I.C. Capital Markets, Inc. (the Company) was organized on June 12, 1989 under the laws of the state of Illinois. The Company operates as a broker-dealer and is a member of the National Association of Securities Dealers.

Selling activity consists primarily of lease brokerage services provided to investors of various asset based financing transactions and debt and private placement services for collateralized asset based financing to institutional investors.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents: For purposes 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.

Furniture and Fixtures: Furniture, fixtures, and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is provided over the estimated useful lives, using the straight-line method.

Income Taxes: Effective February 6, 1992, the Company elected, under Section 1362 of the Internal Revenue Code (S corporation status), not to be taxed as a corporation. Instead, the shareholders have elected to include their pro rata share of income in their individual returns.

Management Estimates and Assumptions: Management must make estimates and assumptions in preparing financial statements that affect the amounts reported therein and the disclosures provided. These estimates and assumptions may change in the future and future results could differ.

Revenue Recognition: Brokerage fee income is accrued at the funding of lease transactions.

#### NOTE 3 - NET CAPITAL REQUIREMENTS

As a broker-dealer and member of the National Association of Securities Dealers (NASD), the Company is subject to the Uniform Net Capital rule adopted and administered by the NASD and the Securities and Exchange Commission. This rule requires that the Company maintain net capital, as defined under such provisions.

At March 31, 2002, the Company's net capital, as defined, was \$80,724, which was \$75,724 in excess of its net capital requirements.

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(Continued)

G.I.C. CAPITAL MARKETS, INC.  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2002

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**NOTE 4 - LEASES**

The Company occupies its office facility under an operating lease arrangement which expires on July 31, 2003. Under the terms of the lease, the Company is required to pay for its share of property taxes and other common area costs in excess of a certain base year amount. The Company can cancel the lease upon thirty-day notice to the lessor if certain conditions are met.

Total rent paid during 2002 amounted to \$12,952.

Assets recorded under the capital lease consist of:

Equipment	\$ 4,815
Less accumulated amortization	<u>1,685</u>
	<u>\$ 3,130</u>

Minimum annual lease rentals under the capital lease agreement for the years subsequent to March 31, 2002 are:

<u>Year</u>	
2003	\$ 1,788
2004	<u>1,470</u>
	3,258
Less amount representing interest	<u>384</u>
Present value of net minimum lease payments	<u>\$ 2,874</u>

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**SUPPLEMENTARY INFORMATION**

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER G.I.C. Capital Markets, Inc.

as of 3/31/02

## COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition .....	\$ 85,333		3480
2. Deduct ownership equity not allowable for Net Capital .....		( )	3480
3. Total ownership equity qualified for Net Capital .....	85,333		3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital .....			3520
B. Other (deductions) or allowable credits (List) .....			3525
5. Total capital and allowable subordinated liabilities .....	\$		3530
6. Deductions and/or charges:			
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C) .....	\$ 3,777		3540
B. Secured demand note delinquency .....			3590
C. Commodity futures contracts and spot commodities— proprietary capital charges .....			3600
D. Other deductions and/or charges .....			3810
		( 3,777 )	3620
7. Other additions and/or allowable credits (List) .....			3630
8. Net capital before haircuts on securities positions .....	\$		81,556
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):			
A. Contractual securities commitments .....	\$		3660
B. Subordinated securities borrowings .....			3670
C. Trading and investment securities:			
1. Exempted securities .....			3735
2. Debt securities .....			3733
3. Options .....			3730
4. Other securities (Money Market Fund) .....	832		3734
D. Undue Concentration .....			3650
E. Other (List) .....			3736
		( 832 )	3740
10. Net Capital .....	\$	- 80,724	3750

OMIT PENNIES

G.I.C. CAPITAL MARKETS, INC.  
RECONCILIATION OF COMPUTATION OF NET CAPITAL,  
PER UNIFORM NET CAPITAL RULE 15c3-1 INCLUDED IN  
THE COMPANY'S CORRESPONDING UNAUDITED FORM X-17a-5  
PART IIA FILING WITH COMPUTATION INCLUDED  
IN THE REPORT PURSUANT TO RULE 17a-5(d)  
March 31, 2002

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Net capital per Company's unaudited Form X-17a-5 Part IIA filing	\$ 80,724
Audit adjustment	<u>          -</u>
Net capital per Company's audited Form X-17a-5 Part IIA filing	<u>\$ 80,724</u>

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER

G.I.C. Capital Markets, Inc.

as of 3/31/02

## COMPUTATION OF NET CAPITAL REQUIREMENT

**Part A**

11. Minimum net capital required (6 3/4% of line 19) .....	\$ 0	3758
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$ 5,000	3758
13. Net capital requirement (greater of line 11 or 12) .....	\$ 5,000	3760
4. Excess net capital (line 10 less 13) .....	\$ 75,724	3770
5. Excess net capital at 1000% (line 10 less 10% of line 19) .....	\$ 80,437	3780

## COMPUTATION OF AGGREGATE INDEBTEDNESS

6. Total A.I. liabilities from Statement of Financial Condition .....	\$ 2,874	3790
7. Add:		
A. Drafts for immediate credit .....	\$ 3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited .....	\$ 3810	
C. Other unrecorded amounts (List) .....	\$ 3820	3830
8. Total aggregate indebtedness .....	\$ 2,874	3840
9. Percentage of aggregate indebtedness to net capital (line 19 + line 10) .....	%	.0356 3850
10. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d) .....	%	.0326 3860

## COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT N/A

**Part B**

2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits .....	\$	3970
Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	3880
Net capital requirement (greater of line 22 or 23) .....	\$	3760
Excess capital (line 10 less 24) .....	\$	3910
Net capital in excess of the greater of:		
A. 5% of combined aggregate debit items or \$120,000 .....	\$	3920

**NOTES:**

The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:

1. Minimum dollar net capital requirement, or
2. 6 3/4% of aggregate indebtedness or 4% of aggregate debits if alternative method is used.

Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.

For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

# FINANCIAL AND OPERATIONAL UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER G.I.C. Capital Markets, Inc.

as of 3/31/02

## Exemptive Provision Under Rule 15c3-3

25. If an exemption from Rule 15c3-1 is claimed, identify below the section upon which such exemption is based (check one only)

- A. (k) (1) — \$2,500 capital category as per Rule 15c3-1 ..... 4550
- B. (k) (2)(A) — "Special Account for the Exclusive Benefit of customers" maintained ..... x 4580
- C. (k) (2) (B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis  
Name of clearing firm 4335 ..... 4570
- D. (k) (3) — Exempted by order of the Commission (include copy of letter) ..... 4580

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual (See below for code)	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)
4600	4601	4602	4603	4604	4605
4610	4611	4612	4613	4614	4615
4620	4621	4622	4623	4624	4625
4630	4631	4632	4633	4634	4635
4640	4641	4642	4643	4644	4645

Total \$ 4699

OMIT PENNIES

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

WITHDRAWAL CODE:	DESCRIPTIONS
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals



# CROWE CHIZEK

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

Board of Directors  
G.I.C. Capital Markets, Inc.  
Chicago, Illinois

In planning and performing our audit of the financial statements and supplemental schedules of G.I.C. Capital Markets, Inc. (the Company) for the year ended March 31, 2002, we considered its internal control, including procedures 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 (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 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.
2. 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 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 17a-5(g) lists additional objectives 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, 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 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 elements 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 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 our study, we believe that the Company's practices and procedures were adequate at March 31, 2002 to meet the SEC's objectives.

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

*Crowe Chizek and Company LLP*  
Crowe, Chizek and Company LLP

Oak Brook, Illinois  
April 24, 2002