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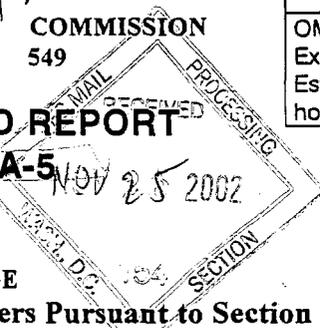
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COMMISSION 549

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



SEC FILE NUMBER
8- 35447

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 10/01/01 AND ENDING 09/30/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Inter-Market Capital Corporation (a wholly owned subsidiary of Inter-Market Financial Corporation)
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY
FIRM I.D. NO.

135 Sands Point Road
(No. and Street)
Port Washington New York 11050
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Louis Z. Weitz, CPA (516) 935-6700
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Ives & Sultan, LLP
(Name - if individual, state last, first, middle name)
100 Crossways Park Drive W. Woodbury New York 11797-2012
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

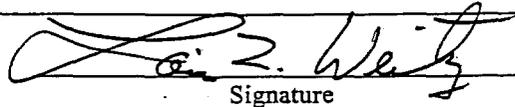
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THOMSON FINANCIAL

*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, Louis Z. Weitz, CPA, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Inter-Market Corporation (A wholly owned subsidiary of Inter-Market Financial Corporation), as of September 30, 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:


Signature

Certified Public Accountant
Title



Notary Public

NOTARY # 01BE6062526 - NASSAU COUNTY - TERM EXPIRES 8/13/05

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 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.

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

IVES & SULTAN, LLP

Certified Public Accountants

100 Crossways Park Drive West, Woodbury, NY 11797-2012

516-496-9500 • Fax: 516-496-9508

INDEPENDENT AUDITORS' REPORT

Inter-Market Capital Corporation
(A Wholly-Owned Subsidiary of
Inter-Market Financial Corporation)
Sands Point, New York

We have audited the accompanying statement of financial condition of Inter-Market Capital Corporation (A Wholly-Owned Subsidiary of Inter-Market Financial Corporation) as at September 30, 2002, and the related statements of income, changes in stockholders' equity, cash flows, and net capital computation for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 Inter-Market Capital Corporation (A Wholly-Owned Subsidiary of Inter-Market Financial Corporation) as at September 30, 2002 and the results of its operations and the changes in its financial position for the year then ended in conformity with generally accepted accounting principles.


IVES & SULTAN, LLP
Certified Public Accountants

October 9, 2002

INTER-MARKET CAPITAL CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF
INTER-MARKET FINANCIAL CORPORATION)

STATEMENT OF FINANCIAL CONDITION
SEPTEMBER 30, 2002

Assets

Assets	
Cash and Cash Equivalents <i>(Note 1b)</i>	\$ <u>92,090</u>
 Non-Allowable Assets	
Investments	64,250
Due From Parent	109,716
Prepaid Expenses	<u>50</u>
	<u>174,016</u>
	 <u>\$266,106</u>

Liabilities and Stockholders' Equity

Stockholders' Equity	
Common Stock - No Par Value	
100 Shares Authorized and Outstanding	\$ 10,100
Stockholders' Equity	<u>256,006</u>
	 <u>\$266,106</u>

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

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IVES & SULTAN, LLP
Certified Public Accountants

INTER-MARKET CAPITAL CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF
INTER-MARKET FINANCIAL CORPORATION)

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2002

1. Summary of Significant Accounting Policies

a. Type of Organization

Inter-Market Capital Corporation (the "Company") was incorporated in the State of New York on November 25, 1985 and is registered as a broker-dealer. The Company engages in arbitrage transactions related to balance sheet debt reduction in connection with leveraged leases and fixed income, fixed term securities. The Company is a wholly-owned subsidiary of Inter-Market Financial Corporation (the "Parent").

b. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

c. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

2. Related Party Transactions

Pursuant to a management agreement (the "Agreement") dated October 1, 1997, the Parent provides all support services for the Company including, among others, salaries, office space, legal and utilities in the normal course of its business.

The Company pays a management fee to the Parent equal to the lesser of 50% of the Company's net income or the Parent's total expenses per month, only to the extent that the Company realizes a quarterly net profit before tax of at least \$1,000 and such charges would not cause the Company to be in violation of the Net Capital Rule (see Note 3).

3. Net Capital Requirements

The Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934, 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 (and the Rule also provides that equity capital may not be withdrawn nor cash dividends paid if the resulting net capital ratio exceeds 10 to 1). At September 30, 2002, the Company had net capital of \$92,090 which was \$87,090 in excess of the minimum net capital requirement and its net capital ratio was 0 to 1.

4. Income Taxes

Income Taxes consist of the following:

Federal	\$ 7,036
New York State	<u>4,431</u>
	<u>\$11,467</u>

IVES & SULTAN, LLP

Certified Public Accountants

100 Crossways Park Drive West, Woodbury, NY 11797-2012

516-496-9500 • Fax: 516-496-9508

INDEPENDENT AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17A-5

Inter-Market Capital Corporation
A Wholly-Owned Subsidiary of
Inter-Market Financial Corporation
Sands Point, New York

In planning and performing our audit of the financial statements of Inter-Market Capital Corporation, a wholly-owned subsidiary of Inter-Market Financial Corporation, for the year ended September 30, 2002, we considered its internal control structure including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion of the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Act of 1934, we have made a study of the practices and procedures (including tests of compliance with such practice and procedures) followed by Inter-Market Capital Corporation that we considered relevant to the objective 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 the procedures for determining compliance with the exemptive provisions of rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining a system of internal accounting 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 control structure policies and procedures 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 Commission's above-mentioned objectives. Two of the objectives of internal control structure 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 acquisition, 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 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 any internal accounting control procedures or the practices and procedures referred to above, errors or irregularities 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 the internal control structure would not necessarily disclose all matters in the internal control structure 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 structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 the internal control structure, including procedures 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 Commission 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 September 30, 2002 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.


Ives & Sultan, LLP
Certified Public Accountants

October 9, 2002

IVES & SULTAN, LLP
Certified Public Accountants

100 Crossways Park Drive West, Woodbury, NY 11797-2012

516-496-9500 • Fax: 516-496-9508

**INTER-MARKET CAPITAL CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF
INTER-MARKET FINANCIAL CORPORATION)
(SEC I.D. No. 8-35447)**

**STATEMENT OF FINANCIAL CONDITION
AS OF SEPTEMBER 30, 2002
AND
INDEPENDENT AUDITORS' REPORT
AND
SUPPLEMENTAL REPORT ON INTERNAL CONTROL

Filed pursuant to Rule 17a-5(e)(3)
as a PUBLIC DOCUMENT

INTER-MARKET CAPITAL CORPORATION
(A WHOLLY-OWNED SUBSIDIARY OF
INTER-MARKET FINANCIAL CORPORATION)

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