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

SEC FILE NUMBER
a. 38037

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 04/01/03 AND ENDING 03/31/04  
MM/DD/YY MM/DD/YY

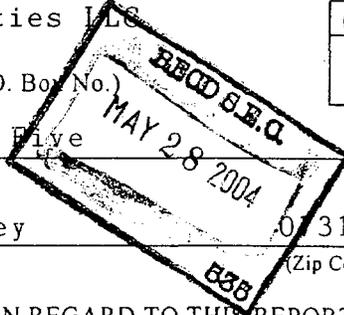
**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Intercapital Securities LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
Harborside Financial Center, 1100 Plaza Five  
(No. and Street)

Jersey City New Jersey 07311  
(City) (State) (Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.



NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Philip Curry 212-341-9746  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

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

1177 Avenue of the Americas New York New York 10036  
(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 10 2004

**FOR OFFICIAL USE ONLY**

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)

OATH OR AFFIRMATION

I, Philip Curry, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Intercapital Securities LLC, as of March 31, 2004, 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:

None

P. Curry  
Signature

Chief Financial Officer  
Title

ROSEMARY GUINTA  
NOTARY PUBLIC, State of New Jersey  
No. 2297663  
Qualified in Hudson County  
Commission Expires March 7, 2008

Rosemary Guinta  
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 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).

# **Intercapital Securities LLC**

(Formerly Garban Securities LLC)

**Statement of Financial Condition**

**March 31, 2004**

**Intercapital Securities LLC**

**Index**

**March 31, 2004**

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**Report of Independent Auditors**

To the Member of  
Intercapital Securities LLC

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of Intercapital Securities LLC (the "Company") (formerly Garban Securities LLC) at March 31, 2004 in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management; our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

May 24, 2004

**Intercapital Securities LLC**  
**Statement of Financial Condition**  
**March 31, 2004**

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*(dollars in thousands)*

**Assets**

Cash and cash equivalents	\$ 6,510
Receivable from brokers and dealers	251
Receivable from affiliates	125
Prepaid expenses and other assets	53
	<u>\$ 6,939</u>

**Liabilities and Member's Equity**

**Liabilities**

Accrued expenses and accounts payable	\$ 1,555
	<u>1,555</u>

Contingencies (Note 8)

Member's equity	<u>5,384</u>
	<u>\$ 6,939</u>

The accompanying notes are an integral part of this statement of financial condition.

**Intercapital Securities LLC**  
**Notes to Statement of Financial Condition**  
**March 31, 2004**

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*(dollars in thousands)*

**1. Organization**

Intercapital Securities LLC (the "Company") (formerly Garban Securities LLC) is a Delaware limited liability company. The Member is Garban LLC, a subsidiary of Intercapital North America, Inc. ("INA") (formerly Garban Intercapital North America, Inc.).

The Company is an indirect wholly owned subsidiary of ICAP plc, a public company registered in the United Kingdom and engaged principally in money and securities broking throughout the world.

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, Inc. ("NASD"). The Company, headquartered in New Jersey, acts as a broker/dealer of collateralized mortgage obligations, other asset-backed corporate debt securities, over the counter corporate bonds, U.S. Treasuries, and agencies.

**2. Summary of Significant Accounting Policies**

The preparation of the financial statement in conformity with generally accepted accounting principles in the United States of America 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 statement of financial condition. Actual results could differ from those estimates.

Cash and cash equivalents at March 31, 2004 include approximately \$6,510 invested in a short-term highly liquid money market mutual fund.

Securities transactions are recorded on a trade date basis.

The Company is party to a Tax Sharing Agreement (the "Agreement") with INA and affiliated entities. Pursuant to this Agreement, the Company is required to remit payments, on a quarterly basis, to INA in respect of current and deferred federal, state and local income taxes on the net income earned by the Company. The Company is included in the consolidated federal and combined state and local tax returns filed by INA. Deferred tax assets or liabilities and taxes currently receivable or payable are calculated as if each entity were a separate taxpayer.

Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

All financial assets and financial liabilities are stated at amounts which approximate fair value.

**Intercapital Securities LLC**  
**Notes to Statement of Financial Condition**  
**March 31, 2004**

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*(dollars in thousands)*

**3. Receivable from Brokers and Dealers**

Receivable from brokers and dealers includes \$250,000 in an account at a clearing broker.

**4. Net Capital Requirements**

The Company is subject to the SEC's 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. At March 31, 2004, the Company had net capital of approximately \$4,168 which was approximately \$4,064 in excess of its required net capital of \$104. The Company's ratio of aggregate indebtedness to net capital was .37 to 1.

The Company is exempt from SEC Rule 15c3-3 because it does not carry security accounts for customers or perform custodial functions related to customer securities.

**5. Employee Benefits**

The Company participates in an affiliate's trustee profit sharing plan (the "Plan") covering substantially all of its employees, under which Company contributions are made at the discretion of management.

**6. Financial Instruments With Off-Balance-Sheet Risk and Concentration of Credit Risk**

In the normal course of business, the Company, as a riskless principal, executes transactions between undisclosed principals. If the riskless principal transactions do not settle because of failure by either counterparty to perform, the Company may be required to discharge the obligation of the nonperforming party. However, the Company does not anticipate nonperformance by counterparties in the above situation.

In the normal course of its operations, the Company enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company believes the risk of loss is remote.

The contractual amount of purchase and sale transactions at March 31, 2004 was approximately \$3,527 million for both purchases and sales which have not yet reached settlement date. Substantially all of these transactions have settled.

**7. Transactions With Affiliates**

The Company entered into an agreement with an indirect wholly owned subsidiary of ICAP plc, whereby the subsidiary provides them with shared occupancy and administrative (including finance, human resources, operations, legal and electronic data processing functions) services. Amounts receivable from and payable to affiliates are non-interest bearing and due on demand.

**Intercapital Securities LLC**  
**Notes to Statement of Financial Condition**  
**March 31, 2004**

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*(dollars in thousands)*

**8. Contingencies**

The Company is involved in litigation arising in the ordinary course of its business. Management believes, based upon consultation with outside legal counsel, that the outcome of these matters will not have a material adverse effect on the Company's financial condition.

**Report of Independent Auditors on Internal Control  
Required by SEC Rule 17a-5**

To the Member of  
Intercapital Securities LLC

In planning and performing our audit of the financial statements and supplemental schedule of Intercapital Securities LLC (the "Company") (formerly Garban Securities LLC) for the year ended March 31, 2004, we considered its internal controls 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)(i) 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 compliance with such practices and procedures, that we considered relevant to the objectives stated in Rule 17a-5(g) in the following:

1. Making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11);
2. Making quarterly securities examinations, counts, verifications, and comparisons and in the recordation of differences required by Rule 17a-13; and
3. 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. 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; and
2. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.



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 control 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 internal controls or the practices and procedures referred to above, errors 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 controls 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 specific internal controls 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 controls, 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 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, 2004, to meet the SEC's objectives.

This report is intended solely for the information and use of the Member, management, the SEC, the National Association of Securities Dealers, Inc., 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 should not be used for any other purpose.

*Price Waterhouse Coopers LLP*

May 24, 2004