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SECURITIES AND COMMISSION  
Washington, D.C. 20549

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

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354  
WASH. D.C. SECTION

SEC FILE NUMBER  
8 53014

**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 1/1/01 AND ENDING 12/31/01  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: EQUITABLE ADVISORS, INC.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

ONE BELLE MEADE PLACE, SUITE 310

(No. and Street)

NASHVILLE

TN

37205

(City)

(State)

(Zip Code)

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

LARRY SMITH

(615) 460-1160

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

BYRD, PROCTOR & MILLS, P.C.

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

111 WESTWOOD PLACE, SUITE 400

BRENTWOOD

TN

37027

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

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

PROCESSED

P MAR 20 2002

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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).

AAJ  
3/19/2002

OATH OR AFFIRMATION

I, H. Larry Smith, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of EQUITABLE ADVISORS, INC., as of

DECEMBER 31, 192001, 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

H. Larry Smith  
Signature  
Financial & Operations Principal  
Title

Janet L. Inusek  
Notary Public  
My Commission Expires JULY 30, 2005

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~~.  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 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 Auditors' Report on Internal Control

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

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# BYRD, PROCTOR & MILLS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Equitable Advisors, Inc.  
Nashville, Tennessee

We have audited the accompanying statement of financial condition of Equitable Advisors, Inc. (an S Corporation) as of December 31, 2001, and the related statements of income, changes in stockholder's equity, changes in liabilities subordinated to claims of general creditors, 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. 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 Equitable Advisors, Inc. at December 31, 2001, 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 conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on page 9 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.

*Byrd, Proctor & Mills, P.C.*

February 5, 2002

EQUITABLE ADVISORS, INC.  
STATEMENT OF FINANCIAL CONDITION  
December 31, 2001

ASSETS

Cash	\$ 10,760
Receivable from clearing organization	81,036
Due from affiliated companies	28,509
Property and equipment	41,867
Other assets	<u>793</u>
	<u>\$162,965</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES

Due to affiliated companies	\$ 1,057
Accounts payable, accrued expenses and other liabilities	<u>1,608</u>
	2,665

STOCKHOLDER'S EQUITY

Common stock, \$.01 par value, 1,000 shares authorized, issued and outstanding	10
Additional paid-in capital	139,990
Retained earnings	<u>20,300</u>
	<u>160,300</u>
	<u>\$162,965</u>

See accompanying notes.

EQUITABLE ADVISORS, INC.  
STATEMENT OF INCOME  
Year Ended December 31, 2001

REVENUES

Commissions	\$501,095
Interest and dividends	7,608
Investment advisory fees	309,356
Other income	<u>71,753</u>
	<u>889,812</u>

EXPENSES

Employee compensation and benefits	503,657
Floor brokerage, exchange and clearance fees	94,763
Communications and data processing	20,748
Regulatory laws and expenses	16,801
Other expenses	<u>230,279</u>
	<u>866,248</u>

Income before state income taxes 23,564

State income taxes 223

Net income \$ 23,341

See accompanying notes.

EQUITABLE ADVISORS, INC.  
 STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY  
 Year Ended December 31, 2001

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total</u>
BALANCE AT JANUARY 1, 2001	\$10	\$ 99,990	\$(3,041)	\$ 96,959
Net income	-	-	23,341	23,341
Capital contribution	-	250,000	-	250,000
Capital distribution	-	<u>(210,000)</u>	-	<u>(210,000)</u>
BALANCE AT DECEMBER 31, 2001	<u>\$10</u>	<u>\$ 139,990</u>	<u>\$20,300</u>	<u>\$ 160,300</u>

See accompanying notes.

EQUITABLE ADVISORS, INC.  
STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED  
TO CLAIMS OF GENERAL CREDITORS  
Year Ended December 31, 2001

Balance at January 1, 2001	\$ -
Increases (decreases)	<u>-</u>
Balance at December 31, 2001	<u>\$ -</u>

See accompanying notes.

EQUITABLE ADVISORS, INC.  
STATEMENT OF CASH FLOWS  
Year Ended December 31, 2001

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net income	\$ 23,341
Adjustments to reconcile net income to net cash used by operating activities	
Depreciation	9,314
Increase in operating assets	
Receivable from clearing organization	(81,036)
Due from affiliated companies	(28,509)
Other assets	(793)
Increase in operating liabilities	
Due to affiliated companies	1,057
Accounts payable, accrued expenses and other liabilities	<u>1,608</u>
Net cash used by operating activities	(75,018)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property and equipment	<u>(51,181)</u>
Net cash used by investing activities	(51,181)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Capital contribution	250,000
Capital distribution	<u>(210,000)</u>
Net cash provided by financing activities	<u>40,000</u>
Net decrease in cash and cash equivalents	(86,199)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>96,959</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>10,760</u>
<b>SUPPLEMENTARY DISCLOSURES</b>	
State income tax payments	\$ <u>1,000</u>

See accompanying notes.

EQUITABLE ADVISORS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Equitable Advisors, Inc. (the Company) is a Tennessee corporation formed in 2000 and is a wholly owned subsidiary of ETC Corporation. 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 (NASD). The Company provides investment advisory services related to investments such as securities, mutual funds, insurance contracts and other types of investments primarily to customers in Tennessee. The Company does not ordinarily provide credit to its customers.

Depreciation

The Company's property and equipment are depreciated using primarily accelerated methods over their estimated useful lives of five to seven years.

Investment Advisory Income

Investment advisory fees are received quarterly but are recognized as earned on a pro rata basis over the term of the contract.

Income Taxes

The Company, with the consent of its stockholder, has elected under the Internal Revenue Code to be an S Corporation. In lieu of corporate federal income taxes, the stockholders of an S Corporation are taxed on their proportionate share of the company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements. Certain states do not recognize S Corporations and therefore levy a tax on the S Corporation's state taxable income.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. 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.

EQUITABLE ADVISORS, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2001

NOTE 2 – RECEIVABLE FROM CLEARING ORGANIZATION

Amounts receivable from the clearing organization consists of fees and commissions receivable and payable. The Company clears its customer transactions through another broker-dealer on a fully disclosed basis.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Office and computer equipment	\$51,181
Accumulated depreciation	<u>(9,314)</u>
	<u>\$41,867</u>

NOTE 4 – OPERATING LEASES

The Company leases certain equipment under operating lease arrangements. Rent expense under such arrangements amounted to \$18,837.

A summary of future minimum rentals required under noncancelable leases with a lease term of one year or more are as follows:

2002	\$15,180
2003	15,180
2004	<u>3,795</u>
	<u>\$34,155</u>

NOTE 5 – NET CAPITAL REQUIREMENTS

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, 2001, the Company had net capital of \$88,928, which was \$38,928 in excess of its required net capital of \$50,000. The Company's net capital ratio was .03 to 1.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Company shares office space with three affiliated companies. Expenses related to office rent, professional fees, maintenance, office equipment and other office related items are paid for by the parent corporation and are charged to the Company on a pro rata basis. The amount charged to the Company amounted to \$87,210.

The Company paid \$33,333 to an affiliated company for management fees.

Investment advisory fees of \$67,356 were received from a company owned by an affiliated company.

SUPPLEMENTARY INFORMATION

EQUITABLE ADVISORS, INC.  
 COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
 OF THE SECURITIES AND EXCHANGE COMMISSION  
 December 31, 2001

COMPUTATION OF NET CAPITAL

Total stockholder's equity qualified for net capital		\$ 160,300
Deductions and/or changes		
Due from affiliated companies	\$ 28,509	
Property and equipment, net	41,867	
Other assets	<u>793</u>	<u>71,169</u>
Net capital before haircuts on securities positions		89,131
Haircuts on securities		
Money market funds		<u>203</u>
Net capital		\$ <u><u>88,928</u></u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required		\$ <u><u>178</u></u>
Minimum dollar net capital requirement of reporting broker or dealer		\$ <u><u>50,000</u></u>
Net capital requirement		\$ <u><u>50,000</u></u>
Excess net capital		\$ <u><u>38,928</u></u>
Excess net capital at 1,000%		\$ <u><u>88,662</u></u>

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total aggregate indebtedness liabilities		\$ <u><u>2,665</u></u>
Percentage of aggregate indebtedness to net capital	%	<u><u>3</u></u>

RECONCILIATION WITH COMPANY'S COMPUTATION

Net capital, as reported in Company's Part II (unaudited) FOCUS report		\$ 87,273
Audit adjustment to state taxes		1,031
Difference due to reclassifying/offsetting of various asset and liabilities accounts		<u>624</u>
Net capital per above		\$ <u><u>88,928</u></u>

# BYRD, PROCTOR & MILLS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors  
Equitable Advisors, Inc.  
Nashville, Tennessee

In planning and performing our audit of the financial statements of Equitable Advisors, 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 the 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 compliance with 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 the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13
2. 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
3. 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 an 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 conformity with generally accepted accounting principles accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of 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. 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 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, 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 December 31, 2001, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, National Association of Securities Dealers (NASD), 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.

*Byrd, Proctor & Mills, P.C.*

February 5, 2002

EQUITABLE ADVISORS, INC.  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
Year Ended December 31, 2001