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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

FEB 28 2002

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:

Brandon Investments, Inc.

OFFICIAL USE ONLY

FIRM ID. NO.

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

5101 Wheelis Road, Suite 112

(No. and Street)

Memphis

(City)

TN

(State)

38117

(Zip Code)

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

Ray Brandon (901) 324-6600

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Hill and Ellzey, PC

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

5112 Stage Road, Suite 3, Memphis

(Address)

(City)

TN

(State)

38134-3164

Zip Code

CHECK ONE:

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

FOR OFFICIAL USE ONLY

PROCESSED

MAR 15 2002

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).

SEC 1410 (3-91)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

10/3/02

SO  
3/5/02

10/3/02

OATH OR AFFIRMATION

I, E. Denby Brandon, III, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Brandon Investments, Inc., as of 12/31/01, 19, 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:

Three horizontal lines for listing exceptions.

Handwritten signature: E. Denby Brandon

Signature

President

Title

Handwritten signature: RBM

Notary Public

My Commission Expires Nov. 29, 2004

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.

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

BRANDON INVESTMENTS, INC

FINANCIAL STATEMENTS

December 31, 2001

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**HILL & ELLZEY, P.C.**

*Certified Public Accountants*

Stage Woods Office Park

5112 Stage Rd., Suite 3

MEMPHIS, TN 38134-3164

901/388-3496

901/385-7517 Fax

Email: [cpamps@cpamemphis.com](mailto:cpamps@cpamemphis.com)

Website: [www.cpamemphis.com](http://www.cpamemphis.com)

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*Hill & Ellzey, P.C.*  
Certified Public Accountants

Brian C. Hill, CPA  
Randal E. Ellzey, CPA, CFP  
J. Wayne Vanderford, CPA  
Ellis J. Hill, CPA

Independent Auditor's Report

Board of Directors  
Brandon Investments, Inc.  
Memphis, Tennessee

We have audited the accompanying balance sheet of Brandon Investments, Inc. as of December 31, 2001, and the related statements of income and expenses, changes in stockholders' equity, 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 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 misstatement. An audit 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 Denby Brandon Organizations, Inc. as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 6, 7 and 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

*Hill & Ellzey*  
HILL & ELLZEY, PC  
Certified Public Accountants

Memphis, Tennessee  
January 17, 2002

Brandon Investments, Inc.

BALANCE SHEET

December 31, 2001

BALANCE SHEET

CURRENT ASSETS

Cash and cash equivalents	\$ 247,366	
Accounts receivable	30,240	
Prepaid expenses	<u>15,379</u>	
Total current assets		\$ 292,985

FIXED ASSETS

Furniture, fixtures and equipment	\$ 86,907	
Less accumulated depreciation	<u>78,505</u>	
Total fixed assets - net		8,402

OTHER ASSETS

Due from affiliate	\$ <u>89,202</u>	<u>89,202</u>
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TOTAL ASSETS

\$ 390,589

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 1,586	
Accrued payroll taxes	<u>34</u>	

Total current liabilities

\$ 1,620

OTHER LIABILITIES

Deferred income taxes		<u>5,052</u>
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Total liabilities

\$ 6,672

STOCKHOLDERS' EQUITY

Common stock - authorized, issued and outstanding 100 shares, no par value	\$ 4,996	
Retained earnings	<u>378,921</u>	
Total stockholders' equity		<u>383,917</u>

TOTAL LIABILITIES AND STOCK-  
HOLDERS' EQUITY

\$ 390,589

See notes to financial statements.

Brandon Investments, Inc.  
STATEMENT OF INCOME AND EXPENSES  
Year Ended December 31, 2001

INCOME			
Commissions		\$ 758,417	
Dividends and other income		<u>8,864</u>	
Total income			\$ 767,281
EXPENSES			
Advertising & Promotion		\$ 2,269	
Automobile expense		3,842	
Contributions		1,000	
Miscellaneous Expense		18,987	
Dues and publications		9,140	
Entertainment		4,749	
Insurance		75,266	
Office supplies and expense		17,851	
Postage		6,940	
Depreciation		16,221	
Professional services		9,378	
Profit sharing		97,246	
Rent		39,888	
Salaries		737,083	
Taxes		35,902	
Telephone		6,057	
Travel		16,545	
Reimbursed by affiliate (Note 3)		<u>(303,669)</u>	
Total expense			<u>794,695</u>
NET INCOME BEFORE INCOME TAXES			\$ (27,414)
PROVISION FOR INCOME TAXES			
Current			
State		\$ 893	
Federal		-0-	
Deferred		<u>( 2,019)</u>	
Total provision for income taxes			<u>(1,126)</u>
NET INCOME FOR THE YEAR			<u><u>\$ (26,288)</u></u>

See notes to financial statements.

Brandon Investments, Inc.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Year Ended December 31, 2001

	<u>Common Stock</u>		<u>Retained Earnings</u>
	<u>Number of shares</u>	<u>Amount</u>	
Balance December 31, 2000	100	\$4,996.22	\$405,209
Net income(loss) for the year			<u>(26,288)</u>
Balance December 31, 2001	<u>100</u>	<u>\$ 4,996.22</u>	<u>\$378,921</u>

See notes to financial statements.

Brandon Investments, Inc.

STATEMENT OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

Year Ended December 31, 2001

Cash flows from operating activities:	
Net income	\$ 26,288
Adjustments to reconcile net income to net cash provided by operating activities:	
Decrease in deferred income taxes	\$ (2,019)
Depreciation	16,221
Changes in operating assets and liabilities:	
Decrease in accounts receivable	11,947
Increase in prepaid expenses	(6,809)
Decrease in due from affiliate	1,831
Decrease in accounts payable	(432)
Decrease in accrued taxes	<u>(2,824)</u>
Total adjustments to net income	<u>17,915</u>
Net cash provided by operating activities	\$ (8,373)
Cash flows from investing activities-purchase of equipment	<u>(23,491)</u>
Net Increase in Cash and Cash Equivalents	\$ (31,864)
Cash and Cash Equivalents December 31, 2000	<u>279,230</u>
Cash and Cash Equivalents December 31, 2001	<u>\$247,366</u>

See notes to financial statements.

Brandon Investments, Inc.

STATEMENT OF CHANGES IN LIABILITIES  
SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

Year Ended December 31, 2001

Subordinated liabilities		
December 31, 2000	\$	.00
Subordinated liabilities		
December 31, 2001	\$	.00

See notes to financial statements.

Brandon Investments, Inc.

COMPUTATION OF NET CAPITAL

December 31, 2001

NET CAPITAL		
Stockholders' equity		\$383,917
Add:		
Deferred income taxes		<u>5,052</u>
Total capital and allowable liabilities		388,969
Deductions:		
Fixed assets - net	\$ 8,402	
Prepaid expenses	15,379	
Non-allowable assets - other	<u>89,202</u>	<u>112,983</u>
Net capital before haircuts		275,986
Haircuts on securities		
Money market account		<u>4,961</u>
NET CAPITAL		<u>\$271,025</u>
MINIMUM NET CAPITAL REQUIREMENT		<u>\$ 5,000</u>
AGGREGATED INDEBTEDNESS		
Accounts payable and accrued expenses		<u>\$ 1,620</u>
Percentage of aggregated indebtedness to net capital		<u>167 to 1</u>

See notes to financial statements.

Brandon Investments, Inc.

RECONCILIATION WITH COMPANY COMPUTATION

December 31, 2001

Reconciliation of Net Capital	
Net capital as reported in Company FOCUS Report	\$235,734
Add:	
Decrease in allowable assets	
Accounts receivable & other assets	\$ 30,240
Deduct:	
Increase in aggregate indebtedness	
Decrease in accrued expense	<u>(5,051)</u>
NET CAPITAL	<u>\$271,025</u>
Reconciliation of Aggregate Indebtedness	
Aggregate indebtedness as reported in Company's FOCUS Report	\$ 6,671
Add/Deduct:	
Decrease in accrued expenses	<u>\$ (5,051)</u>
Aggregate indebtedness	<u>\$ 1,620</u>

See notes to financial statements.

Brandon Investments, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Brandon Investments, Inc. was organized on July 16, 1982 as a support organization of its affiliate corporation, Brandon Financial Planning, Inc. The company sells securities, life insurance, annuities, and other types of investments that would be recommended by its affiliate. The company derives its income from commissions on those sales.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

For the purposes of the statement of cash flows, the company considers cash equivalents to include all highly liquid temporary interest-bearing deposits having an original maturity of three months or less.

Deferred income taxes are provided for the timing differences between financial statement and income tax reporting.

Property and equipment are stated at cost. Depreciation is computed over the estimated useful lives of the assets using accelerated methods.

NOTE 2: RELATED PARTIES

Substantial managerial services, office facilities, and other benefits are provided by the company to Branco Planning Company, Inc., which is affiliated with the company through common ownership and control. There were no financial transactions between the companies except as outlined in Note 3.

Brandon Investments, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2001

NOTE 3: ADMINISTRATIVE OVERHEAD REIMBURSEMENT

This income item represents an allocation of the costs incurred by the company, as explained in Note 2 above. Many of the items of expense overlap between the two corporations, making it virtually impossible to separate them without cumbersome and time consuming time and/or other records. The allocations are based on percent of total income, which appears reasonable, according to management.