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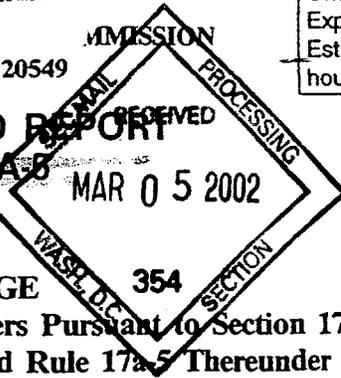
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ANNUAL AUDITED REPORT
FORM X-17A-5
PART II



FACING PAGE

354

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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Alanar, Inc.

OFFICIAL USE ONLY
 FIRM ID. NO.

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

101 S. Main Street

(No. and Street)

Sullivan

Indiana

47882

(City)

(State)

(Zip Code)

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

Vaughn A. Reeves, Sr.

(812) 268-3121

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Bray & Associates CPA's, LLC

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

122 E. Washington Street Greencastle, In 46135

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED
 MAR 14 2002
 THOMSON
 FINANCIAL

FOR OFFICIAL USE ONLY

*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).

3/13/02
 SS

OATH OR AFFIRMATION

I, Marilyn Lawhead, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Alanar, Inc., as of December 31, 2001, 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:

Marilyn Lawhead
Signature
Treasurer
Title

Jessie D. Kennett
Notary Public
Sullivan County, Indiana
Exp. Date: April 17, 2008

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 Auditors Report on Internal Accounting Control.

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

Bray & Associates CPA's, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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Edward H. Hammond, P.A.

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ACCOUNTANTS SOCIETY

Independent Auditor's Report

To the Stockholder
Alanar Incorporated

We have audited the balance sheet of Alanar Incorporated as of December 31, 2001-2000, and the related statements of income, changes in stockholder's equity, and cash flows for the two years 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 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 Alanar Incorporated as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the two years then ended in conformity with generally accepted accounting principles in the United States of America.

Bray & Associates, LLC

Bray & Associates CPA's, LLC

January 29, 2002

Bray & Associates CPA's, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Stockholder
Alanar Incorporated

In planning and performing our audit of the financial statements of Alanar, Incorporated for the year ended December 31, 2001, 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 on 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 and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Alanar Incorporated that we considered relevant to the objectives stated in rule 17a-5(g) (1) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a) (11) and the reserve required by rule 15c-3(e); (2) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13; (3) in complying with the requirement for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System; and (4) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c-3.

The management of the company is responsible for establishing and maintaining an internal control structure 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 an 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 use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit 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.

ALANAR INCORPORATED
BALANCE SHEET
DECEMBER 31, 2001-2000

	2001	2000
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 198,244	\$ 206,888
Accounts Receivable	154,891	159,346
Taxes	13,561	21,491
Clearing Deposit	15,000	15,000
Prepaid Expense	<u>1,772</u>	<u>6,709</u>
Total Current Assets	\$ 383,468	\$ 409,434
Net property and equipment, at cost (Note 2)	\$ 146,317	\$ 139,897
Other Assets:		
Bonds	\$ 28,738	\$ 34,151
Notes Receivable- Officer	<u>175,054</u>	<u>174,732</u>
Total Other Assets	\$ <u>203,792</u>	\$ <u>208,883</u>
Total Assets	\$ <u>733,577</u>	\$ <u>758,214</u>
Liabilities and Stockholder's Equity		
Liabilities:		
Current Liabilities:		
Trade Accounts Payable	\$ 31,950	\$ 53,032
Accrued Payroll	43,379	69,821
Payroll Taxes Payable	<u>27,033</u>	<u>28,257</u>
Total Current Liabilities	\$ 102,362	\$ 151,110
Long-Term Debt:		
Deferred Federal Income Tax	\$ <u>11,372</u>	\$ <u>20,446</u>
Total Long Term Debt	<u>11,372</u>	<u>20,446</u>
Total Liabilities	\$ 113,734	\$ 171,556
Stockholder's Equity:		
Common stock, \$ 5.00 par value; 5,000 shares authorized, issued and outstanding	\$ 25,000	\$ 25,000
Additional paid-in capital	154,616	154,616
Retained Earnings	<u>440,227</u>	<u>407,042</u>
Total Stockholder's Equity	\$ <u>619,843</u>	\$ <u>586,658</u>
Total Liabilities and Stockholder's Equity	\$ <u>733,577</u>	\$ <u>758,214</u>

See Accountant's Report and Accompanying Notes

ALANAR INCORPORATED
STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2001-2000

	2001	2000
Income:		
Commissions/Fees	\$ 1,887,222	\$ 2,171,910
Interest	<u>24,768</u>	<u>29,630</u>
Total Income	\$ 1,911,990	\$ 2,201,540
Expenses:		
Commissions/Salaries	\$ 1,407,840	\$ 1,526,944
Regulatory Fees/License Fees	22,891	40,715
Depreciation/Amortization	31,289	32,797
Taxes Other Than Income	99,194	107,655
General and Administrative	278,148	351,445
Occupancy	<u>52,530</u>	<u>69,775</u>
Total Expenses	\$ 1,891,892	\$ 2,129,331
Other Income and Expense		
Rent	\$ 2,276	\$ 0
Gain on Sale of Equipment	0	2,100
Recovery of Bad Debt	16,000	<u>8,000</u>
Junked Items and Leasehold Improvements	<u>(94)</u>	<u>(56,087)</u>
Income before income taxes	\$ 38,280	\$ 26,222
Provisions for Federal and State income taxes, current and deferred	<u>5,095</u>	<u>11,089</u>
Net income	\$ 33,185	\$ 15,133

See Accountant's Report and Accompanying Notes.

ALANAR INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001 - 2000

	2001	2000
Cash Flows from Operating Activities:		
Net Income	\$ 33,185	\$ 15,133
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on Sale of Asset	0	(2,100)
Amortization	2,777	4,937
Depreciation	28,512	27,860
(Increase) Decrease in:		
Accounts Receivable	4,455	(17,555)
Employee Advances/Notes	(322)	(67,713)
Prepaid Expense	4,937	(2,117)
Income Tax Receivable	7,930	(21,491)
Increase (Decrease) in:		
Accounts Payable	(21,082)	38,614
Accrued Wages	(26,442)	(63,799)
Payroll Taxes	(1,224)	(8,293)
Deferred State, Federal Income Tax Payable	<u>(9,074)</u>	<u>(4,074)</u>
Net Cash Provided (Used) by Operating Activities	\$ 23,652	\$ (100,598)
Cash Flows from Investing Activities:		
Leasehold Improvements	\$ 0	\$ (42,381)
Purchase of Equipment & Vehicles	(37,804)	(41,365)
Proceeds from Sale of Bonds	5,414	11,250
Loss on Junked Items	94	56,087
Sale of Assets	<u>0</u>	<u>2,100</u>
Net Cash (Used) by Investing Activities	\$ (32,296)	\$ (14,309)
Cash Flows from Financing Activities:		
Dividends Paid	\$ <u>0</u>	\$ (20,000)
Net Cash (Used) by Financing Activities	\$ <u>0</u>	\$ (20,000)
Net (Decrease) Increase in Cash and Cash Equivalents at beginning of year	\$ (8,644)	\$ (134,907)
	<u>206,888</u>	<u>341,795</u>
Cash and Cash Equivalents at end of year	\$ <u>198,244</u>	\$ <u>206,888</u>
Supplemental Disclosures:		
State and Federal Income taxes paid	\$ 0	\$ 45,121
Interest Paid	0	0

See Accountant's Report and Accompanying Notes.

Alanar, Inc.
Statement of Changes in Stockholder's Equity
for the years ended December 31, 2000, 2001
(Dollars Except Shares Data)

	Common		Additional Paid-In Capital	Retained Earnings	Total Stockholders Equity
	Shares	Amount			
Balance at January 1, 2000	5000	\$25,000	154616	411909	591525
Net Income				15133	15133
Dividends on Common				<u>-20000</u>	<u>20000</u>
Balance at December 31, 2000	5000	\$25,000	154616	407042	586658
Net Income				33185	33185
Balance at December 31, 2001	<u>5000</u>	<u>\$25,000</u>	<u>154616</u>	<u>440227</u>	<u>619843</u>

These notes are an integral part of the preceding financial statements.

ALANAR INCORPORATED
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

Note 1 - Description of business and summary of significant accounting policies:

Alanar Incorporated (the company) was incorporated in Indiana on September 1, 1988 for the purpose of qualifying as a broker-dealer. The company was licensed as a broker-dealer and began operations on September 2, 1988. The company is licensed in several states as a broker dealer. The company primarily assists churches in preparing bond issues for new construction.

The following is a summary of the more important accounting principles and policies followed by the company.

Revenue recognition

Revenue related to commissions earned resulting from the sale of securities is recognized generally at the "date of closing." Revenue from underwriting is recognized when cash is received.

Income taxes

Current and deferred income taxes are provided in amounts sufficient to give effect to timing differences between financial and tax reporting which results from the differences in tax reporting and accrual basis for financial reporting.

Property and equipment

Depreciation and amortization of equipment is computed using the straight-line method with estimated useful lives ranging from five to seven years. The company renovated its leased property and is depreciating these improvements on a straight-line basis over a range of ten to thirty-nine years.

Expenditures for maintenance and repairs are charged to expense as incurred. Additions and betterments are capitalized. The cost of properties sold or otherwise disposed of, and the accumulated depreciation thereon, is eliminated from the property and reserve accounts, and gains and losses are reflected in income.

Cash equivalents

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

Alanar Incorporated
Notes to Financial Statements - Continued
December 31, 2001

Note 2-Property and equipment:

Property and equipment consists of the following:

	<u>Depreciable Lives (Years)</u>	<u>2001</u>	<u>2000</u>
Equipment	5-7	\$ 191,288	\$ 168,414
Vehicles	5	10,500	0
Leasehold Improve.	10-39	47,559	42,744
Less: Accumulated Depreciation and Amortization		(98,632) (<u>4,398</u>)	(69,641) (<u>1,620</u>)
<u>Net property and equipment</u>		<u>\$ 146,317</u>	<u>\$ 139,897</u>

Note 3- Income taxes:

The income tax payable provision for the year ended December 31, 2001-2000 consists of the following: The Company had an overpayment to cover 2001 income taxes.

	2001	2000
Federal, current	\$ 0	\$ 0
State, current	<u>0</u>	<u>0</u>
	\$ 0	\$ 0

Transactions with related parties

The company rents it's facilities and certain equipment from Vaughn Reeves, Sr., the President. Rental payments for these assets total \$ 61,680 for 2001 and \$59,220 for 2000.

Pension Plan

The company began an approved pension plan during 1995. All employees are eligible to participate. The company matches up to 10% of employee deferrals. For the year ended the expense to the company was \$ 6,817 for 2000 and \$ 9,572 for 2001.

Alanar Incorporated
Notes to Financial Statements - Continued
December 31, 2001

Net capital requirements:

The company is subject to the Securities and Exchange Commission Uniform Net Capital rule 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 8 to 1. At December 31, 2001, the company had net capital of \$ 138,399, which was \$ 130,817 in excess of its required net capital of \$ 7,582 based on aggregate indebtedness.

Leases

The company has incurred lease obligations in the leasing of equipment at December 31, 2000. Scheduled lease payments are as follows: The building is leased from the President on an annual renewable lease. The lease for 2002 is \$ 46,680.00 and is included in the 2002 amount.

2002	\$65,654
2003	18,974
2004	18,974
2005	13,980

Estimates

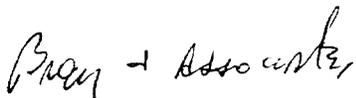
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

To the Stockholder
Alanar Incorporated
Page Two

Because of inherent limitations in any internal control structure 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 statement 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 December 31, 2001 to meet the Commission's objectives.



BRAY & ASSOCIATES CPA'S, LLC

January 29, 2002

SUPPLEMENTAL INFORMATION

BRAY & ASSOCIATES CPA's, LLC
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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION

To the Stockholder
Alanar, Incorporated

Our report on our audit of the basic financial statements of Alanar Incorporated for 2001 appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule 1, 2 and 3 are presented for purposes of additional analysis and are 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.

Bray & Associates
BRAY & ASSOCIATES CPA's, LLC

January 29, 2002

ALANAR INCORPORATED
SCHEDULE I
RECONCILIATION OF AUDITED AND UNAUDITED REPORTS
DECEMBER 31, 2001

	As Reported	Adjustment		As Audited
		Debit	Credit	
Assets:				
Cash	\$ 196,468			\$ 196,468
Clearing Account	15,000			15,000
Receivables	347,054			347,054
Debt Securities	28,738			28,738
Equipment Leasehold Improvements	<u>148,417</u>	\$	2,100	<u>146,317</u>
Total Assets	\$ <u>735,677</u>			\$ <u>733,577</u>
 Liabilities				
Accounts Payable & Accrued Expense	\$ <u>112,604</u>	\$	1,130	\$ <u>113,734</u>
Total Liabilities	\$ 112,604			\$ 113,734
 Stockholder's Equity				
Common Stock	\$ 25,000			25,000
Additional Paid-In Capital	154,616			154,616
Retained Earnings	<u>443,457</u>	3,230		<u>440,227</u>
Total Stockholder's Equity	<u>623,073</u> \$			<u>619,843</u>
Total Liabilities & Stockholder's Equity	\$ <u>735,677</u> \$	<u>3,230</u> \$	<u>3,230</u> \$	\$ <u>733,577</u>

See Independent Auditor's Report on Supplemental Information.

ALANAR INCORPORATED
SCHEDULE 2
EXPLANATION OF AUDIT ADJUSTMENTS

	Dollars	
	Debit	Credit
Accumulated Depreciation		2,100
Accounts Payable		1,130
Retained Earnings	3,230	

To record depreciation expense on vehicles and eliminate a debit balance in miscellaneous payable.

See Independent Auditor's Report on Supplemental Information.

ALANAR INCORPORATED
SCHEDULE 3
RECONCILIATION OF ADJUSTED NET CAPITAL AS REPORTED
COMPARED TO AMOUNT PREVIOUSLY REPORTED BY BROKER-DEALER
DECEMBER 31, 2001

	AS REPORTED	ADJUSTMENTS	AS CORRECTED
Total Ownership	\$ 623,073	\$ (3,230)	\$ 619,843
Non Allowable	<u>(454,806)</u>	<u>2,100</u>	<u>(452,706)</u>
Net Capital Before Haircuts	\$ 168,267	\$ (1,130)	\$ 167,137
Debt Securities	<u>28,738</u>		28,738
Net Capital	\$ 139,529	1,130	\$ 138,399
Less: Capital Required Based on Aggregated Indebtedness	<u>(7,506)</u>	76	<u>(7,582)</u>
Net Capital In Excess	\$ <u>132,023</u>	\$ <u>1,206</u>	\$ <u>130,817</u>
Total Liabilities	112,604	1,130	113,734

See Independent Auditor's Report on Supplemental Information.

Alanar Incorporated
Financial Statements
and
Supplemental Information

December 31, 2001 and 2000