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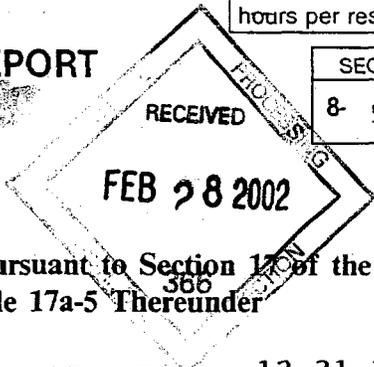
SECURITIES REGISTRATION

So 3/6/02

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

SEC FILE NUMBER
8- 52029



**FACING PAGE  
Information Required of Brokers and Dealers Pursuant to Section 17(b) of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01-01-2001 AND ENDING 12-31-2001  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Allstate Distributors, L.L.C.

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

3100 Sanders Road

(No. and Street)

Northbrook

Illinois

60062

(City)

(State)

(Zip Code)

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

William Webb

(847) 402-6509

(Area Code — Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Deloitte & Touche LLP

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

180 No. Stetson Avenue

Chicago

Illinois

60601

(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 12 2002

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THOMSON FINANCIAL

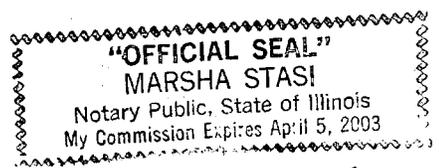
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

5/1/02

OATH OR AFFIRMATION

I, William Webb, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Allstate Distributors, L.L.C., as of December 31, ~~XX~~ 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



[Signature]  
Signature  
Treasurer  
Title

[Signature]  
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 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).

# ALLSTATE DISTRIBUTORS, L.L.C.

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## **INDEPENDENT AUDITORS' REPORT**

Executive Committee and Members  
Allstate Distributors, L.L.C.  
Northbrook, Illinois

We have audited the following financial statements of Allstate Distributors, L.L.C. (the "Company") for the year ended December 31, 2001, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934:

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Statement of Financial Condition	3
Statement of Operations and Members' Equity	4
Statement of Cash Flows	5

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, such financial statements present fairly, in all material respects, the financial position of Allstate Distributors, L.L.C. 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 following supplemental schedules of Allstate Distributors, L.L.C. as of December 31, 2001, are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934:

	Page
Computation of Net Capital for Pursuant to Rule 15c3-1 Under the Securities Exchange Act of 1934	8
Computation for Determination of Reserve Requirements for Pursuant to Rule 15c3-3 Under the Securities Exchange Act of 1934	9

These schedules are the responsibility of the Company's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

*Deloitte & Touche LLP*

February 15, 2002

# ALLSTATE DISTRIBUTORS, L.L.C.

## STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2001

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### Assets

Cash	\$ 3,067,743
Commissions receivable	1,404,088
Other assets	<u>3,825</u>
<b>Total assets</b>	<b>\$ <u>4,475,656</u></b>

### Liabilities

Accrued distribution expenses	\$ 2,513,493
Commissions payable	864,163
Accounts payable and accrued expenses	<u>20,100</u>
<b>Total liabilities</b>	<b><u>3,397,756</u></b>

### Members' Equity

<b>Total liabilities and members' equity</b>	<b>\$ <u>4,475,656</u></b>
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See notes to financial statements.

# ALLSTATE DISTRIBUTORS, L.L.C.

## STATEMENT OF OPERATIONS AND MEMBERS' EQUITY YEAR ENDED DECEMBER 31, 2001

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### Revenues

Commission income	\$ 91,480,937
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### Expenses

Commission expense	75,712,110
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Distribution expenses	19,038,883
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Regulatory fees and expenses	<u>55,238</u>
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	<u>94,806,231</u>
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<b>Net loss</b>	(3,325,294)
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<b>Members' equity, beginning of year</b>	3,503,194
-------------------------------------------	-----------

Members' contributions	<u>900,000</u>
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<b>Members' equity, end of year</b>	<u>\$ 1,077,900</u>
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See notes to financial statements.

# ALLSTATE DISTRIBUTORS, L.L.C.

## STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2001

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### Cash flows from operating activities

Net loss	\$ (3,325,294)
Adjustments to reconcile net loss to net cash from operating activities:	
Changes in:	
Commissions receivable	2,768,574
Accrued distribution expenses	(1,838,465)
Commissions payable	(744,507)
Accounts payable and accrued expenses	1,604
Other assets	(25)
Net cash from operating activities	<u>(3,138,113)</u>

### Cash flows from financing activities

Members' contributions	<u>900,000</u>
<b>Net decrease in cash</b>	<b>(2,238,113)</b>
<b>Cash at beginning of year</b>	<b>5,305,856</b>
<b>Cash at end of year</b>	<b><u>\$ 3,067,743</u></b>

See notes to financial statements.

# ALLSTATE DISTRIBUTORS, L.L.C.

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2001

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### 1. General

#### **Basis of Presentation**

The accompanying financial statements include the accounts of Allstate Distributors, L.L.C. (the "Company"), a limited liability company owned equally by Allstate Life Insurance Company ("Allstate Life") and Putnam Investments, Inc. ("Putnam"- collectively, the "Members"). Allstate Life is a wholly owned subsidiary of Allstate Insurance Company, a wholly owned subsidiary of The Allstate Corporation, and Putnam is a wholly owned subsidiary of Marsh & McLennan Companies, Inc. These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

#### **Nature of Operations**

The Company, a Delaware limited liability 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 underwrites and distributes variable annuity contracts issued by Allstate Life and Allstate Life Insurance Company of New York (collectively, the "Allstate Affiliates"), pursuant to a joint venture agreement between the Members. The contracts are sold by registered representatives of unaffiliated broker-dealers or bank employees who are licensed insurance agents appointed by the Allstate Affiliates. The Company derives revenue from commission income and pays expenses for commissions and other promotional expense relating to the variable annuity contracts.

### 2. Summary of Significant Accounting Policies

**Commission Income and Expense** - Commission income is received from the Allstate Affiliates, while commission expense is paid to unaffiliated broker-dealers. Commission income and expense are recorded in the statement of income as of the effective dates of the variable annuity contracts issued by the Allstate Affiliates.

**Distribution Expenses** - Distribution expenses consist of sales and marketing support, administrative, and service fee expenses. These expenses are recognized in the statement of income as incurred, on the effective dates of the variable annuity contracts issued by the Allstate Affiliates. Distribution expenses also include marketing expenses for subsidized interest on products associated with the Allstate Affiliate's dollar cost averaging program. These expenses are recognized consistent with the Allstate Affiliate's obligation to the contractholder.

**Income Taxes** - The Company is a limited liability company and is treated as a partnership under the Internal Revenue Code. The taxable income or loss of the Company is allocated to the Members, who are responsible for the related taxes. Accordingly, no provision has been included in the determination of net income.

*Use of Estimates* - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **3. Net Capital Requirements**

As a registered broker-dealer, the Company is subject to the SEC Uniform Net Capital Rule 15c3-1 (the "Rule"), which requires the maintenance of minimum net capital, as defined under the Rule, equivalent to the greater of \$5,000 or 6 2/3% of aggregate indebtedness, as defined under the Rule.

At December 31, 2001, the Company had net capital, as defined under the Rule, of \$993,453, which was \$766,924 in excess of required net capital of \$226,528. The Company's aggregate indebtedness, as defined under the Rule, was 342% of its net capital.

### **4. Related Party Transactions**

Putnam provides sales and marketing support services, for which it earned fees of \$9,645,498 during the year ended December 31, 2001. The Allstate Affiliates provide administrative, legal, financial management and sales support services to the Company, for which they earned administrative fees of \$1,217,691 during the year ended December 31, 2001. Amounts owed to Putnam and the Allstate Affiliates totaled \$433,463 and \$585,380, respectively, at December 31, 2001.

Additionally, distribution expenses incurred by the Company related to the dollar cost averaging program of the Allstate Affiliates were \$8,175,694 for the year ended December 31, 2001, and \$1,494,650 was owed to the Allstate Affiliates at December 31, 2001.

### **5. Financial Instruments**

In the normal course of business, the Company invests in various financial assets and incurs various financial liabilities. The fair value of all assets and liabilities approximates their carrying value, as they are short-term in nature.

# ALLSTATE DISTRIBUTORS, L.L.C.

## COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1 UNDER THE SECURITIES EXCHANGE ACT OF 1934 DECEMBER 31, 2001

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### Net capital

Total members' equity \$ 1,077,900

Adjustments to net capital pursuant to Rule 15c3-1:

Nonallowable assets:

Commissions receivable

\$ 80,622

Other assets

3,825

84,447

Net capital

\$ 993,453

### Aggregate indebtedness

\$ 3,397,756

### Computation of basic net capital requirement

Minimum net capital required

(6 2/3% of aggregate indebtedness)

\$ 226,528

Minimum dollar net capital requirement of  
reporting broker or dealer

\$ 5,000

Net capital requirement (greater of \$5,000 or  
6 2/3% of aggregate indebtedness)

\$ 226,528

Excess net capital

\$ 766,924

Percentage of aggregate indebtedness to net capital

342%

### Statement Pursuant to Paragraph (d)4 of Rule 17a-5 December 31, 2001

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There is no material difference between the above computation of net capital pursuant to Rule 15c3-1 and the corresponding computation prepared and included in the Company's unaudited Part IIA FOCUS Report filing as of December 31, 2001

# **ALLSTATE DISTRIBUTORS, L.L.C.**

## **COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS PURSUANT TO RULE 15c3-3 UNDER THE SECURITIES EXCHANGE ACT OF 1934 DECEMBER 31, 2001**

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The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(1) of Rule 15c3-3.



## **SUPPLEMENTAL REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5**

Executive Committee and Members  
Allstate Distributors, L.L.C.  
Northbrook, Illinois

In planning and performing our audit of the financial statements of Allstate Distributors, L.L.C. (the "Company"), a limited liability company owned equally by Allstate Life Insurance Company and Putnam Investment, Inc., for the year ended December 31, 2001 (on which we issued our report dated February 15, 2002), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Company's internal control.

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 practices and procedures) followed by the Company that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and 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, or 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 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, and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's (the "Commission") 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 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 accounting principles generally 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 any internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices and procedures to future periods are subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices and procedures may deteriorate.

Our consideration of the Company's internal control would not necessarily disclose all matters in the Company's 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 one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by 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 the Company's internal control and its operations, 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 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.

This report is intended solely for the information and use of the Executive Committee, management, the Securities and Exchange Commission, the National Association of Securities Dealers 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.

*Deloitte & Touche LLP*

February 15, 2002

***Allstate Distributors, L.L.C.***

*Financial Statements and  
Supplemental Schedules for the  
Year Ended December 31, 2001 and  
Independent Auditors' Report and  
Supplemental Report on Internal Control*