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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

SEC. RECEIVED
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THOMSON FINANCIAL

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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 01/01/02 AND ENDING 12/31/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Hankerson Financial, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

2929 N 44th Street, Suite 200

(No. and Street)

Phoenix, AZ 85018

(City)

(State)

(Zip Code)

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

William Hankerson

(602) 840-0880

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Norris & Benedict Associates, P.C.

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

1819 E. Morten Ave, #260

Phoenix, AZ

85020

(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 13 2003

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)

SEC 1410 (05-01)

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13/12

OATH OR AFFIRMATION

I, William A. Hankerson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Hankerson Financial, Inc., as of December 31, 2002, 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:

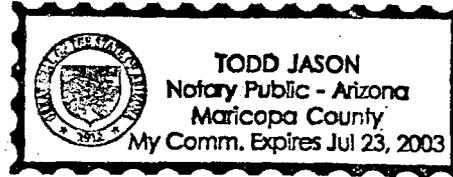
N/A

William Hankerson
Signature

President

Title

Todd Jason
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).



HANKERSON FINANCIAL, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

HANKERSON FINANCIAL, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

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**NORRIS &
BENEDICT**
ASSOCIATES, P.C.

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Hankerson Financial, Inc.
Phoenix, Arizona

We have audited the accompanying balance sheets of Hankerson Financial, Inc. (an S Corporation) as of December 31, 2002 and 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 years 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 audits 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 audits provide 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 Hankerson Financial, Inc. as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted 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 supplemental information included on pages 12-16 and the Internal Control Report are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by rule 17a-5 of the Securities and 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.

Norris & Benedict Associates, P.C.

NORRIS & BENEDICT ASSOCIATES, P.C.
February 21, 2003

CERTIFIED PUBLIC ACCOUNTANTS

HANKERSON FINANCIAL, INC.
BALANCE SHEETS
DECEMBER 31, 2002 AND 2001

ASSETS

	<u>2002</u>	<u>2001</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 19,284	\$ 16,539
Commissions Receivable	33,328	170
Due From Independent Contractors	277	385
Other Current Assets	<u>740</u>	<u>83</u>
Total Current Assets	53,629	17,177
OTHER ASSETS		
Investments	<u>-</u>	<u>23,928</u>
TOTAL ASSETS	<u>\$ 53,629</u>	<u>\$ 41,105</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES		
Accounts Payable	\$ -	\$ 3,402
Payroll Tax Liability	5,408	4,786
Commissions Payable to Independent Contractor	<u>1,779</u>	<u>760</u>
Total Current Liabilities	<u>7,187</u>	<u>8,948</u>
STOCKHOLDER'S EQUITY		
Capital Stock		
Authorized, 100,000 Shares of Common Stock		
No Par Value, Issued and Outstanding 15,000 Shares	15,000	15,000
Unrealized Gains	606	13,952
Retained Earnings	<u>30,836</u>	<u>3,205</u>
Total Stockholder's Equity	<u>46,442</u>	<u>32,157</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 53,629</u>	<u>\$ 41,105</u>

*The Accompanying Notes are an Integral Part
of these Financial Statements.*

HANKERSON FINANCIAL, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
REVENUES FROM COMMISSIONS EARNED	\$ 158,219	\$ 219,816
COST OF COMMISSIONS	<u>36,208</u>	<u>27,229</u>
GROSS PROFIT FROM OPERATIONS	122,011	192,587
OPERATING EXPENSES		
General and Administrative	<u>53,125</u>	<u>51,363</u>
INCOME FROM OPERATIONS	<u>68,886</u>	<u>141,224</u>
OTHER INCOME		
Interest and Dividend Income	122	266
Long Term Capital Gains in Mutual Funds	-	51
Realized Gain on Sale of Investments	15,100	-
Income (Loss) from L.L.C. Investments	(564)	<u>1,221</u>
Total Other Income	<u>14,658</u>	<u>1,538</u>
NET INCOME	<u>\$ 83,544</u>	<u>\$ 142,762</u>

*The Accompanying Notes are an Integral Part
of these Financial Statements.*

HANKERSON FINANCIAL, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>Common Stock</u>	<u>Unrealized Gains</u>	<u>Retained Earnings</u>	<u>Total</u>
BALANCES, DECEMBER 31, 2000	\$ 15,000	-	\$ 13,801	\$ 28,801
CASH DISTRIBUTIONS PAID	-	-	(153,358)	(153,358)
UNREALIZED GAINS		13,952		13,952
NET INCOME	-	-	<u>142,762</u>	<u>142,762</u>
BALANCES, DECEMBER 31, 2001	\$ 15,000	\$ 13,952	\$ 3,205	\$ 32,157
CASH DISTRIBUTIONS PAID	-	-	(55,913)	(55,913)
UNREALIZED GAINS		(13,346)		(13,346)
NET INCOME	-	-	<u>83,544</u>	<u>83,544</u>
BALANCES, DECEMBER 31, 2002	<u>\$ 15,000</u>	<u>\$ 606</u>	<u>\$ 30,836</u>	<u>\$ 46,442</u>

*The Accompanying Notes are an Integral Part
of these Financial Statements.*

HANKERSON FINANCIAL, INC.
STATEMENTS OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS
DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
BALANCE, BEGINNING OF YEAR	\$ -	\$ -
A. Increases	-	-
B. Decreases	-	-
BALANCE, END OF YEAR	\$ -	\$ -

*The Accompanying Notes are an Integral Part
of these Financial Statements.*

HANKERSON FINANCIAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Collected on Commissions	\$ 124,605	\$ 223,719
Cash Paid to Vendors and Employees	(91,095)	(81,625)
Other Assets	83	-
Partnership Income	15,100	1,221
Interest Received	114	250
Dividends Received	8	16
Capital Gain from Mutual Fund	<u>-</u>	<u>51</u>
Net Cash From Operating Activities	<u>48,815</u>	<u>143,632</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Limited Liability Companies	23,188	573
Net Realized Gain (Loss) on Securities	<u>(13,346)</u>	<u>(449)</u>
Net Cash From Investing Activities	<u>9,842</u>	<u>124</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to Stockholder	<u>(55,912)</u>	<u>(153,358)</u>
NET INCREASE (DECREASE) IN CASH	2,745	(9,602)
CASH, Beginning of Year	<u>16,539</u>	<u>26,141</u>
CASH, End of Year	<u>\$ 19,284</u>	<u>\$ 16,539</u>

*The Accompanying Notes are an Integral Part
of these Financial Statements*

HANKERSON FINANCIAL, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

RECONCILIATION OF NET INCOME TO
NET CASH PROVIDED BY OPERATING
ACTIVITIES

	<u>2002</u>	<u>2001</u>
Net Income	\$ 83,544	\$ 142,762
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Realized Gain (Loss) on Securities		
(Increase)Decrease in Assets Affecting Operating Activities		
Commissions Receivable	(33,158)	3,903
Other Current Assets	83	436
Due From Independent Contractors	(622)	438
Increase (Decrease) in Liabilities Affecting Operating Activities		
Accounts Payable	(3,402)	(4,420)
Payroll Tax Liability	621	(1)
Commissions Payable to Independent Contractors	<u>1,749</u>	<u>514</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>48,815</u>	\$ <u>143,632</u>

*The Accompanying Notes are an Integral Part
of these Financial Statements*

HANKERSON FINANCIAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

The Company was incorporated December 23, 1985 in the state of Arizona for the principal purpose of acting as a registered securities broker-dealer.

The Company forwards client transactions to direct participation programs and mutual funds, which carry such accounts; therefore, no customer accounts are reflected in the financial statements.

Cash Flow Information

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company did not incur nor did it pay any interest during the years ended December 31, 2002 and 2001.

Concentration of Credit Risk

As discussed in Note 4, a significant portion of the income received by the Company is received from limited liability companies in which the Company's stockholder is a member. Additionally, the limited liability company, in which the Company has invested, had an interest in commercial rental real estate in Arizona. This investment was sold during the year ended December 31, 2002.

The Company, in the ordinary course of business, may maintain bank balances in excess of Federal Deposit Insurance Corporation Insurance Limits of \$100,000 per institution.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Changes in such estimates may affect amounts reported in future periods.

Investments

Investments are held at lower of cost fair market value. Upon notice of intent to sell the Company adopted Statement of Financial Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities".

Allowance for Bad Debt

The Company provides for potentially uncollectible account receivables by use of the allowance method. The allowance is provided based upon a review of the individual accounts outstanding, and prior history of uncollectible contract receivables. At December 31, 2002 and 2001, no allowance has been provided for potentially uncollectible account receivables and, in the opinion of management, all receivables are considered fully collectible.

HANKERSON FINANCIAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

NOTE 2 - COMMISSIONS PAYABLE TO INDEPENDENT CONTRACTOR

The Company contracts for some of its security sales activities with unrelated third parties. At December 31, 2002 and 2001, commissions payable relating to this arrangement were \$1,779 and \$760, respectively.

NOTE 3 - INCOME TAX STATUS

No provision is reflected in the financial statements for federal or state income taxes because the Company, with the consent of its stockholder, has elected S Corporation status under the Internal Revenue Code. In lieu of corporation income taxes, the stockholders of an S Corporation are taxed on their proportionate share of the Company's income or loss. Management has not determined the amount of the provision for income tax that would have been required had such election not been in effect.

NOTE 4 - RELATED PARTY TRANSACTIONS

The Company's sole stockholder also is the sole stockholder of a related party entity, William Hankerson, Ltd. (LTD). LTD provides research services to the Company. The Company leases its office premises from LTD pursuant to a month-to-month lease agreement, which includes rent, secretarial services and other office expenses. Additionally, as Dealer Manager for several oil & gas drilling limited liability companies (LLCs), the Company receives commissions from Hankerson Management Company, LLC for which William Hankerson is the managing partner. The Company is paid a percentage of the distributable LLC cash allocated to the Manager for its services. The Company was also the Dealer Manager for several real estate limited liability companies. William Hankerson is one of the Managers of these companies. A summary of related party transactions follows:

	<u>2002</u>	<u>2001</u>
Rent and related office expenses – of which \$-0- and \$3,000 was in accounts payable at December 31, 2002 and December 31, 2001 respectively	\$ 18,000	\$ 16,500
Salary Paid to William Hankerson	<u>25,000</u>	<u>25,000</u>
Total Related Party Expenses	\$ <u>43,000</u>	\$ <u>41,500</u>
Dealer Manager Fees Earned	\$ <u>112,400</u>	\$ <u>189,620</u>
Income From Limited Liability Companies	\$ <u>14,536</u>	\$ <u>1,221</u>

HANKERSON FINANCIAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

NOTE 5 - NET CAPITAL REQUIREMENT

As a registered broker/dealer, the Company is subject to the Securities and Exchange Commission (SEC) Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital of \$5,000. At December 31, 2002, the Company's computed net capital of \$13,876 exceeded required minimum net capital by \$8,876. For 2001 the Company's computed net capital of \$7,921 exceeded the required minimum net capital by \$2,921. At December 31, 2002 and December 31, 2001, the Company's percentage of aggregate indebtedness to net capital was 51.79% and 110.35%, respectively.

NOTE 6 - INVESTMENTS

The investment was sold on June 7, 2002. (Note 7)

NOTE 7 - SUBSEQUENT EVENTS

The Company's receivable from the sale of the investment in the Van Buren/I-10 Industrial Center in the amount of \$740 was received January 2003.

HANKERSON FINANCIAL, INC.

SUPPLEMENTAL INFORMATION TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

HANKERSON FINANCIAL, INC.
SCHEDULES OF COSTS AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
COMMISSIONS AND FEES		
Commissions	\$ <u>36,208</u>	\$ <u>27,229</u>
 GENERAL AND ADMINISTRATIVE EXPENSES		
SALARIES		
Payroll	\$ 25,000	\$25,000
Payroll Taxes	<u>1,973</u>	<u>1,975</u>
	\$ 26,973	\$26,975
OFFICE EXPENSE		
Rent, Telephone and Postage	18,000	16,500
FEES		
Regulatory Expense	2,076	2,157
PROFESSIONAL FEES		
Accounting Fees	5,425	5,040
INSURANCE		
Liability Insurance	81	96
OTHER		
Bank Charges	52	12
Education	25	150
Miscellaneous	60	-
Penalties	<u>433</u>	<u>433</u>
	<u>570</u>	<u>595</u>
	\$ <u>53,125</u>	\$ <u>51,363</u>

HANKERSON FINANCIAL, INC.
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2002

COMPUTATION OF NET CAPITAL	AMOUNT PER AUDITED FINANCIAL STATEMENTS	AMOUNT PER UNAUDITED X-17A-5 PART IIA	DIFFERENCE INCREASE (DECREASE)
1. Total Stockholder's Equity	\$ 46,442	\$ 46,442	\$
2. Deduct Ownership Equity Not Allowable for Net Capital	_____ -	_____ -	_____ -
3. Total Ownership Equity	46,442	46,442	-
ADD:			
4. a. Liabilities Subordinated to Claims of Gen. Creditors	-	-	-
b. Other (deductions) or Allowable Credits (List)	-	-	-
5. Total Capital and Allowable Subordinated Liabilities	46,442	46,442	-
6. Deductions and/or Changes:			
a. Total Non-allowable Assets	<u>32,566</u>	<u>32,566</u>	_____ -
8. Net Capital before Haircuts on Securities Positions	13,876	13,876	-
9. Haircuts on Securities e. Mutual Funds/Stocks	_____ -	_____ -	_____ -
10. Net Capital	<u>\$ 13,876</u>	<u>\$ 13,876</u>	<u>\$ -</u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT			
11. Minimum Net Capital Required (6.67% of Line 19)	\$ 479	\$ 479	\$ -
12. Minimum Dollar Net Capital Requirement	5,000	5,000	-
13. Net Capital Requirement (greater of Line 11 or 12)	5,000	5,000	-
14. Excess Net Capital (Line 10 less 13)	8,876	8,876	-
15. Excess Net Capital at 1,000% (Line 10 less 10% of Line 19)	13,157	13,157	-

Continued

HANKERSON FINANCIAL, INC.
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2002

COMPUTATION OF AGGREGATE INDEBTEDNESS	AMOUNT PER AUDITED FINANCIAL STATEMENTS	AMOUNT PER UNAUDITED X-17A-5 PART IIA	DIFFERENCE INCREASE (DECREASE)
16. Total A.I. Liabilities	\$ 7,187	\$ 7,187	\$ -
19. Total Aggregate Indebtedness	\$ 7,187	\$ 7,187	-
20. Percentage of Aggregate Indebtedness to Net Capital (Line 19 divided by Line 10)	51.79%	51.79%	-

NOTES: Management has elected to present only those line items that have a corresponding balance on the year-end Focus Report, Form X-17A-5 filed with the Securities and Exchange Commission.

Management has elected to net the contractor payable with the contractor receivable in the above calculations.

HANKERSON FINANCIAL, INC.
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2001

COMPUTATION OF NET CAPITAL	AMOUNT PER AUDITED FINANCIAL STATEMENTS	AMOUNT PER UNAUDITED X-17A-5 PART IIA	DIFFERENCE INCREASE (DECREASE)
1. Total Stockholder's Equity	\$32,157	\$ 32,157	\$ -
2. Deduct Ownership Equity Not Allowable for Net Capital	<u> -</u>	<u> -</u>	<u> -</u>
3. Total Ownership Equity	32,157	32,157	-
ADD:			
4. a. Liabilities Subordinated to Claims of Gen. Creditors	-	-	-
b. Other (deductions) or Allowable Credits (List)	-	-	-
5. Total Capital and Allowable Subordinated Liabilities	32,157	32,157	-
6. Deductions and/or Changes:			
a. Total Non-allowable Assets	<u>24,236</u>	<u>24,236</u>	<u> -</u>
8. Net Capital before Haircuts on Securities Positions	7,921	7,921	-
9. Haircuts on Securities e. Mutual Funds/Stocks	<u> -</u>	<u> -</u>	<u> -</u>
10. Net Capital	\$ <u>7,921</u>	\$ <u>7,921</u>	\$ <u> -</u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT			
11. Minimum Net Capital Required (6.67% of Line 19)	\$ 582	\$ 582	\$ -
12. Minimum Dollar Net Capital Requirement	5,000	5,000	-
13. Net Capital Requirement (greater of Line 11 or 12)	5,000	5,000	-
14. Excess Net Capital (Line 10 less 13)	2,921	2,921	-
15. Excess Net Capital at 1,000% (Line 10 less 10% of Line 19)	7,046	7,046	-

Continued

HANKERSON FINANCIAL, INC.
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2001

COMPUTATION OF AGGREGATE INDEBTEDNESS	AMOUNT PER AUDITED FINANCIAL STATEMENTS	AMOUNT PER UNAUDITED X-17A-5 PART IIA	DIFFERENCE INCREASE (DECREASE)
16. Total A.I. Liabilities	\$ 8,741	\$ 8,741	\$
19. Total Aggregate Indebtedness	8,741	8,741	-
20. Percentage of Aggregate Indebtedness to Net Capital (Line 19 divided by Line 10)	110.35%	110.35%	-

NOTES: Management has elected to present only those line items that have a corresponding balance on the year-end Focus Report, Form X-17A-5 filed with the Securities and Exchange Commission.

Management has elected to net the contractor payable with the contractor receivable in the above calculations.

**To The Board of Directors
Hankerson Financial, Inc.
Phoenix, Arizona**

We have audited the financial statements of **Hankerson Financial, Inc.** for the years ended December 31, 2002 and 2001 and have issued our reports thereon dated February 21, 2003 and January 24, 2002, respectively. As part of our examination, we made a study and evaluation of the Company's system of internal accounting control (which includes the procedures for safeguarding securities) to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation, which included obtaining an understanding of the accounting system, was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

We made a study of the practices and procedures followed by the Company in making the quarterly periodic computations of aggregate indebtedness and net capital under Security and Exchange Commission (SEC) Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of SEC Rule 15c3-3. We did not review the practices and procedures followed by the Company (i) in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by SEC Rule 17a-13 or (ii) in complying with the requirements for prompt payment for securities of Section 4(c) 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 a system of internal accounting 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 control 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.

The objectives of a system 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. SEC Rule 17a-5(g) lists additional objectives of the practices and procedures noted in the preceding paragraphs.

Because of inherent limitations in any internal accounting control procedure or the practices and procedures referred to above, errors or irregularities may nevertheless 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 degree of compliance with them may deteriorate.

Our study and evaluation, made for the limited purpose described in the first paragraph, would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Hankerson Financial, Inc. taken as a whole. Hankerson Financial, Inc. is affiliated with other companies in similar lines of business, all of which are controlled by a common stockholder. As discussed, in Note 4 of the Financial Statements, Hankerson Financial, Inc. and its affiliates, have engaged in significant related-party transactions. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

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 and 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, 2002 and 2001 to meet the Commission's objectives.

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

Norris & Benedict Associates, P.C.

NORRIS & BENEDICT ASSOCIATES, P.C.
February 21, 2003