



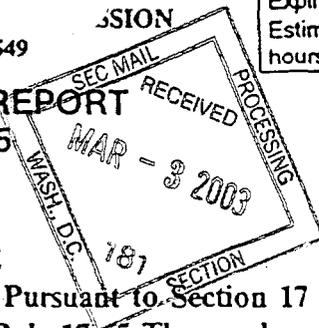
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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III



SEC FILE NUMBER
8-48238

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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

ARIEL DISTRIBUTORS, INC.

OFFICIAL USE ONLY

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

FIRM ID. NO.

200 East Randolph, Suite 2900

(No. and Street)

Chicago

Illinois

60601

(City)

(State)

(Zip Code)

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

Deborah Dunston

(312) 612-2613

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Philip Rootberg & Company, LLP

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

One South Wacker Drive, Suite 1800

Chicago

Illinois

60606

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

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

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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).

OATH OR AFFIRMATION

I, Deborah Dunston, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ARIEL DISTRIBUTORS, 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:

Three horizontal lines for listing exceptions to the oath.



Handwritten signature of the Notary Public.

Signature of Deborah Dunston, Vice President/Controller.

This report** contains (check all applicable boxes):

- Checklist of report contents including: Facing page, Statement of Financial Condition, Statement of Income (Loss), Statement of Changes in Financial Condition, etc.

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

ARIEL DISTRIBUTORS, INC.

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2002

AVAILABLE FOR PUBLIC INSPECTION

(Filed Pursuant to Rule 17a-5(d)
Under the Securities Exchange Act)

PHILIP ROOTBERG & COMPANY, LLP

Certified Public Accountants

One South Wacker Drive

Suite 1800

Chicago, Illinois

60606-4630

312.602.6800

Fax 312.602.6950

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
and the Stockholder
Ariel Distributors, Inc.

We have audited the accompanying statement of financial condition of Ariel Distributors, Inc. as of December 31, 2002. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Ariel Distributors, Inc. as of December 31, 2002, in conformity with U.S. generally accepted accounting principles.

Philip Rootberg & Company, LLP

Chicago, Illinois

February 6, 2003

ARIEL DISTRIBUTORS, INC.
STATEMENT OF FINANCIAL CONDITION

December 31, 2002

ASSETS

Current Assets

Cash	\$ 1,417,692
Accounts receivable	<u>87,188</u>

Total Assets	<u>\$ 1,504,880</u>
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LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities

Accounts payable	\$ 742,773
Due to affiliated company	<u>407,740</u>

Total Current Liabilities	<u>1,150,513</u>
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Stockholder's Equity

Common stock - no par value; 10,000 shares authorized; 8,533 shares issued and outstanding	37,367
Additional paid-in capital	82,000
Retained earnings	<u>235,000</u>

Total Stockholder's Equity	<u>354,367</u>
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Total Liabilities and Stockholder's Equity	<u>\$ 1,504,880</u>
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ARIEL DISTRIBUTORS, INC.
NOTES TO STATEMENT OF FINANCIAL CONDITION

December 31, 2002

1 - Organization

Ariel Distributors, Inc. (the "Company") was incorporated in Illinois on February 24, 1995, for the purpose of underwriting and distributing mutual fund shares. The Company began business on February 27, 1995. The Company earns all of its revenue from the underwriting and distribution of shares of four mutual funds issued by Ariel Investment Trust, a Massachusetts business trust.

2 - Related Party Transaction

On February 27, 1995, Ariel Capital Management, Inc. ("Ariel Capital") transferred \$25,000 along with all assets, liabilities, rights and obligations with respect to its broker/dealer business to the Company in exchange for 100% of the shares of the Company's common stock. The Company's common stock was then distributed to the stockholders of Ariel Capital under a tax-free spinoff, with each Ariel Capital stockholder receiving one share of the Company's common stock for every share of Ariel Capital common stock owned. On January 1, 1997, the Company's stockholders contributed their stock to Ariel Capital and, consequently, the Company became a wholly owned subsidiary of Ariel Capital.

Ariel Capital also pays various expenses on behalf of the Company. The Company reimburses Ariel Capital for a portion of the expenses limited to the Company's net income before such reimbursements. At December 31, 2002, \$407,740 is owed to Ariel Capital for expenses Ariel Capital paid on behalf of the Company.

3 - Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c-3-1) and will be required to maintain minimum capital, as defined under the rule. Under this rule, the Company is required to maintain "net capital" equivalent to \$25,000 or 6-2/3% of "aggregate indebtedness," whichever is greater, as these terms are defined.

Net capital and aggregate indebtedness change from day to day, but at December 31, 2002, the Company had net capital of \$301,592. The net capital requirement was \$76,701 on that date. The net capital rules may restrict the payment of cash dividends.

4 - Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

ARIEL DISTRIBUTORS, INC.
NOTES TO STATEMENT OF FINANCIAL CONDITION

December 31, 2002

5 - Income Taxes

For income tax purposes, Ariel Distributors, Inc. is a wholly-owned Sub-Chapter S Subsidiary of Ariel Capital Management, Inc. Therefore, all income or loss generated by Ariel Distributors, Inc. is included in the federal income tax return and Illinois replacement tax return of Ariel Capital Management, Inc. Therefore, no liability for income or replacement taxes has been included in this financial statement.

6 - Concentration of Credit Risk

There is a concentration of credit risk arising from cash balances in excess of federally insured limits of \$100,000. Cash in the amount of \$1,417,692 is held at Bank One as of December 31, 2002. There is a potential risk of loss of funds in excess of the insurance limit. Management believes that Bank One is financially secure and well capitalized.