

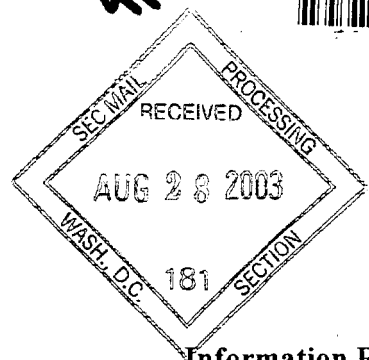
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

UF8-29-03
OMB APPROVAL
OMB Number: 3235-0123
Expires: October 31, 2004
Estimated average burden
hours per response..... 12.00



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

SEC FILE NUMBER
8- 047922

**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 07/01/02 AND ENDING 06/30/03
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: ALPHA EQUITY RESEARCH, INC.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
65 LAFAYETTE ROAD, 3RD FLOOR

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)
NORTH HAMPTON NH 03862
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
DAVID O'LEARY 603 964-4499
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
STEPHEN J. SUSSMAN, PLLC CERTIFIED PUBLIC ACCOUNTANT.

(Name - if individual, state last, first, middle name)
12 PARMENTER ROAD LONDONDERRY, 03053
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED
SEP 04 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)

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OATH OR AFFIRMATION

I, DAVID O'LEARY, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ALPHA EQUITY RESEARCH, INC. of JUNE 30, 20 2003, 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:

Handwritten signature of David O'Leary

Signature

PRESIDENT

Title

DONNA E. MASKWA, Notary Public
My Commission Expires May 21, 2008

Handwritten signature of Donna E. Maskwa

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).

ALPHA EQUITY RESEARCH, INC.

FINANCIAL STATEMENTS

JUNE 30, 2003

STEPHEN J. SUSSMAN

Certified Public Accountant

12 PARMENTER ROAD

LONDONDERRY, NH 03053

TEL. (603) 437-1910

FAX (603) 437-3676

Independent Auditor's Report

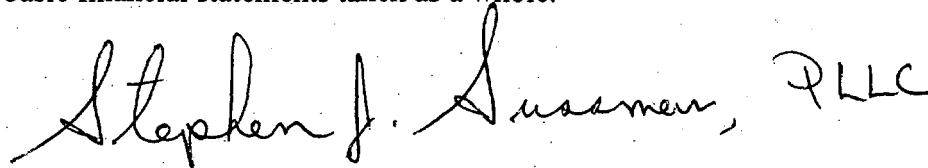
To the Board of Directors of
Alpha Equity Research, Inc.
North Hampton, NH

We have audited the accompanying statement of financial condition of Alpha Equity Research, Inc. (the Company) as of June 30, 2003 and the related statements of income, changes in stockholders' equity, and cash flows for the year 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 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 Alpha Equity Research, Inc. as of June 30, 2003, and the results of their operations and their 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 information contained in Schedules I, II, III, and IV, is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities 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.



Stephen J. Sussman, PLLC
Certified Public Accountant
Londonderry, New Hampshire
August 25, 2003

ALPHA EQUITY RESEARCH, INC.

STATEMENT OF FINANCIAL CONDITION

JUNE 30, 2003

ASSETS

Cash and cash equivalents	\$ 689,677
Receivable from broker-dealers and clearing organizations	58,303
Receivable from customers	35,102
Investment in Affiliate	25,000
Deposits	2,988
Furniture and equipment, at cost less, accumulated depreciation of \$75,958	29,670
Not readily marketable securities, at estimated fair value	20,100
Deferred state tax asset	10,797
Deferred federal tax asset	<u>17,434</u>
Total Assets	<u>\$ 889,071</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable, accrued expenses, and other liabilities	\$ 172,775
Deferred revenue	487,070
Income taxes payable	<u>8,923</u>
Total Liabilities	<u>668,768</u>
Stockholders' Equity	
Common stock, no par value, shares authorized 500; 340 issued and 320 outstanding shares	191,054
Retained earnings	59,249
Less 20 shares of common stock in treasury, at cost	<u>(30,000)</u>
Total Stockholders' Equity	<u>220,303</u>
Total Stockholders' Equity and Liabilities	<u>\$ 889,071</u>

The accompanying notes are an integral part of these financial statements.

ALPHA EQUITY RESEARCH, INC.

STATEMENT OF INCOME

FOR THE YEAR ENDED JUNE 30, 2003

Revenues:

Commissions	\$ 374,894
Fee income	1,751,674
Interest and dividends	7,775
Net investment losses	<u>(24,489)</u>
	<u>2,109,854</u>

Expenses:

Employee compensation and benefits	1,450,325
Floor brokerage, exchange, and clearance fees	73,842
Communications	32,287
Occupancy	89,581
Taxes, other than income taxes	54,907
Other expenses	<u>376,267</u>
	<u>2,077,209</u>

Income Before Income Taxes 32,645

Provision for Income Taxes 39

Net Income \$ 32,606

ALPHA EQUITY RESEARCH, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEAR ENDED JUNE 30, 2003

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Total</u>
Balance at July 1, 2002	\$ 176,054	\$ 26,643	\$ (15,000)	\$ 187,697
Net Income		32,606		32,606
Purchase of Stock	15,000		(15,000)	
Balance at June 30, 2003	<u>\$ 191,054</u>	<u>\$ 59,249</u>	<u>\$ (30,000)</u>	<u>\$ 220,303</u>

The accompanying notes are an integral part of these financial statements.

ALPHA EQUITY RESEARCH, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2003

Cash flows from operating activities:	
Net income	\$ 32,606
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	\$ 13,126
Deferred taxes	(16,931)
Unrealized gain on marketable securities	(64,803)
(Increase) decrease in operating assets:	
Decrease in receivable from broker-dealers	7,321
Increase in receivable from customers	(18,552)
Increase in investment in affiliate	(25,000)
Increase (decrease) in operating liabilities:	
Increase in accounts payable, accrued expenses	108,192
Increase in deferred revenues	91,612
Decrease in income taxes payable	<u>(28,468)</u>
Total adjustments	<u>66,497</u>
Net cash provided by operating activities	99,103
Cash flows from investing activities	
Purchase of furniture and equipment	(13,534)
Sale of marketable securities	489,919
Dividends reinvested	<u>(4,251)</u>
Net cash provided by investing activities	472,134
Cash flows from financing activities	
Sale of treasury stock	15,000
Purchase of treasury stock	(30,000)
Sale of common stock	<u>15,000</u>
Net cash used by financing activities	<u>-</u>
Net increase in cash	571,237
Cash at beginning of the year	<u>118,440</u>
Cash at end of the year	<u>\$ 689,677</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:	
Interest payments	\$ -
Income tax payments	<u>\$ 8,511</u>

Disclosure of accounting policy:

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 accompanying notes are an integral part of these financial statements.

ALPHA EQUITY RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2003

NOTE 1- SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business

The Company was incorporated on November 8, 1994. It serves as a broker/dealer in securities and provides research to portfolio managers. Related commission revenue and expenses are recorded on a settlement date basis.

Deferred Revenue

The Company receives a significant amount of its revenues as fee income. This income is recognized ratably over the term of the contract, which is typically twelve months.

Fixed Assets

Furniture and equipment are being depreciated using the straight-line method over their estimated useful lives, ranging from five to seven years. For the fiscal year ended June 30, 2003, depreciation expense was \$13,126.

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 reported amount of assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Securities Transactions

Marketable securities are valued at market value, and securities not readily marketable are valued at fair value as determined by management. These securities include investment securities (a) for which there is not a market on a securities exchange or no independent publicly quoted market, (b) that cannot be publicly offered or sold unless registration has been effected under the Securities Act of 1933, or (c) that cannot be offered or sold because of other arrangements, restrictions, or conditions applicable to the securities or to the Company. At June 30, 2003, these securities at estimated fair value consist of equities valued at \$20,100.

Allowance for Bad Debts

The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

ALPHA EQUITY RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2003

NOTE 2- NET CAPITAL

As a broker dealer, the Company is subject to the Securities and Exchange Commission's regulations and operating guidelines, which require the Company to maintain a specified amount of net capital as defined, and a ratio of aggregate indebtedness to net capital as derived, not exceeding 15 to 1. The Company's net capital as computed under 15c3-1, was \$75,150 at June 30, 2003, which exceeded required net capital of \$44,585 by \$30,565. The ratio of aggregate indebtedness to net capital at June 30, 2003 was 889.9%.

NOTE 3- TAXES ON INCOME

Taxes on income consist of the following:

	Federal	State	Total
Current	\$ 7,022	\$ 9,948	\$ 16,970
Deferred	<u>(6,134)</u>	<u>(10,797)</u>	<u>(16,931)</u>
	<u>\$ 888</u>	<u>\$ (849)</u>	<u>\$ 39</u>

As of June 30, 2003 the Company had a capital loss carry forward of \$134,196, which is available for five years to offset any taxable capital gain earnings.

Deferred income taxes arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred tax assets are recorded to reflect deductible temporary differences and operating loss carryforwards while deferred tax liabilities are recorded to reflect taxable temporary differences.

NOTE 4- COMMITMENTS AND CONTINGENCIES

The Company is committed to operating leases for office space, office equipment and an automobile. The Company is responsible for 15% of expenses and charges incurred in the operation and maintenance of the building and common areas. Approximate future minimum lease payments of all non-cancelable operating leases for the next five years is as follows:

2004	36,864
2005	1,008
2006	<u>378</u>
	<u>\$38,250</u>

Rent expense for the office space for the fiscal year 2003 was \$70,515.

ALPHA EQUITY RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2003

NOTE 5- RETIREMENT PLAN

The Company has a discretionary noncontributory defined contribution SEP-IRA plan covering substantially all of its employees. Contributions to the plan totaled \$137,825 for the period ended June 30, 2003.

NOTE 6- CONCENTRATION OF CREDIT RISK

The Company maintains its checking account in one commercial bank. Cash in this checking account at times exceeded \$100,000. The checking account is secured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000.

The Company is engaged in various trading and brokerage activities with counterparties. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the credit worthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty with which it conducts business.

NOTE 7- RELATED PARTY TRANSACTIONS

The majority stockholder of Alpha Equity Research, Inc. is also the majority stockholder of an affiliate company, Alpha Equity Research Publishing Co.

Alpha Equity Research Publishing Co. produces the master list, stock picker, stock checker, and marketing materials to online trading firms for Alpha Equity Research, Inc. For the fiscal year ending June 30, 2003, the amount paid for these services was \$96,847. No amount was due to or from this related party at June 30, 2003.

ALPHA EQUITY RESEARCH, INC.
SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2003

ALPHA EQUITY RESEARCH, INC.

SCHEDULE I

COMPUTATION OF AGGREGATE INDEBTEDNESS AND NET CAPITAL
PURSUANT TO RULE 15c3-1

JUNE 30, 2003

Total ownership equity from statement of financial condition	\$ 220,303
Total nonallowable assets from statement of financial condition	<u>(141,091)</u>
Net capital before haircuts on securities positions	79,212
Haircuts on securities	<u>(4,062)</u>
Net capital	<u><u>\$ 75,150</u></u>
Aggregate indebtedness:	
Total A.I. liabilities from statement of financial condition	<u><u>\$ 668,768</u></u>
Total aggregate indebtedness	<u><u>\$ 668,768</u></u>
Percentage of aggregate indebtedness to net capital	<u><u>889.9%</u></u>
Computation of basic net capital requirement:	
Minimum net capital required (6-2/3% of A.I.)	<u><u>\$ 44,585</u></u>
Minimum dollar net capital requirement of reporting broker or dealer	<u><u>\$ 5,000</u></u>
Net capital requirement	<u><u>\$ 44,585</u></u>
Excess net capital	<u><u>\$ 30,565</u></u>

ALPHA EQUITY RESEARCH, INC.

RECONCILIATION OF NET CAPITAL PURSUANT TO RULE 15c3-1
(X-17A-5)
AT JUNE 30, 2003

SCHEDULE I (CONTINUED)

	FOCUS REPORT - PART IIA QUARTER ENDED <u>June 30, 2003</u>	<u>ADJUSTMENTS</u>	ANNUAL FINANCIAL STATEMENTS AT <u>June 30, 2003</u>
COMPUTATION OF NET CAPITAL			
Total ownership equity from statement of financial condition	\$ 383,145	\$ (162,842)	\$ 220,303
Deductions and/or charges:			
Total nonallowable assets from statement of financial condition	109,397	31,694	141,091
Haircuts on securities	8,161	(4,099)	4,062
Total deductions	117,558	27,595	145,153
Net capital	<u>\$ 265,587</u>	<u>\$ (190,437)</u>	<u>\$ 75,150</u>

SCHEDULE II

ALPHA EQUITY RESEARCH, INC.

**INFORMATION RELATING TO POSSESSION OR CONTROL
REQUIREMENTS UNDER RULE 15c3-3**

JUNE 30, 2003

The Company had no items reportable as customers' fully paid securities: (1) not in the Company's possession or control as of the audit date (for which instructions to reduce to possession or control had been issued as of the audit date) but for which the required action was not taken by the Company within the time frames specified under Rule 15c3-3 or (2) for which instructions to reduce to possession or control had not been issued as of the audit date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.

SCHEDULE III

ALPHA EQUITY RESEARCH, INC.

**SCHEDULE OF SEGREGATION REQUIREMENTS AND FUNDS
IN SEGREGATION FOR CUSTOMERS' REGULATED
COMMODITY FUTURES AND OPTION ACCOUNTS**

JUNE 30, 2003

The Company claims exemption from the segregation requirements of the Commodities Futures Act since it has no commodity customers as the term is defined in Regulation 1.3(k).

SCHEDULE IV

ALPHA EQUITY RESEARCH, INC.

**COMPUTATION FOR DETERMINATION OF
RESERVE REQUIREMENTS FOR BROKER/DEALER UNDER
RULE 15c3-3 OF THE SECURITIES EXCHANGE ACT OF 1934**

JUNE 30, 2003

Alpha Equity Research Inc., is exempt from the reserve requirements of Rule 15c3-3 as its transactions are limited, such that they do not handle customer funds or securities, accordingly, the computation for determination of reserve requirements pursuant to Rule 15c3-3 and information relating to the possession or control requirement pursuant to Rule 15c3-3 are not applicable.

STEPHEN J. SUSSMAN

Certified Public Accountant

12 PARMENTER ROAD

LONDONDERRY, NH 03053

TEL (603) 437-1910

FAX (603) 437-3676

Independent Auditor's Report on Internal Control Structure Required by SEC Rule 17a-5

Board of Directors
Alpha Equity Research, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Alpha Equity Research, Inc., (the Company), for the year ended June 30, 2003, we considered its internal control, including control activities 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 internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures 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. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13.
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

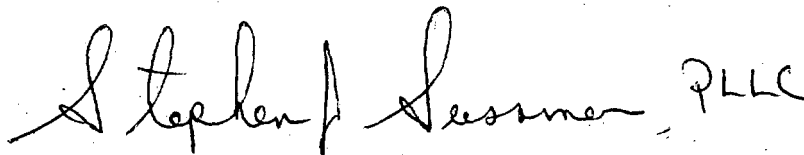
The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls 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 SEC's 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 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.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud 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 internal control would not necessarily disclose all matters in 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 the specific internal control components does not reduce to a relatively low level the risk that 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 internal control, including control activities for safeguarding securities, that we consider to be material weakness 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 SEC 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 June 30, 2003, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers Regulation, Inc. 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.



Stephen J. Sussman, PLLC
Certified Public Accountant
Londonderry, New Hampshire
August 25, 2003

STEPHEN J. SUSSMAN
Certified Public Accountant