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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

VF 3-4-03
OMB APPROVAL
OMB Number: 3235-0123
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Hours per response
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FACING PAGE
Information Required of Brokers and Dealers
Pursuant to Section 17 of the Securities Exchange Act of 1934
and Rule 17a-5 Thereunder

SEC FILE NO.
8-50244

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:

TRAVELERS DISTRIBUTION LLC

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

One Cityplace - 18th Floor

(No. and Street)

Hartford

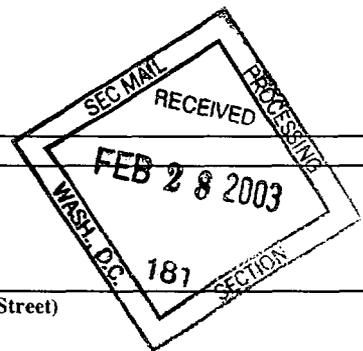
(City)

CT

(State)

06103

(Zip Code)



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

John M. Laverty

(860) 308-6786

(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
(Name -- if individual, state last, first, middle name)

KPMG LLP

One Financial Plaza

(ADDRESS) Number and Street

Hartford

City

CT

State

06103-4103

Zip Code

CHECK ONE:

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

PROCESSED

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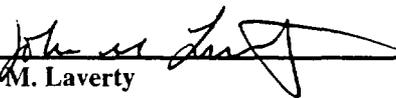
**THOMSON
FINANCIAL**

*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).

KJ

OATH OR AFFIRMATION

I, John M. Lavery, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Travelers Distribution LLC 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.



John M. Lavery
Chief Financial Officer and Treasurer



Notary Public
My Commission Expires Feb. 28, 2003

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

- (a) Facing Page
- (b) Statement of Financial Condition
- (c) Statement of Income
- (d) Statement of Cash Flows
- (e) Statement of Changes in Stockholder's Equity of 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 Requirement 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 Rule 15c3-3
- Schedule of Segregation Requirements and Funds in Segregation Pursuant to Commodity Exchange Act
- (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)

TRAVELERS DISTRIBUTION LLC

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One Financial Plaza
Hartford, CT 06103-2608

Independent Auditors' Report

The Board of Directors of
Travelers Distribution LLC:

We have audited the accompanying statement of financial condition of Travelers Distribution LLC as of December 31, 2002 and 2001, and the related statements of operations, changes in investor's capital, 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 audits.

We conducted our audits 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 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 Travelers Distribution LLC at December 31, 2002 and 2001, and the results of its operations and its cash flows for the years 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 Schedule I 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.

KPMG LLP

February 26, 2003



TRAVELERS DISTRIBUTION LLC

Statement of Financial Condition

December 31, 2002 and 2001

Assets

	<u>2002</u>	<u>2001</u>
Cash	\$ 25,966	32,067
Receivable from affiliate	11,020	8,610
Prepaid expenses	<u>7,869</u>	<u>3,178</u>
Total assets	<u>\$ 44,855</u>	<u>43,855</u>

Liabilities and Investor's Capital

Liabilities:		
Accrued expenses	\$ <u>5,000</u>	<u>4,000</u>
Total liabilities	5,000	4,000
Investor's capital	<u>39,855</u>	<u>39,855</u>
Total liabilities and investor's capital	<u>\$ 44,855</u>	<u>43,855</u>

See accompanying notes to financial statements.

TRAVELERS DISTRIBUTION LLC

Statement of Operations

For the years ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Revenue:		
Fees from affiliate	\$ 126,255	120,182
Expenses:		
General and administrative	<u>126,255</u>	<u>120,182</u>
Net income (loss)	<u>\$ -</u>	<u>-</u>

See accompanying notes to financial statements.

TRAVELERS DISTRIBUTION LLC

Statement of Changes in Investor's Capital

For the years ended December 31, 2002 and 2001

Investor's Capital as of December 31, 2000	\$ 39,855
Capital contribution	-
Net income (loss)	<u>-</u>
Investor's Capital as of December 31, 2001	39,855
Capital contribution	-
Net income (loss)	<u>-</u>
Investor's Capital as of December 31, 2002	<u><u>\$ 39,855</u></u>

See accompanying notes to financial statements.

TRAVELERS DISTRIBUTION LLC

Statement of Cash Flows

For the years ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Net income (loss)	\$ -	-
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Receivable from affiliate	(2,410)	1,425
Prepaid expenses	(4,691)	(1,325)
Accrued expenses	<u>1,000</u>	<u>-</u>
Total adjustments	<u>(6,101)</u>	<u>100</u>
Net cash provided by (used in) operating activities	<u>(6,101)</u>	<u>100</u>
Net cash provided by investing activities	<u>-</u>	<u>-</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net change in cash	(6,101)	100
Cash at beginning of the year	<u>32,067</u>	<u>31,967</u>
Cash at end of the year	\$ <u><u>25,966</u></u>	<u><u>32,067</u></u>
Supplemental disclosure of cash flow information:		
Income taxes refunded	\$ <u><u>-</u></u>	<u><u>-</u></u>

See accompanying notes to financial statements.

TRAVELERS DISTRIBUTION LLC

Notes to Financial Statements

December 31, 2002 and 2001

(1) Nature of Operations

Travelers Distribution LLC (TDLLC), a Delaware limited liability company, is a registered limited business broker/dealer under the Securities Exchange Act of 1934. TDLLC was created on January 14, 2000 when Travelers Distribution Company, a Delaware corporation and indirect wholly-owned subsidiary of The Travelers Insurance Company (Travelers), was converted to a limited liability company. On October 8, 2000, TDLLC commenced operations as the principal underwriter and distributor of Travelers variable annuities and variable life insurance contracts.

(2) Summary of Significant Accounting Policies

(a) *Basis of Presentation*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and the reported amounts of revenues and benefits and expenses during the reporting period. Actual results could differ from those estimates.

(b) *Fees from Affiliate*

Fees from affiliate, which represent reimbursement for expenses incurred for the performance of underwriting and distribution services for Travelers, are recognized as services are provided.

(c) *Income Taxes*

For federal income tax purposes, TDLLC is deemed to be a single-member disregarded entity. Accordingly, TDLLC's earnings are taxable to the investor, and therefore no tax provision has been made in these financial statements.

(3) Related Party

TDLLC, under an arrangement with Travelers derives its revenue upon performing certain underwriting and distribution services to Travelers and is allocated certain expenses, principally salaries, employee benefits and other expenses. Travelers allocated \$107 thousand to TDLLC in 2002 and 2001, relating principally to TDLLC's underwriting and distribution functions provided to Travelers. The amount of fees from affiliate is not indicative of the costs that would have been incurred had the Company not operated under this agreement.

TRAVELERS DISTRIBUTION LLC

Notes to Financial Statements

December 31, 2002 and 2001

(4) Net Capital Requirements

TDLLC is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), 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 15 to 1. At December 31, 2002, Travelers Distribution LLC had net capital of \$20,966, which is in excess of its net capital requirement of \$5,000. TDLLC's ratio of aggregate indebtedness to net capital was .24 to 1 at December 31, 2002.

As a limited business broker/dealer TDLLC is exempt from the provisions of Rule 15c3-3 of the Securities Exchange Act of 1934 under the provisions of Paragraph (k)(1) thereof and from Rule 17a-13 of the Securities Exchange Act of 1934 under the provisions of Paragraph (a) thereof.

TRAVELERS DISTRIBUTION LLC

Computation of Net Capital
Pursuant to Rule 15c3-1 of the Securities and Exchange Commission

As of December 31, 2002

	<u>2002</u>
Net capital:	
Total investor's capital	\$ <u>39,855</u>
Deductions and/or charges:	
Receivable from affiliate	11,020
Prepaid expenses	<u>7,869</u>
Net capital after deductions	\$ <u><u>20,966</u></u>
Aggregate indebtedness	\$ <u><u>5,000</u></u>
Computation of basic net capital requirement:	
Minimum net capital required:	
Greater of 6-2/3% of aggregate indebtedness or \$5,000	\$ <u><u>5,000</u></u>
Excess net capital	\$ <u><u>15,966</u></u>
Ratio: Aggregate indebtedness to net capital	<u><u>.24 to 1</u></u>

Note: The above computation does not differ materially from the computation of net capital and basic net capital requirement under Rule 15c3-1 as of December 31, 2002 filed with the National Association of Securities Dealers on January 24, 2003.



One Financial Plaza
Hartford, CT 06103-2608

Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5

The Board of Directors of
Travelers Distribution LLC:

In planning and performing our audit of the financial statements and supplemental schedule of Travelers Distribution LLC for the year ended December 31, 2002, 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 auditing standards 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 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 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 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 December 31, 2002 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, 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.

KPMG LLP

February 26, 2003