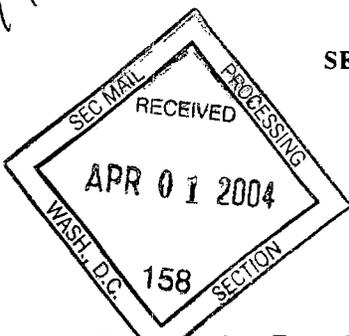


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APR 4/9/2004



SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL
OMB Number: 3235-0123
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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8-42814

**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 01/01/2003 AND ENDING 12/31/2003
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: TBG FINANCIAL & INSURANCE SERVICES CORP.
DBA TBG FINANCIAL
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY
FIRM I.D. NO.

2029 CENTURY PARK EAST 37th FLOOR

(No. and Street)

LOS ANGELES,

CA

90067

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
DEANNA B. MCMAHON (310) 203-8770

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KPMG LLP

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

355 SOUTH GRAND AVENUE

LOS ANGELES,

CALIFORNIA

90071

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

APR 15 2004

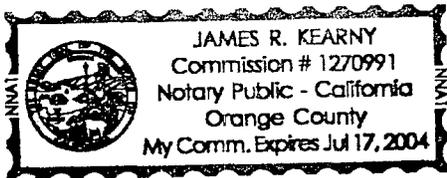
THOMSON FINANCIAL

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)

OATH OR AFFIRMATION

I, DEANNA B. MCMAHON, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of TBG FINANCIAL & INSURANCE SERVICES CORP, as of DECEMBER 31, 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:



Deanna B. McMahon
Signature
Executive Vice President
Title

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).



**TBG FINANCIAL & INSURANCE
SERVICES CORP.**
dba TBG FINANCIAL
(A Wholly Owned Subsidiary of
TBG Insurance Services Corporation)

Financial Statements and
Supplemental Schedule

December 31, 2003

(With Independent Auditors' Report Thereon
and Supplemental Report on Internal Control)

Filed in accordance with
Rule 17-5(e)(3) as a
PUBLIC DOCUMENT.



KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Board of Directors
TBG Financial & Insurance Services Corp.:

We have audited the accompanying statement of financial condition of TBG Financial & Insurance Services Corp. dba TBG Financial (a wholly owned subsidiary of TBG Insurance Services Corporation) (the Company) as of December 31, 2003 and the related statements of operations, changes in shareholder's 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 TBG Financial & Insurance Services Corp. dba TBG Financial as of December 31, 2003 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 information contained in the schedule 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 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our 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

March 30, 2004



**TBG FINANCIAL & INSURANCE
SERVICES CORP.
dba TBG FINANCIAL**
(A Wholly Owned Subsidiary of
TBG Insurance Services Corporation)

Statement of Financial Condition

December 31, 2003

Assets

Assets:

Cash and cash equivalents	\$ 549,535
Commissions receivable	23,692
Prepaid taxes	965
Prepaid other	44,647
Deferred taxes	63,239
Receivable from Parent (see note 3 related party transactions)	<u>3,289,869</u>
Total assets	<u>\$ 3,971,947</u>

Liabilities and Shareholder's Equity

Liabilities:

Accounts payable	\$ 41,231
Commissions payable (see note 3 related party transactions)	241,605
Taxes payable	20,956
Commission chargebacks reserve	<u>120,000</u>
Total liabilities	<u>423,792</u>

Shareholder's equity:

Common stock at \$1 par value. Authorized 100,000 shares; issued and outstanding 1,000 shares	1,000
Additional paid-in capital	1,001,508
Retained earnings	<u>2,545,647</u>
Total shareholder's equity	<u>3,548,155</u>
Total liabilities and shareholder's equity	<u>\$ 3,971,947</u>

See accompanying notes to financial statements.

**TBG FINANCIAL & INSURANCE
SERVICES CORP.
dba TBG FINANCIAL**
(A Wholly Owned Subsidiary of
TBG Insurance Services Corporation)

Statement of Operations
Year ended December 31, 2003

Revenue:		
Commissions (see note 3 related party transactions)	\$	29,087,962
Less allowance for commission chargebacks		120,000
Less professional fees		6,231
Net commissions		<u>28,961,731</u>
Interest income		<u>10,883</u>
Total revenue		<u>28,972,614</u>
Expenses:		
Commissions (see note 3 related party transactions)		11,778,417
Employee-related expenses		9,277,042
Office expense		3,771,756
Selling expense		1,215,519
Other operating expenses		104,352
Total expenses		<u>26,147,086</u>
Income before provision for income taxes		2,825,528
Provision for income taxes		<u>1,135,456</u>
Net income	\$	<u><u>1,690,072</u></u>

See accompanying notes to financial statements.

**TBG FINANCIAL & INSURANCE
SERVICES CORP.**

dba TBG FINANCIAL

(A Wholly Owned Subsidiary of
TBG Insurance Services Corporation)

Statement of Changes in Shareholder's Equity

Year ended December 31, 2003

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total shareholder's equity</u>
December 31, 2002	\$ 1,000	23,004	855,575	879,579
Capital contribution	—	978,504	—	978,504
Net income	—	—	1,690,072	1,690,072
December 31, 2003	<u>\$ 1,000</u>	<u>1,001,508</u>	<u>2,545,647</u>	<u>3,548,155</u>

See accompanying notes to financial statements.

**TBG FINANCIAL & INSURANCE
SERVICES CORP.
dba TBG FINANCIAL**
(A Wholly Owned Subsidiary of
TBG Insurance Services Corporation)

Statement of Cash Flows
Year ended December 31, 2003

Cash flows from operating activities:	
Net income	\$ 1,690,072
Reserve for chargebacks	120,000
Increase in operating assets:	
Commissions receivable	(926)
Prepaid other	(44,647)
Deferred taxes	(63,239)
Receivable from Parent	(2,909,176)
Increase in operating liabilities:	
Accounts payable	26,231
Commissions payable	110,609
Income taxes payable	23,108
	<u>(1,047,968)</u>
Net cash used in operating activities	
Cash flows from financing activities:	
Capital contribution from Parent	<u>978,504</u>
Net cash provided by financing activities	<u>978,504</u>
Net decrease in cash and cash equivalents	(69,464)
Cash and cash equivalents, beginning of year	<u>618,999</u>
Cash and cash equivalents, end of year	<u>\$ 549,535</u>
Supplemental disclosures of cash flow information:	
Cash paid during the year ended December 31, 2003 for income taxes	\$ 3,077

See accompanying notes to financial statements.

**TBG FINANCIAL & INSURANCE
SERVICES CORP.**

dba TBG FINANCIAL

(A Wholly Owned Subsidiary of
TBG Insurance Services Corporation)

Notes to Financial Statements

December 31, 2003

(1) Description of the Company and Summary of Significant Accounting Policies

(a) Description of Business Activity

TBG Financial & Insurance Services Corp. dba TBG Financial (the Company) specializes in selling variable life insurance contracts to corporations, corporate executives, and individuals located in the United States of America, all customers of TBG Insurance Services Corporation (the Parent). The Company's stock is wholly owned by the Parent.

Nationwide Financial Services, Inc. (Nationwide Financial), the parent of Nationwide Insurance (Nationwide Insurance), owns 62.7% of outstanding shares of the Parent.

(b) Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash in banks and short-term investments, which consist of money market accounts with original maturities of 90 days or less.

The Company places its temporary cash investments with a high credit quality financial institution located in Southern California. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

(c) Revenue Recognition

Commission income is recognized when the insurance products have been underwritten, the policies have been issued, and the premiums are paid to the insurance carriers. While commission revenue is subject to chargeback, the Company's experience has been that less than 1% of commission revenue recognized has been subject to such chargeback provisions. The Company currently maintains a chargeback allowance based on historical chargebacks.

(d) Marketable Securities

Securities are carried at fair value based on quoted market prices. Any changes in value are reflected in results of operations.

(e) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from these estimates.

(2) Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus any deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. As of December 31, 2003, the Company had a deferred tax asset of \$63,239.

**TBG FINANCIAL & INSURANCE
SERVICES CORP.**

dba TBG FINANCIAL

(A Wholly Owned Subsidiary of
TBG Insurance Services Corporation)

Notes to Financial Statements

December 31, 2003

The Company files its federal and certain state tax returns on a consolidated or combined basis with its Parent and other subsidiaries of the Parent. For financial statement purposes, the Company's income tax provision is calculated separately from its Parent.

At December 31, 2003, the Company had \$20,956 in state taxes payable. As of December 31, 2003, the Company had tax-related amounts payable to the Parent of \$1,172,118, which have been offset against amounts due from the Parent in the accompanying financial statements.

The Company's provision for income taxes is summarized as follows:

Current	\$	1,198,695
Deferred		<u>(63,239)</u>
Total	\$	<u><u>1,135,456</u></u>

The tax effect of the temporary differences that give rise to the Company's deferred income tax assets are the treatment of franchise taxes.

The total income tax expense differs from the amount computed by applying the statutory federal income tax rate of 34% for the following reasons:

Expected tax expense	\$	960,680
State income taxes		<u>174,776</u>
Total income tax expense	\$	<u><u>1,135,456</u></u>

(3) Related Party Transactions

(a) Expense Allocation

The Company's Parent incurs certain expenses on behalf of the Company and provides administrative and marketing services for the Company. The Parent allocates these expenses to the Company based on various cost drivers. During 2003, the Company was allocated \$9,277,042 for employee expenses, \$3,771,756 for office expenses, and \$1,215,519 for selling expenses. At December 31, 2003, the Company had a \$3,289,869 receivable from Parent as the result of payments to the Parent in excess of the expenses allocated to the Company from the Parent.

**TBG FINANCIAL & INSURANCE
SERVICES CORP.**
dba TBG FINANCIAL
(A Wholly Owned Subsidiary of
TBG Insurance Services Corporation)

Notes to Financial Statements

December 31, 2003

(b) Commission Chargeback

In 2003, two of the Company's clients surrendered corporate owned life insurance policies to Nationwide. As a result of these surrenders, Nationwide charged the Company for the portion of commissions earned on the sale of the policies still subject to refund under the master general agency agreement. The Company recorded a charge to revenue of approximately \$5,696,000. The registered representatives who sold the plans were charged back the portion of the commission that was paid to them. The portion that was charged back to the registered representative was recorded as a credit to sales and promotion expense and was approximately \$2,413,000.

(c) Other Related Parties

The Company received approximately \$8,598,000 in commissions from Nationwide Insurance in 2003. These commissions were net of chargebacks of approximately \$5,696,000. These chargebacks were the result of two clients surrendering policies in 2003 due to unforeseen financial situations outside the control of the Company. Historically, chargebacks have been less than 1% of commission revenue. Chargebacks in 2003, net of these surrendered policies, were less than 1% of commission revenue.

Additionally, during 2003, the Company paid commissions to three registered representatives who are also officers of the Parent.

(4) Regulatory Requirement

The Company 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 not exceed 12-to-1. In addition, the rules of various regulatory agencies provide that equity capital may not be withdrawn or cash dividends paid if the regulatory net capital ratio would exceed 10-to-1. At December 31, 2003, the Company's net capital of \$125,743 exceeded the net capital requirement of \$28,253 by \$97,490, and the Company's ratio of aggregate indebtedness to net capital was 3.370-to-1.

The Company is exempt from Rule 15c3-3 under paragraph (k)(2)(ii) of the Securities Exchange Act of 1934 relating to the determination of reserve requirements because it does not maintain customer accounts or take possession of customer securities.

In October 2003, the NASD issued Notice to Members 03-63 (NTM 03-63) which outlines the SEC guidance on the recording expenses and liabilities by broker/dealers. On July 11, 2003, the Securities and Exchange Commission Division of Market Regulation issued a letter to clarify its position under SEC Rules 15c3-1, 17a-3, 17a-4, and 17a-5 regarding the treatment of broker/dealer expenses and liabilities. The letter addresses situations in which an affiliated party has agreed to pay expenses related to the business of the broker/dealer and required the broker/dealer to either record the expenses borne by the affiliate or to adjust the broker/dealer's net capital to reflect these expenses. The Company's Parent allocates expenses to the Company that were incurred on behalf of the Company. See note 3.

**TBG FINANCIAL & INSURANCE
SERVICES CORP.
dba TBG FINANCIAL**
(A Wholly Owned Subsidiary of
TBG Insurance Services Corporation)

Notes to Financial Statements

December 31, 2003

(5) Chargebacks

When insurance policies sold by the Company are canceled or rewritten during the policy refund period, the Company may incur a charge from the underwriter for refunds paid to the customer. During the year ended December 31, 2003, the Company incurred approximately \$5,696,000 of chargebacks, which were charged against current revenue. The registered representatives who sold the policies and received a commission from the sale are charged back by the Company for their portion of the commission on the chargebacks. During the year ended December 31, 2003, the Company charged registered representatives approximately \$2,413,000 for commissions on chargebacks. As of December 31, 2003, the Company maintained a chargeback allowance, based on historical chargebacks, of \$120,000.

(6) Significant Unrelated Insurance Providers

During 2003, approximately 47% of the variable life insurance contracts sold by the Company were underwritten by two unrelated insurance providers.

**TBG FINANCIAL & INSURANCE
SERVICES CORP.**

dba TBG FINANCIAL

(A Wholly Owned Subsidiary of
TBG Insurance Services Corporation)

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

Year ended December 31, 2003

Shareholder's equity, December 31, 2003	\$ 3,548,155
Less nonallowable assets	<u>(3,422,412)</u>
Net capital	<u>\$ 125,743</u>
Minimum net capital required (greater of \$5,000 or 6-2/3% of aggregate indebtedness)	\$ 28,253
Excess net capital	97,490
Excess net capital at 1,000%	83,364
Aggregate indebtedness	423,792
Ratio of aggregate indebtedness to net capital	3.370-to-1

Note: A reconciliation between the above computation and the Company's corresponding unaudited Form X-17A-5, Part II, filed with the NASD, on March 30, 2004, is not required as no material differences exist.



KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

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

The Board of Directors
TBG Financial & Insurance Services Corp.
dba TBG Financial:

In planning and performing our audit of the financial statements and supplemental schedule of TBG Financial & Insurance Services Corp. dba TBG Financial (a wholly owned subsidiary of TBG Insurance Services Corporation) (the Company), for the year ended December 31, 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 (or aggregate debits) 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 the 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 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, 2003 to meet the SEC's objectives.

This report is intended solely for the information and use of the board of directors, management, the SEC, 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.

KPMG LLP

March 30, 2004