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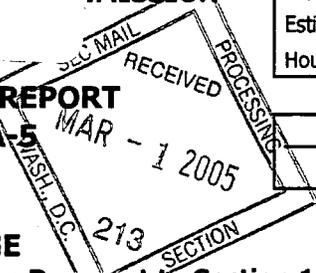
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MISSION

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



SEC FILE NUMBER
8-23091

**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 01/01/04 AND ENDING 12/31/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

PEB Financial Group, Inc.

OFFICIAL USE ONLY
FIRM ID NO.

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

542 S. Dearborn Street, Suite 300

(No. and Street)

Chicago  
(City)

IL  
(State)

60605  
(Zip Code)

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

Lawrence Grant

(312) 922-3264  
(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Altschuler, Melvoin and Glasser LLP  
(Name - if individual, state last, first, middle name)

One South Wacker Drive  
(Address)

Chicago  
(City)

IL  
(State)

60606-3392  
(Zip Code)

**CHECK ONE:**

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

PROCESSED  
MAR 18 2005

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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).

Potential Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a current valid OMB control number.

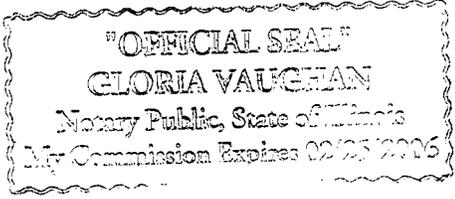
**OATH OR AFFIRMATION**

I, Lawrence Grant, affirm that, to the best of my knowledge and belief the accompanying statement of financial condition pertaining to the firm of PEB Financial Group, Inc., as of December 31, 2004, is true and correct. I further 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.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Sworn and subscribed to me on the  
15<sup>th</sup> day of February, 2005  
Gloria Vaughan  
Notary Public

Lawrence Grant  
Signature  
V.P. & CFO  
Title



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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or 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 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 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statement 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.
- (o) Independent Auditors' Report on Internal Control.

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

# PEB Financial Group, Inc.

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December 31, 2004

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**Altschuler, Melvoin and Glasser LLP**  
Certified Public Accountants and Consultants

## **Independent Auditors' Report**

Board of Directors of  
PEB Financial Group, Inc.

We have audited the accompanying statement of financial condition of PEB Financial Group, Inc. as of December 31, 2004 that you are filing pursuant to Rule 17a-5 of the Securities and Exchange Commission. 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 financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 statement of financial condition referred to above presents fairly, in all material respects, the financial position of PEB Financial Group, Inc. as of December 31, 2004 in conformity with U.S. generally accepted accounting principles.

Chicago, Illinois  
February 10, 2005

**PEB Financial Group, Inc.**  
**Statement of Financial Condition**  
**December 31, 2004**

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**Assets**

Cash and cash equivalents	\$ 48,108
Commissions receivable	<u>60,839</u>
<b>Total assets</b>	<b><u>\$ 108,947</u></b>

**Liabilities and Stockholder's Equity**

Liabilities	
Commissions payable	\$ 60,834
Accounts payable and accrued expenses	<u>867</u>
Total liabilities	<u>61,701</u>
Stockholder's equity	
Common stock	38,510
Paid-in capital	490
Retained earnings	<u>8,246</u>
Total stockholder's equity	<u>47,246</u>
<b>Total liabilities and stockholder's equity</b>	<b><u>\$ 108,947</u></b>

**Note 1 Nature of Operations and Significant Accounting Policies**

**Nature of Operations**—PEB Financial Group, Inc. (the "Company") is a registered securities broker-dealer that provides annuity contracts and investment company products to its customers located in the Midwestern region of the United States.

**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 accompanying notes. Actual results could differ from those estimates.

**Income Recognition**—Securities transactions and the related commission revenue and expenses are recorded on trade date.

**Income Taxes**—The Company files a consolidated federal income tax return with its parent company. By agreement, the provision or benefit for income taxes is computed and paid to or received from the parent company as if the Company filed a separate income tax return.

**Note 2 Related-Party Transactions**

Under an agreement with its parent company, the Company pays management fees for office space and services received.

**Note 3 Profit Sharing Plan**

The Company has a defined contribution profit sharing plan covering all eligible employees, as defined.

**Note 4 Income Taxes**

The Company has a net operating loss carryforward available to offset future taxable income of approximately \$295,000, which expires in various years to 2024. The Company has a deferred tax asset of approximately \$89,000 arising from this net operating loss carryforward and a valuation allowance of \$89,000 to reduce the asset to its realizable amount based upon management's evaluation of the likelihood of realization.

**Note 5 Bank Loan**

For working capital purposes, the Company has a bank revolving line of credit in the amount of \$100,000, maturing on April 5, 2005, at a variable rate of interest, 5.25 percent at December 31, 2004. The line of credit is personally guaranteed by the sole shareholder of the parent and is secured by the pledge of general assets of the Company. There was no amount outstanding at December 31, 2004.

**Note 6 Commitments**

In the normal course of business, the Company is subject to litigation and arbitration matters. Currently, two matters involving the Company are in arbitration, the outcomes of which cannot be determined at this time.

**Note 7 Net Capital Requirements**

The Company is a broker-dealer subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1). Under the rule, the Company is required to maintain "net capital" equivalent to \$5,000 or 6-2/3 percent 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, 2004, the Company had net capital and net capital requirements of approximately \$34,400 and \$5,000, respectively. The net capital rule may effectively restrict the payment of cash dividends.

**Note 8 Subsequent Event**

The Company continues its negotiations to sell its operations.