



08025439

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

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: February 28, 2010  
Estimated average burden  
hours per response . . . 12.00

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

SEC Mail Processing  
Section

SEC FILE NUMBER  
8-24829

FEB 27 2008

FACING PAGE

Washington, DC

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 January 1, 2007 AND ENDING December 31, 2007  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Transamerica Capital, Inc.

OFFICIAL USE ONLY

FIRM ID. NO.

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

4600 South Syracuse Street, Suite 1100

(No. and Street)

Denver, Colorado 80237-2719

(City)

(State)

(Zip Code)

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

Michael Brandsma

(720) 482-1515

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Ernst & Young LLP

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

801 Grand Avenue, Suite 3000, Des Moines, Iowa 50309

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

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

PROCESSED

MAR 05 2008

THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

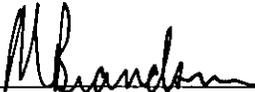
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (6-02)

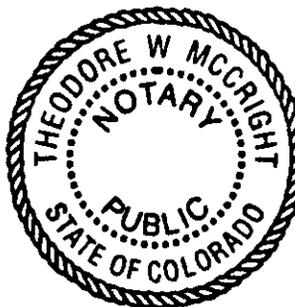
Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number

## Oath or Affirmation

I, Michael Brandsma, affirm that to the best of my knowledge and belief, the accompanying financial statements and supplemental information pertaining to the firm of Transamerica Capital, Inc., as of December 31, 2007, are true and correct. I further affirm that neither the Company nor any principal officer or director has any proprietary interest in any account classified solely as that of a customer.

  
Michael Brandsma  
Managing Director and  
Executive Vice President,

  
Notary Public



This report contains:

**My Commission Expires 01/13/2009**

- (a) Facing page
- (b) Statement of Financial Condition
- (c) Statement of Operations
- (d) Statement of Cash Flows
- (e) Statement of Changes in Stockholder's Equity
- (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 Statements of Financial Condition with respect to methods of consolidation
- (l) An Oath or Affirmation
- (m) A copy of the SIPC Supplemental Report
- (n) Supplementary Report of Independent Registered Public Accounting Firm on Internal Control Required by SEC Rule 17a-5(g)(1)

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
(FOR SEC FILING PURPOSES)

Transamerica Capital, Inc.

Years Ended December 31, 2007 and 2006

With Report and Supplementary Report of Independent Registered  
Public Accounting Firm

Transamerica Capital, Inc.

Financial Statements and Supplemental Information

Years Ended December 31, 2007 and 2006

**Contents**

|   |    |
|---|----|
| Report of Independent Registered Public Accounting Firm .....         | 1  |
| Audited Financial Statements  |    |
| Statements of Financial Condition .....                               | 2  |
| Statements of Operations .....  | 3  |
| Statements of Changes in Stockholder's Equity .....                   | 4  |
| Statements of Cash Flows .....  | 5  |
| Notes to Financial Statements .....                                   | 6  |
| Supplemental Information  |    |
| Supplemental Schedules:   |    |
| Computation of Net Capital Pursuant to SEC Rule 15c3-1 .....          | 12 |
| Statement Pursuant to SEC Rule 17a-5(d)(4) .....                      | 13 |
| Statement Regarding SEC Rule 15c3-3 .....                             | 14 |
| Supplementary Report of Independent Registered Public Accounting Firm |    |
| Required by SEC Rule 17a-5(g)(1) .....                                | 15 |

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholder  
Transamerica Capital, Inc.

We have audited the accompanying statements of financial condition of Transamerica Capital, Inc. (the Company) as of December 31, 2007 and 2006, and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 Transamerica Capital, Inc. at December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are 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 our audits 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.

*Ernst + Young LLP*

February 16, 2008

Transamerica Capital, Inc.

Statements of Financial Condition

|  | December 31          |                      |
|--|----------------------|----------------------|
|  | 2007                 | 2006                 |
| <b>Assets</b>                                    |                      |                      |
| Cash and cash equivalents                        | \$ 51,388,177        | \$ 32,677,407        |
| Receivables – wire orders – other broker dealers | 19,751,975           | –                    |
| Receivable from affiliates                       | 2,385,590            | 2,054,718            |
| Distribution fees receivable                     | 10,136,947           | –                    |
| Deferred tax assets                              | 1,794,027            | 1,486,207            |
| Recoverable under tax allocation agreement       | –                    | 2,442,132            |
| Prepaid expenses and other assets                | 605,252              | 140,375              |
| Total assets                                     | <u>\$ 86,061,968</u> | <u>\$ 38,800,839</u> |
| <b>Liabilities and stockholder's equity</b>      |                      |                      |
| Liabilities:                                     |                      |                      |
| Accounts payable and other accrued expenses:     |                      |                      |
| Salaries, benefits, and bonuses                  | \$ 4,285,182         | \$ 3,533,019         |
| Wire orders – other broker dealers               | 19,751,975           | –                    |
| Commission payable to affiliates                 | 10,549,174           | –                    |
| Payable under tax allocation agreement           | 265,270              | –                    |
| Other accounts payable                           | 7,828,108            | 7,674,110            |
| Due to affiliates                                | 22,205,349           | 18,431,479           |
| Total liabilities                                | <u>64,885,058</u>    | <u>29,638,608</u>    |
| Stockholder's equity:                            |                      |                      |
| Common stock, no par value:                      |                      |                      |
| Authorized shares – 1,000,000                    |                      |                      |
| Issued and outstanding shares – 1,062            | 1,300                | 1,300                |
| Additional paid-in capital                       | 119,518,093          | 99,518,093           |
| Retained earnings deficit                        | (98,342,483)         | (90,357,162)         |
| Total stockholder's equity                       | <u>21,176,910</u>    | <u>9,162,231</u>     |
| Total liabilities and stockholder's equity       | <u>\$ 86,061,968</u> | <u>\$ 38,800,839</u> |

See accompanying notes.

Transamerica Capital, Inc.

Statements of Operations

|   | <b>Year Ended December 31</b> |                        |
|---|-------------------------------|------------------------|
|   | <b>2007</b>                   | <b>2006</b>            |
| Revenues:   |                               |                        |
| Marketing allowables from affiliates  | \$ 77,896,673                 | \$ 64,061,584          |
| Commission income from affiliates   | 195,569,286                   | -                      |
| Mutual fund concessions   | 17,356,909                    | -                      |
| Distribution fees   | 64,759,103                    | -                      |
| Sales of rights to future 12b-1 fees and<br>contingent deferred sales charges | 5,025,003                     | -                      |
| Administrative service fees   | 607,218                       | -                      |
| Other   | 1,977,730                     | 1,416,601              |
| Total revenues  | <u>363,191,922</u>            | <u>65,478,185</u>      |
| Expenses:   |                               |                        |
| Commissions   | 260,527,708                   | -                      |
| Wholesaler compensation and related expenses                                  | 23,892,013                    | 22,454,135             |
| Employee compensation and related benefit expenses                            | 29,925,367                    | 27,114,227             |
| Travel and entertainment  | 6,309,159                     | 5,824,458              |
| Advertising and promotion   | 7,877,196                     | 7,186,497              |
| Seminars and conventions  | 4,911,365                     | 4,168,206              |
| Account supervision fees  | 11,170,050                    | -                      |
| Other service fee expense   | 3,915,165                     | -                      |
| Other operating expenses  | 27,095,828                    | 26,732,764             |
| Total expenses  | <u>375,623,851</u>            | <u>93,480,287</u>      |
| Loss before income taxes  | (12,431,929)                  | (28,002,102)           |
| Income tax (benefit) expense:   |                               |                        |
| Current   | (4,138,788)                   | (10,621,114)           |
| Deferred  | (307,820)                     | 209,303                |
|   | <u>(4,446,608)</u>            | <u>(10,411,811)</u>    |
| Net loss  | <u>\$ (7,985,321)</u>         | <u>\$ (17,590,291)</u> |

*See accompanying notes.*

Transamerica Capital, Inc.

Statements of Changes in Stockholder's Equity

|  | <b>Common<br/>Stock</b> | <b>Additional<br/>Paid-In<br/>Capital</b> | <b>Retained<br/>Earnings<br/>(Deficit)</b> | <b>Total<br/>Stockholder's<br/>Equity</b> |
|--|-------------------------|---|--|---|
| Balance at January 1, 2006                   | \$ 1,300                | \$ 78,518,093                             | \$ (72,766,871)                            | \$ 5,752,522                              |
| Net loss                                     | -                       | -   | (17,590,291)                               | (17,590,291)                              |
| Capital contribution received<br>from parent | -                       | 21,000,000                                | -  | 21,000,000                                |
| Balance at December 31, 2006                 | 1,300                   | 99,518,093                                | (90,357,162)                               | 9,162,231                                 |
| Net loss                                     | -                       | -   | (7,985,321)                                | (7,985,321)                               |
| Capital contribution received<br>from parent | -                       | 20,000,000                                | -  | 20,000,000                                |
| Balance at December 31, 2007                 | <u>\$ 1,300</u>         | <u>\$ 119,518,093</u>                     | <u>\$ (98,342,483)</u>                     | <u>\$ 21,176,910</u>                      |

*See accompanying notes.*

Transamerica Capital, Inc.

Statements of Cash Flows

|   | <b>Year Ended December 31</b> |                       |
|---|-------------------------------|-----------------------|
|   | <b>2007</b>                   | <b>2006</b>           |
| <b>Operating activities</b>   |                               |                       |
| Net loss  | \$ (7,985,321)                | \$ (17,590,291)       |
| Adjustments to reconcile net loss to net cash used in operating activities: |                               |                       |
| Deferred income tax (benefit) expense                                       | (307,820)                     | 209,303               |
| Changes in operating assets and liabilities:                                |                               |                       |
| Receivable from affiliates  | (330,872)                     | (399,302)             |
| Receivables – wire orders – other broker dealers                            | (19,751,975)                  | –                     |
| Distribution fees receivables   | (10,136,947)                  | –                     |
| Wire orders – other broker dealers  | 19,751,975                    | –                     |
| Commission payable to affiliates  | 10,549,174                    | –                     |
| Payable (recoverable) under tax allocation agreement                        | 2,707,402                     | (1,405,283)           |
| Prepaid expenses and other assets   | (464,877)                     | (9,448)               |
| Due to affiliates   | 3,773,870                     | 9,397,495             |
| Salaries, benefits, and bonuses   | 752,163                       | 973,195               |
| Other accounts payable  | 153,998                       | 1,325,756             |
| Net cash used in operating activities                                       | <u>(1,289,230)</u>            | <u>(7,498,575)</u>    |
| <b>Financing activities</b>   |                               |                       |
| Capital contribution  | 20,000,000                    | 21,000,000            |
| Net cash provided by financing activities                                   | <u>20,000,000</u>             | <u>21,000,000</u>     |
| Increase in cash and cash equivalents                                       | 18,710,770                    | 13,501,425            |
| Cash and cash equivalents at beginning of year                              | 32,677,407                    | 19,175,982            |
| Cash and cash equivalents at end of year                                    | <u>\$ 51,388,177</u>          | <u>\$ 32,677,407</u>  |
| <b>Cash paid (received) during the year for</b>                             |                               |                       |
| Income taxes  | <u>\$ (6,846,190)</u>         | <u>\$ (9,215,831)</u> |
| Interest  | <u>\$ 1,079,652</u>           | <u>\$ 757,870</u>     |

*See accompanying notes.*

# Transamerica Capital, Inc.

## Notes to Financial Statements

December 31, 2007

### **1. Summary of Significant Accounting Policies**

Transamerica Capital, Inc. (the Company) is a wholly owned subsidiary of AUSA Holding Company, which, in turn, is a wholly owned indirect subsidiary of AEGON N.V., a holding company organized under the laws of the Netherlands. The Company is registered under the Securities Exchange Act of 1934 as a broker-dealer. The Company primarily wholesales and markets variable insurance products and mutual funds for affiliated companies.

#### **Basis of Presentation**

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

#### **Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### **Deferred Income Taxes**

Deferred income tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities, using the enacted marginal tax rate. Deferred income tax expenses or credits are based on the changes in the asset or liability from period to period.

#### **Recognition of Income**

Sales commissions and fees earned along with the related commission expenses on the distribution of mutual fund shares are recorded on the trade date (the date the orders are executed). Commission income earned on sales of insurance products is determined as a percentage of collected premiums.

# Transamerica Capital, Inc.

## Notes to Financial Statements (continued)

### 1. Summary of Significant Accounting Policies (continued)

#### Fair Values of Financial Instruments

The Company's assets and liabilities include various items that meet the definition of financial instruments and require disclosure of their related fair values. Due to the nature of the Company's financial instruments, management does not believe the fair values of such assets and liabilities differ materially from their carrying values included herein.

#### Reclassifications

Certain reclassifications have been made to the 2006 financial statement to conform to the 2007 presentation.

### 2. Income Taxes

The Company files consolidated federal and state income tax returns with certain affiliates. Under the terms of a tax-sharing agreement, each member of the group has agreed to pay its proportionate share of income taxes calculated on a separate return basis, except that tax credits and net operating loss carryforwards are determined on the basis of the consolidated group. Deferred income taxes have been established by each member of the consolidated group based upon temporary differences within each entity.

The provision for income tax expense (benefit) consists of the following:

|         | <u>2007</u>           | <u>2006</u>            |
|---------|-----------------------|------------------------|
| Federal | \$ (4,581,831)        | \$ (8,813,626)         |
| State   | 135,223               | (1,598,185)            |
|         | <u>\$ (4,446,608)</u> | <u>\$ (10,411,811)</u> |

Federal income tax expense differs from the amount computed by applying the statutory federal income tax rate to income before income taxes due to nondeductible expenses and state taxes.

# Transamerica Capital, Inc.

## Notes to Financial Statements (continued)

### 2. Income Taxes (continued)

Deferred income taxes arise primarily from differing methods used to account for intangible amortization, accrued bonuses and vacation, and other expenses not deductible until future periods for tax purposes. Deferred income taxes are comprised of the following at December 31, 2007 and 2006, respectively.

|                          | <u>2007</u>         | <u>2006</u>         |
|--------------------------|---------------------|---------------------|
| Deferred tax assets      | \$ 3,035,067        | \$ 1,486,207        |
| Less valuation allowance | (1,120,694)         | -                   |
| Deferred tax liabilities | (120,346)           | -                   |
| Net deferred tax assets  | <u>\$ 1,794,027</u> | <u>\$ 1,486,207</u> |

During 2007, the Company established a valuation allowance of \$1,120,694 attributable to state income tax net operating loss carryforwards.

The Company adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, on January 1, 2007.

The Company has analyzed all material tax positions under the provisions of FASB Interpretation No. 48 and has determined that there are no tax benefits that should not be recognized as of January 1, 2007 and as of December 31, 2007. There are no unrecognized tax benefits that would affect the effective tax rate. It is not anticipated that the total amounts of unrecognized tax benefits will significantly increase within 12 months of the reporting date.

The Company classifies interest and penalties related to income taxes as interest expense and penalty expense, respectively. The Company has recognized no such interest and penalties in its financial statements for the years ended December 31, 2007 and 2006.

The Company files in a consolidated return in the U.S. federal tax jurisdiction and various state tax jurisdictions. The Internal Revenue Service audits are final for tax years prior to 2001.

### 3. Commitments

The Company leases its office space and certain other equipment under operating leases which expire through 2012. Rental expense for the years ended December 31, 2007 and 2006, was \$1,660,758 and \$1,359,598, respectively.

# Transamerica Capital, Inc.

## Notes to Financial Statements (continued)

### 3. Commitments (continued)

At December 31, 2007, minimum rental payments under all noncancelable operating leases with initial terms of one year or more are:

|            |                     |
|------------|---------------------|
| 2008       | \$ 1,663,764        |
| 2009       | 1,663,902           |
| 2010       | 1,117,783           |
| 2011       | 1,081,646           |
| 2012       | 1,095,945           |
| Thereafter | —                   |
|            | <u>\$ 6,623,040</u> |

### 4. Employee Benefit Plan

All employees, subject to meeting certain eligibility requirements, are eligible to participate in the AEGON USA Inc. Profit Sharing Plan. Company contributions to the plan for the years ended December 31, 2007 and 2006, were \$799,678 and \$902,964, respectively.

### 5. Transactions With Affiliates

The Company is a member of a group of affiliated companies which are engaged in the sale of life insurance, annuities, and other investment-related activities. Effective May 1, 2007, the Company replaced AFSG Securities Corporation as the principal securities underwriter for certain AEGON USA product issuers. Commissions paid to other affiliated companies were \$67,263,614 and \$0 during 2007 and 2006, respectively.

In conjunction with the Company becoming the principal underwriter for certain AEGON USA product issuers in 2007, the Company entered into a shared services agreement with certain affiliates, under which the cost of these shared services is charged to the Company. A total of \$2,676,097 in shared expenses was charged to the Company during 2007.

## Transamerica Capital, Inc.

### Notes to Financial Statements (continued)

#### 5. Transactions With Affiliates (continued)

The Company also entered into an agreement with Money Services, Inc. (MSI), a related party and an indirect wholly owned subsidiary of AEGON N.V., to sell the rights to future 12b-1 distribution fees and the contingent deferred sales charges to MSI. The sales price is based on the amount of the deferred sales costs, and accordingly, there is no gain or loss on the transaction. The proceeds from such sales and the related commission expense were \$5,025,003 during 2007. During the term of the agreement, MSI shall at no time sell or pledge the 12b-1 fees to the Company. The management of AEGON N.V.'s U.S. operations has expressed its intent to uphold the terms of this agreement and, accordingly, not permit MSI or any other affiliate to have any recourse against the Company related to such sales.

During 2007, the Company entered into a wholesaling agreement with Diversified Investors Securities Corp (DISC), a related party and an indirect wholly owned subsidiary of AEGON N.V., whereby the Company authorizes DISC to perform certain wholesaling services. Under this agreement, the Company paid DISC \$3,915,165 during 2007.

The marketing allowables include \$77,896,673 and \$64,061,584 earned during the years ended December 31, 2007 and 2006, respectively, from the sales of shares of an affiliated group of mutual funds and sales of annuities for affiliated companies.

During 2007 and 2006, the Company's parent contributed capital of \$20,000,000 and \$21,000,000, respectively, to the Company. The future operations of the Company are dependent upon such continued capital contributions until profitable operations can be achieved.

The payables to and receivables from affiliates bear interest at the 30-day commercial paper rate. During 2007 and 2006, the Company paid interest of \$1,079,652 and \$747,870, respectively, and received interest income of \$619,723 and \$438,826, respectively, under these arrangements.

The Company is party to a cost sharing agreement between AEGON USA, Inc. companies, providing general administrative services as needed. During 2007 and 2006, a significant portion of the operating expenses were attributable to such agreement, which approximates their costs to the affiliates.

Transamerica Capital, Inc.

Notes to Financial Statements (continued)

**6. Net Capital Requirement**

The Company is subject to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934. This rule prohibits the Company from engaging in any securities transactions when (a) its "aggregate indebtedness" exceeds 15 times its "net capital," or (b) its "net capital" is less than a minimum as defined by the rule. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2007, the Company had net capital of \$13,065,241, which was \$8,614,124 in excess of its required net capital of \$4,451,117. The Company's ratio of aggregate indebtedness to net capital was 5.11 to 1. Various other regulatory agencies may impose additional requirements. The Company is exempt from maintaining a special reserve bank account under Rule 15c3-3(k)(1).

# Supplemental Information

Transamerica Capital, Inc.

Computation of Net Capital Pursuant to SEC Rule 15c3-1

December 31, 2007

**Computation of net capital**

Total stockholder's equity \$ 21,176,910

Nonallowable assets and deductions:

Other assets

\$ 7,416,067

Total deductions and/or charges

7,416,067

Net capital before haircuts on securities positions

13,760,843

Haircuts on securities

695,602

Net capital

\$ 13,065,241

**Computation of alternative net capital requirement**

Net capital requirement (minimum)

\$ 4,451,117

Excess net capital

\$ 8,614,124

Transamerica Capital, Inc.

Statement Pursuant to SEC Rule 17a-5(d)(4)

December 31, 2007

Differences between the computation of net capital included in this audited report and the corresponding schedule included in the Company's initial unaudited December 31, 2007, Focus Report filed on January 25, 2008, were as follows:

|  |                     |
|--|---------------------|
| Net capital per December 31, 2007, Focus Report filed<br>January 25, 2008                  | \$14,331,494        |
| Adjustment related to non allowable assets   | <u>(1,266,253)</u>  |
| Net capital included in this report  | <u>\$13,065,241</u> |
| <br>   |                     |
| Total aggregate indebtedness per December 31, 2007,<br>Focus Report filed January 25, 2008 | \$49,986,829        |
| Adjustment related to nonallowable liabilities   | <u>16,779,940</u>   |
| Total aggregate indebtedness included in this report                                       | <u>\$66,766,769</u> |

Transamerica Capital, Inc.

Statement Regarding SEC Rule 15c3-3

December 31, 2007

The Company is exempt from Securities and Exchange Commission (SEC) Rule 15c3-3 under paragraph (k)(1)(2)(ii) of that rule.

## Supplementary Report of Independent Registered Public Accounting Firm on Internal Control Required by SEC Rule 17a-5(g)(1)

The Board of Directors and Stockholder  
Transamerica Capital, Inc.

In planning and performing our audit of the financial statements of Transamerica Capital, Inc. (the Company) as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's 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 consideration of control activities for safeguarding securities. The study included 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 and recordation of differences required by Rule 17a-13.
2. 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 and 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and 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, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, Financial Industry Regulatory Authority, 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.

February 16, 2008

*Ernst & Young LLP*

**END**