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

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

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Section  
MAR 31 2009  
Washington, DC

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8- 26476

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 01/01/08 AND ENDING 12/31/08  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Southern Farm Bureau Fund Distributor, Inc.

OFFICIAL USE ONLY

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

FIRM I.D. NO.

1401 Livingston Lane

(No. and Street)

Jackson

MS

39213

(City)

(State)

(Zip Code)

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

Laurence E. Favreau

(601) 981-7422

(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)

188 East Capitol Street

Jackson

MS

39201

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

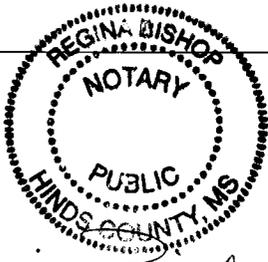
- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

**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, Laurence E. Favreau, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Southern Farm Bureau Fund Distributor, Inc., as of December 31, 2008, 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:



Regina Bishop  
Notary Public

[Signature]  
Signature  
President & Treasurer  
Title

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

- (a) Facing Page.
- (b) Statement of Financial Condition. **Notary Public State of Mississippi At Large**  
**My Commission Expires: July 6, 2011**
- (c) Statement of Income (Loss). **Bonded Thru Heiden, Brooks & Garland, Inc.**
- (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 15c3-1 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) 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).



**SOUTHERN FARM BUREAU FUND DISTRIBUTOR, INC.**

(A Wholly Owned Subsidiary of  
Southern Farm Bureau Life Insurance Company)

Financial Statements and Schedules

December 31, 2008 and 2007

(With Independent Auditors' Report Thereon)



**KPMG LLP**  
Suite 1100  
One Jackson Place  
188 East Capitol Street  
Jackson, MS 39201

## **Independent Auditors' Report**

The Board of Directors  
Southern Farm Bureau Fund Distributor, Inc.:

We have audited the accompanying statements of financial condition of Southern Farm Bureau Fund Distributor, Inc. (a wholly owned subsidiary of Southern Farm Bureau Life Insurance Company) (the Company) as of December 31, 2008 and 2007, and the related statements of income, changes in stockholder's equity 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 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 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, 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 Southern Farm Bureau Fund Distributor, Inc. as of December 31, 2008 and 2007, 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 information contained in Schedules 1, 2, and 3 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 the 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.

**KPMG LLP**

March 26, 2009

**SOUTHERN FARM BUREAU FUND DISTRIBUTOR, INC.**

(A Wholly Owned Subsidiary of  
Southern Farm Bureau Life Insurance Company)

Statements of Financial Condition

December 31, 2008 and 2007

<b>Assets</b>	<b>2008</b>	<b>2007</b>
Cash and cash equivalents	\$ 395,721	370,827
Commissions receivable from parent company (note 2)	8,272	13,700
Other receivable from parent company (note 2)	—	9,600
Prepaid expenses	1,083	1,017
Deferred tax asset	—	316
	<u>\$ 405,076</u>	<u>395,460</u>
<b>Liabilities and Stockholder's Equity</b>		
Liabilities:		
Due to parent company (note 2)	\$ 33,559	—
Income taxes payable to parent company	11,447	54,632
Total liabilities	<u>45,006</u>	<u>54,632</u>
Stockholder's equity (note 3):		
Common stock of \$25 par value. Authorized 1,000 shares; issued 600 shares	15,000	15,000
Additional paid-in capital	85,000	85,000
Retained earnings	260,070	240,828
Total stockholder's equity	<u>360,070</u>	<u>340,828</u>
	<u>\$ 405,076</u>	<u>395,460</u>

See accompanying notes to financial statements.

**SOUTHERN FARM BUREAU FUND DISTRIBUTOR, INC.**  
(A Wholly Owned Subsidiary of  
Southern Farm Bureau Life Insurance Company)

Statements of Income

Years ended December 31, 2008 and 2007

	<b>2008</b>	<b>2007</b>
Income:		
Commissions from parent company, net (note 2)	\$ 164,236	153,154
Late fees from salespersons	25,830	45,240
Interest	4,693	8,567
Other income (note 6)	—	35,000
	194,759	241,961
Selling, general and administrative expenses (note 2)	163,754	85,869
Income before income taxes	31,005	156,092
Income tax expense (note 5)	11,763	59,705
Net income	\$ 19,242	96,387

See accompanying notes to financial statements.

**SOUTHERN FARM BUREAU FUND DISTRIBUTOR, INC.**

(A Wholly Owned Subsidiary of  
Southern Farm Bureau Life Insurance Company)

Statements of Changes in Stockholder's Equity

Years ended December 31, 2008 and 2007

		<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total stockholder's equity</u>
Balance at December 31, 2006	\$	15,000	85,000	144,441	244,441
Net income		<u>—</u>	<u>—</u>	<u>96,387</u>	<u>96,387</u>
Balance at December 31, 2007		15,000	85,000	240,828	340,828
Net income		<u>—</u>	<u>—</u>	<u>19,242</u>	<u>19,242</u>
Balance at December 31, 2008	\$	<u>15,000</u>	<u>85,000</u>	<u>260,070</u>	<u>360,070</u>

See accompanying notes to financial statements.

**SOUTHERN FARM BUREAU FUND DISTRIBUTOR, INC.**

(A Wholly Owned Subsidiary of  
Southern Farm Bureau Life Insurance Company)

Statements of Cash Flows

Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$ 19,242	96,387
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred tax expense	316	5,073
Changes in assets and liabilities:		
Commissions and other receivables from parent company and prepaid expenses	14,962	(10,194)
Income taxes payable to parent company	(43,185)	53,379
Due to parent company	33,559	(34,656)
Net cash provided by operating activities	<u>24,894</u>	<u>109,989</u>
Cash and cash equivalents at beginning of year	<u>370,827</u>	<u>260,838</u>
Cash and cash equivalents at end of year	<u>\$ 395,721</u>	<u>370,827</u>
Supplementary cash flows disclosure:		
Income tax payments (paid to parent)	\$ 54,632	1,253

See accompanying notes to financial statements.

**SOUTHERN FARM BUREAU FUND DISTRIBUTOR, INC.**

(A Wholly Owned Subsidiary of  
Southern Farm Bureau Life Insurance Company)

Notes to Financial Statements

December 31, 2008 and 2007

**(1) Organization, Business and Summary of Significant Accounting Policies**

**(a) Organization and Business**

Southern Farm Bureau Fund Distributor, Inc. (the Company) was organized for the purpose of engaging in the buying, selling, and dealing in or with various securities or any interest therein. The Company is a wholly owned subsidiary of Southern Farm Bureau Life Insurance Company. The Company currently acts as a broker and dealer of variable life and annuity products offered by Southern Farm Bureau Life Insurance Company and is a member of the Financial Industry Regulatory Authority (FINRA).

**(b) Commissions and Late Fees**

Commission revenues in excess of commission expense to individual salespersons are paid to the Company by its parent and recognized on a trade-date basis as transactions occur. Commission revenues and associated receivables are recognized on a net basis by the Company consistent with an underwriting agreement entered into between the Company and its parent in October 1999, as amended. Late fees from salespersons are recognized as earned.

**(c) Income Taxes**

The Company's results of operations are included in the consolidated federal income tax return filed by the Company's parent and its subsidiaries. Taxes are allocated to each subsidiary member of the consolidated group at the maximum federal statutory rate for each subsidiary's income or loss.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Effective January 1, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109, Accounting for Income Taxes*. FIN 48 establishes financial accounting and disclosure requirements for recognition and measurement of tax positions taken or expected to be taken on an income tax return. The Company currently has no uncertain tax positions. With limited exception, the Company is no longer subject to U.S. federal, state, and local audits by tax authorities for 2003 and earlier tax years.

**(d) Cash and Cash Equivalents**

For financial reporting purposes, cash and money market mutual funds are considered to be cash and cash equivalents.

**SOUTHERN FARM BUREAU FUND DISTRIBUTOR, INC.**

(A Wholly Owned Subsidiary of  
Southern Farm Bureau Life Insurance Company)

Notes to Financial Statements

December 31, 2008 and 2007

**(e) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

**(2) Related-Party Transactions**

Certain operating expenses incurred by the Company are reimbursed by the Company's parent and certain professional expenses are paid by the Company's parent and allocated to the Company. Additionally, commission revenues in excess of commission expense to individual salespersons are paid to the Company by its parent and recognized on a trade-date basis as transactions occur. At December 31, 2008 and 2007, the Company had a net liability to its parent for \$36,734 and \$31,332, respectively.

**(3) Net Capital Requirements**

In accordance with regulations of the Securities and Exchange Commission, the Company must maintain minimum net capital, as defined, such that the ratio of aggregate indebtedness, as defined, to net capital does not exceed 15 to 1. At December 31, 2008 and 2007, the Company's net capital exceeded required capital by \$328,666 and \$302,272, respectively. The ratio of aggregate indebtedness to net capital was 0.8 to 1 at December 31, 2008 and 0.5 to 1 at December 31, 2007.

**(4) Subordinated Debt**

The Company had no subordinated debt at December 31, 2008 or 2007 or at any time during the years then ended.

**SOUTHERN FARM BUREAU FUND DISTRIBUTOR, INC.**

(A Wholly Owned Subsidiary of  
Southern Farm Bureau Life Insurance Company)

Notes to Financial Statements

December 31, 2008 and 2007

**(5) Income Taxes**

The current and deferred components of income tax expense for the years ended December 31, 2008 and 2007 follow:

	<u>2008</u>	<u>2007</u>
Current:		
Federal	\$ 10,532	54,632
State	915	—
	<u>11,447</u>	<u>54,632</u>
Deferred:		
Federal	(170)	(2,732)
State	486	7,805
	<u>316</u>	<u>5,073</u>
Income tax expense	<u>\$ 11,763</u>	<u>59,705</u>

The differences between the income tax expense shown on the statements of income and the amounts computed by applying the federal income tax rate of 35% in 2008 and 2007 to income before income taxes follow:

	<u>2008</u>	<u>2007</u>
Expected income tax expense	\$ 10,852	54,632
State income taxes, net	911	5,073
Income tax expense	<u>\$ 11,763</u>	<u>59,705</u>

At December 31, 2007, the Company had net operating loss carryforwards in the state of Mississippi of \$9,710. These net operating loss carryforwards generated a deferred tax asset of \$316 at December 31, 2007. During 2007, management determined, based upon the facts and circumstances, that the Company would be able to generate sufficient income in future periods to allow the utilization of these net operating loss carryforwards before their ultimate expiration in 2019. As a result, the Company did not record any valuation allowance against the related deferred tax asset during 2007. The Company fully utilized the net operating loss carryforwards in 2008; therefore, there are no deferred tax assets at December 31, 2008.

**(6) Other Income**

In August 2007, the Company received a special payment of \$35,000 as a result of the consolidation of the National Association of Securities Dealers and the member regulation, enforcement and arbitration functions of the New York Stock Exchange. This payment was recorded in other income.

**SOUTHERN FARM BUREAU FUND DISTRIBUTOR, INC.**  
 (A Wholly Owned Subsidiary of  
 Southern Farm Bureau Life Insurance Company)

Computation of Net Capital, Aggregate Indebtedness and  
 Ratio of Aggregate Indebtedness to Net Capital  
 Under Rule 15c3-1

December 31, 2008

Net capital:		\$	360,070
Stockholder's equity			
Less nonallowable assets:			
Prepaid expenses	\$	1,083	
Commissions receivable		8,272	
			9,355
Less haircuts – money market mutual funds			4,155
Net capital		\$	346,560
Net capital requirement		\$	17,894
Net capital in excess of required amount			328,666
Net capital		\$	346,560
Aggregate indebtedness (includes \$223,413 of commissions payable to parent)		\$	268,419
Ratio of aggregate indebtedness to net capital			0.8 to 1

Note: The above computation does not differ materially from the computation of net capital under Rule 15c3-1 as of December 31, 2008, as filed by the Company in March 2009.

See accompanying independent auditors' report.

**SOUTHERN FARM BUREAU FUND DISTRIBUTOR, INC.**  
(A Wholly Owned Subsidiary of  
Southern Farm Bureau Life Insurance Company)

Computation for Determination of Reserve  
Requirement Under Rule 15c3-3

December 31, 2008

The Company is exempt from the reserve requirements and the related computations for the determination thereof under paragraph (k)(1) of Rule 15c3-3 under the Securities and Exchange Act of 1934, as the Company's broker and dealer transactions are limited to the purchase, sale and redemption of redeemable securities of registered investment companies, and the Company promptly transmits all funds and delivers all securities received in connection with its activities as a broker or dealer, and does not otherwise hold funds or securities for, or owe money or securities to, customers.

During the year ended December 31, 2008, the Company has maintained compliance with the conditions for exemption specified in paragraph (k)(1) of Rule 15c3-3.

See accompanying independent auditors' report.

**SOUTHERN FARM BUREAU FUND DISTRIBUTOR, INC.**  
 (A Wholly Owned Subsidiary of  
 Southern Farm Bureau Life Insurance Company)

Information for Possession or Control  
 Requirement Under Rule 15c3-3

December 31, 2008

	<u>Market value</u>	<u>Number of items</u>
Information for possession or control requirements: Customers' fully paid and excess-margin securities not in the Company's possession or control as of December 31, 2008 for which instructions to reduce to possession or control had been issued as of December 31, 2008 but for which the required action was not taken within the time frames specified under Rule 15c3-3.	None	None
Customers' fully paid and excess-margin securities for which instructions to reduce to possession or control had not been issued as of December 31, 2008, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3; subsequently reduced to possession or control by the Company.	None	None

See accompanying independent auditors' report.



**KPMG LLP**  
Suite 1100  
One Jackson Place  
188 East Capitol Street  
Jackson, MS 39201

The Board of Directors  
Southern Farm Bureau Fund Distributor, Inc.:

In planning and performing our audit of the financial statements of Southern Farm Bureau Fund Distributor, Inc. (the Company), as of and for the year ended December 31, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's 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. This 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:

- (i) Making the quarterly securities examinations, counts, verifications and comparisons and recordation of differences required by rule 17a-13
- (ii) 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 U.S. 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 deficiency in internal control 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 and correct misstatements on a timely basis. A significant deficiency is a deficiency, or combination



The Board of Directors  
Southern Farm Bureau Fund Distributor, Inc.  
March 26, 2009  
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of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, 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 specific parties.

KPMG LLP

March 26, 2009