



24000930

OMB APPROVAL
OMB Number: 3235-0123
Expires: Nov. 30, 2026
Estimated average burden hours per response: 12

SEC FILE NUMBER
8-49296

**ANNUAL REPORTS
FORM X-17A-5
PART III**

FACING PAGE

Information Required Pursuant to Rules 17a-5, 17a-12, and 18a-7 under the Securities Exchange Act of 1934

FILING FOR THE PERIOD BEGINNING 01/01/2023 AND ENDING 12/31/2023
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: AuguStar Distributors, Inc.

MAR 05 2024

TYPE OF REGISTRANT (check all applicable boxes):

- Broker-dealer Security-based swap dealer Major security-based swap participant
 Check here if respondent is also an OTC derivatives dealer

Washington, DC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use a P.O. box no.)

One Financial Way

(No. and Street)

Cincinnati

Ohio

45242

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Teresa Cooper

(513) 794-6162

Teresa_Cooper@constellationinsurance.com

(Name)

(Area Code - Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing*

Crowe LLP

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

485 Lexington Avenue

New York

NY

10017

(Address)

(City)

(State)

(Zip Code)

09/24/03

173

(Date of Registration with PCAOB)(if applicable)

(PCAOB Registration Number, if applicable)

FOR OFFICIAL USE ONLY

* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.

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, Teresa R. Cooper, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of AuguStar Distributors, Inc., as of 12/31, 2023, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.

State of Ohio
County of Hamilton



DARLENE COOK
NOTARY PUBLIC, STATE OF OHIO
My Commission Expires 2/17/2025

Signature:

Teresa R. Cooper

Title:

Treasurer and Comptroller

Darlene Cook

Notary Public, Commission Expires 2/17/25

SEC Mail Processing

MAK 05 2024

Washington, DC

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

- (a) Statement of financial condition.
- (b) Notes to consolidated statement of financial condition.
- (c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income (as defined in § 210.1-02 of Regulation S-X).
- (d) Statement of cash flows.
- (e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
- (f) Statement of changes in liabilities subordinated to claims of creditors.
- (g) Notes to consolidated financial statements.
- (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- (i) Computation of tangible net worth under 17 CFR 240.18a-2.
- (j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
- (k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- (l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
- (m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
- (n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- (o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- (q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
- (r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (t) Independent public accountant's report based on an examination of the statement of financial condition.
- (u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
- (v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
- (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- (z) Other: _____

**To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.

AUGUSTAR DISTRIBUTORS, INC.
(A Wholly Owned Subsidiary of
Constellation Insurance, Inc.)

Table of Contents

	Page
Report of Independent Registered Public Accounting Firm	1
Statement of Financial Condition, December 31, 2023	3
Statement of Operations, Year ended December 31, 2023	4
Statement of Changes in Stockholder's Equity, Year ended December 31, 2023	5
Statement of Cash Flows, Year ended December 31, 2023	6
Notes to Financial Statements	7
Schedules	
1 – Computation of Net Capital under Rule 15c3-1 of the Securities Exchange Act of 1934, December 31, 2023	14
2 – Computation for the Determination of the Reserve Requirements under Rule 15c3-3 of the Securities Exchange Act of 1934, December 31, 2023	15
3 – Information Relating to Possession or Control Requirements under Rule 15c3-3 of the Securities Exchange Act of 1934, December 31, 2023	16

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder and the Board of Directors
AuguStar Distributors, Inc.
Cincinnati, Ohio

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of AuguStar Distributors, Inc. (the "Company") as of December 31, 2023, the related statements of operations, changes in stockholder's equity, and cash flows for the year ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

(Continued)

Supplemental Information

The Schedule 1 Computation of Net Capital Under Rule 15c3-1, Schedule 2 Computation for the Determination of the Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Act of 1934, and Schedule 3 Information Relating to Possession or Control Requirements Under Rule 15c3-3 of the Securities and Exchange Act of 1934 (the "Supplementary Information") have been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The Supplemental Information is the responsibility of the Company's management. Our audit procedures included determining whether the Supplemental Information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the Supplemental Information. In forming our opinion on the Supplemental Information, we evaluated whether the Supplemental Information, including its form and content is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the financial statements as a whole.


Crowe LLP

We have been serving as the Company's auditor since 2022.

New York, New York
March 4, 2024

AUGUSTAR DISTRIBUTORS, INC.
(A Wholly Owned Subsidiary of Constellation Insurance, Inc.)
Statement of Financial Condition
As of December 31, 2023

Assets		
Cash	\$	4,358,207
Accounts receivable from affiliates, net (note 3)		4,828,384
Federal income taxes receivable (note 2)		18,661
Prepaid state income taxes		19,027
Other assets		3,239
Total assets	\$	<u>9,227,518</u>
Liabilities and Stockholder's Equity		
Liabilities:		
Accounts payable and accrued expenses	\$	19,366
Payable to affiliate, net (note 3)		55,956
Commissions payable (note 3)		5,871,417
Total liabilities		<u>5,946,739</u>
Stockholder's equity (note 4):		
Common stock, without par value. Authorized 10,000 shares; issued and outstanding 3,300 shares at stated value of \$10 per share		33,000
Additional paid-in capital		12,397,000
Retained deficit		<u>(9,149,221)</u>
Total stockholder's equity		<u>3,280,779</u>
Total liabilities and stockholder's equity	\$	<u>9,227,518</u>

See accompanying notes to financial statements.

AUGUSTAR DISTRIBUTORS, INC.
(A Wholly Owned Subsidiary of Constellation Insurance, Inc.)

Statement of Operations
For the Year Ended December 31, 2023

Revenues		
Trail concessions (note 3)	\$	58,951,626
Affiliate sales load (note 3)		1,514,436
Asset marketing allowance (note 3)		4,024,924
Service fee income (note 3)		401,315
Concession revenue		<u>64,892,301</u>
Expenses		
Trail commission expense (note 3)		58,951,626
Sales load due to affiliate (note 3)		1,514,436
Asset marketing allowance expense (note 3)		4,024,924
Prospectus printing expenses (note 3)		401,315
Production marketing allowance expense		1,479
Regulatory fees and expenses		147,185
General expenses		132,654
Total Expenses		<u>65,173,619</u>
Loss before income taxes		<u>(281,318)</u>
Income taxes (note 2)		
Current expense		<u>23,565</u>
Net loss	\$	<u><u>(304,883)</u></u>

See accompanying notes to financial statements.

AUGUSTAR DISTRIBUTORS, INC.
(A Wholly Owned Subsidiary of Constellation Insurance, Inc.)
Statement of Changes in Stockholder's Equity
As of December 31, 2023

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained deficit</u>	<u>Total stockholder's equity</u>
Balance at January 1, 2023	\$ 33,000	9,397,000	(8,844,338)	585,662
Capital Contribution from AuguStar Life Insurance Company	—	3,000,000	—	3,000,000
Net loss	—	—	(304,883)	(304,883)
Balance at December 31, 2023	\$ <u>33,000</u>	<u>12,397,000</u>	<u>(9,149,221)</u>	<u>3,280,779</u>

See accompanying notes to financial statements.

AUGUSTAR DISTRIBUTORS, INC.
(A Wholly Owned Subsidiary of Constellation Insurance, Inc.)
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2023

Cash flows from operating activities:	
Net loss	\$ (304,883)
Adjustments to reconcile net income to net cash used in operating activities:	
Increase in accounts receivable from affiliates	(156,847)
Increase in income taxes receivable	(27,960)
Decrease in other assets	12,865
Increase in accounts payable and accrued expenses	<u>267,938</u>
Net cash used in operating activities	<u>(208,887)</u>
Cash flows from financing activities:	
Capital Contributions from AuguStar Life Insurance Company	<u>3,000,000</u>
Net cash provided by financing activities	<u>3,000,000</u>
Increase in cash	2,791,113
Cash at beginning of year	<u>1,567,094</u>
Cash at end of year	<u>\$ 4,358,207</u>
Federal income tax paid to AuguStar Life Insurance Company	\$ 41,016

See accompanying notes to financial statements.

AUGUSTAR DISTRIBUTORS, INC.

(A Wholly Owned Subsidiary of
Constellation Insurance, Inc.)

Notes to Financial Statements

December 31, 2023

(1) General Information and Significant Accounting Policies

Basis of Presentation and Nature of Business

AuguStar Distributors, Inc. (the “Company” or “ADI”), formerly Ohio National Equities, Inc. (“ONEQ”) was incorporated in Ohio in 1996. The Company commenced operations in August of 1997. The Company is registered as a wholesale broker and dealer under the Securities and Exchange Commission (“SEC”) Act of 1934 and is a member of the Financial Industry Regulation Authority.

The Company changed its name to AuguStar Distributors, Inc. effective September 7, 2023. The Company was a wholly owned subsidiary of AuguStar Life Insurance Company (“ALIC”), formerly The Ohio National Life Insurance Company (“ONLIC”), a life insurance subsidiary. On November 17, 2023, ALIC transferred its interest of ADI to Constellation Insurance, Inc. (“CII”) and ADI is now a wholly owned subsidiary of CII.

The Company is the underwriter of CII registered variable annuity and variable life products and enters into distribution and underwriting agreements with affiliates. CII is a stock holding company organized under Ohio insurance laws and wholly owned by Constellation Insurance Holdings, Inc. (“CIHI”). CII owns 100% of ALIC.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United State of America (“U.S. GAAP”). Management of the Companies has made a number of estimates and assumptions related to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated statement of financial condition and revenues and expenses for the reporting period to prepare these consolidated financial statements in conformity with U.S. GAAP. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash is carried at cost which approximates fair value. All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Revenue and Expense Accounting Policy

The Company has entered into distribution and underwriting agreements to sell variable life insurance contracts on behalf of AuguStar Life Assurance Corporation (“ALAC”), formerly Ohio National Life Assurance Corp (“ONLAC”), an affiliate. The Company also has entered into distribution and underwriting agreements to sell variable annuity contracts and fixed annuity contracts on behalf of ALIC and National Security Life and Annuity Company (“NSLAC”), an affiliate, and the O.N. Equity Sales Company (“ONESCO”), an affiliate and to unrelated third-party broker dealers.

In its capacity as the underwriter and distributor for Constellation Insurance products, the Company has certain performance obligations that include but are not limited to all duties and functions which are necessary and proper for wholesale distribution and sale of Constellation Insurance products. The performance obligation is fulfilled at a point in time, once distribution of contracts is complete. Once a

AUGUSTAR DISTRIBUTORS, INC.

(A Wholly Owned Subsidiary of
Constellation Insurance, Inc.)

Notes to Financial Statements

December 31, 2023

contract is distributed to the policyholder the Company has a right to the concession payment from the insurer equal to the amount incurred to distribute the contract.

The Company is the contractual counter party to selling agreements for third party distributors that sell and therefore has legal obligation for payment of related commissions. There are multiple performance obligations related to these contracts. The initial performance obligation is satisfied at the time of each individual sale. The portion of the revenue recognized at the time of sale is based on a fixed rate applied, as a percentage, to amounts invested at the time of sale. For the year ended December 31, 2023, the Company had no revenue related to the initial sale of contracts. The second portion of revenue, trailing concessions, is recognized over the time the client owns the investment or holds the contract and is generally earned based on a fixed rate applies, as a percentage, to the net asset value of the annuity contract or value of the insurance policy. Trailing concessions is not recognized at the time of sale because it is variably constrained due to factors outside of the Company's control including market volatility and client behavior (such as how long clients hold their annuity contract or insurance policy). The revenue is not recognized until it is probable that a significant reversal will not occur. Accordingly, the Company records these transactions as trail concessions in the statement of operations.

The Company receives fees from variable annuity contracts under Rule 12b-1 of the Investment Commission Act of 1940 which are based on fees for providing information to distributors and shareholders related to distribution of shares, including but not limited to, responding to phone inquiries, advertising, and providing information to distributors and shareholders regarding fund performance. These services to customers represent the performance obligation and are considered a series of distinct services that are substantially the same. The revenue is recognized over the time the Company's client owns the investment and is generally earned based on contractual rates applied to the average daily net asset value invested in the fund. These fees are considered satisfied over time as contracts are simultaneously received and consuming the benefits as they are provided by the Company. Transaction price is variable and constrained until the point of time when the fee is determined. Revenue from 12b-1 fees is reported in ONESCO sales load on the statement of operations.

The Company incurs a marketing expense from the distribution related to the sale or marketing of contracts, sales load to and from ONESCO, printing and distributing prospectuses, and other expenses incurred with the distributing the sale of contracts. NSLAC reimburses the Company for expenses incurred by the Company for the distribution of the NSLAC products. ALIC reimburses the Company for expenses incurred by the Company for the distribution of the Constellation Insurance products. These expenses are recorded as asset marketing allowance in the statement of operations.

Relative to the sale of the affiliated variable life, fixed and annuity products, the Company acts as a principal and receives revenue from the affiliates that is paid out directly to the third parties. The Company provides services for these products and acting as the principal to the contract, the Company recognizes these revenue dollars in a gross manner. The accompanying financial statements have been prepared from separate records maintained by the Company and reflect significant balances and transactions with affiliates. Such financial statements may not necessarily be indicative of the

AUGUSTAR DISTRIBUTORS, INC.

(A Wholly Owned Subsidiary of
Constellation Insurance, Inc.)

Notes to Financial Statements

December 31, 2023

conditions that would have existed or the results of operations if the Company operated on a stand-alone basis and these transactions were with unrelated parties.

Commissions Payable

Commissions for marketing allowances are recognized on trade date basis and are paid quarterly. Marketing allowance commissions of \$958,782 and accrued commission amounts due of \$4,912,635 are included in commissions payable on the statement of financial condition.

Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income, and cost approaches. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company is required to categorize its assets and liabilities that are carried at estimated fair value on the statement of financial condition into a three-level hierarchy based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement.

The levels of fair value hierarchy are as follows:

- **Level 1** – Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market at the measurement date. The types of assets utilizing Level 1 valuations include U.S. government securities, actively traded equity securities, investments in publicly traded mutual funds, cash and cash equivalents, and exchange traded derivatives.
- **Level 2** – Fair value is based on significant inputs, other than quoted prices included in Level 1 that are observable in active markets or that are derived principally from or corroborated by observable market data through correlation or other means for identical or similar assets and liabilities.
- **Level 3** – Fair value is based on unobservable inputs for the asset or liability for which there is little or no market activity at the measurement date. Unobservable inputs used in the valuation reflect management's best estimate about the assumptions market participants would use to price the asset or liability.

As of December 31, 2023, the Company did not have any investment securities or other financial assets or liabilities that are carried at fair value.

AUGUSTAR DISTRIBUTORS, INC.

(A Wholly Owned Subsidiary of
Constellation Insurance, Inc.)

Notes to Financial Statements

December 31, 2023

(2) Income Taxes

The Company files a consolidated federal income tax return with its parent company, CII. The method of allocation between companies is subject to a written agreement. Allocations are based upon separate return calculations with current credit for net losses. Intercompany tax balances are settled monthly.

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. Valuation allowances are established when it is determined that it is more likely than not that the deferred tax asset will not be fully realized. As of December 31, 2023, there is no federal or state deferred tax asset. For state purposes, a valuation allowance is needed as of December 31, 2023, as it is more likely than not that the state deferred tax assets will not be realized. In recognition of this risk, we have provided a valuation allowance of \$295,980 on the state deferred tax assets.

The Company provides for federal and state income taxes based on amounts it believes it will owe in accordance with FASB Accounting Standards Codification (“ASC”) 740-10, *Income Taxes – Recognition*. This guidance addresses the accounting and disclosure of uncertain tax positions. This guidance also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The difference between the tax benefit recognized in the financial statements for a position in accordance with this guidance and the tax benefit claimed in the tax return is referred to as an unrecognized tax benefit. As of December 31, 2023, there are no reserves for uncertain tax positions.

Total income tax expense for the year ended December 31, 2023 differs from the amount computed by applying the U.S. federal income tax rate of 21% to income before federal income tax expense as follows:

	<u>Amount</u>	<u>Percentage</u>
Computed (expected) tax benefit	\$ (59,077)	21.00 %
Intercompany tax allocation adjustment	78,437	(27.88)
State tax expense, net of federal income tax benefit	4,005	(1.42)
Other	200	(0.08)
Total expense and effective rate	<u>\$ 23,565</u>	<u>(8.38) %</u>

(3) Related-Party Transactions

Service contract expense is recognized ratably over the year based on annual cost models for direct and indirect costs related to services performed. ADI has service contract agreements with ALIC, CII and

AUGUSTAR DISTRIBUTORS, INC.

(A Wholly Owned Subsidiary of
Constellation Insurance, Inc.)

Notes to Financial Statements

December 31, 2023

ONESCO. ADI is billed from ALIC for legal and professional services, data processing services, and other administrative services. The Company is billed from CII for services, office space, equipment, and materials necessary to the operation of the business. ADI is billed from ONESCO for services and support including contracting and licensing, marketing, compliance, and training support. The expenses related to the service contract agreements are reviewed quarterly with appropriate Management for reasonableness and approval. The service contract expense of \$69,402 for the year ended December 31, 2023 comprised services expenses all from ALIC.

For the year ended December 31, 2023, the Company incurred \$58,951,626 related to commission expense to third-parties, \$1,514,436 of affiliate sales load expense related to fixed annuities, \$4,024,924 of asset-based marketing allowance expense, and \$401,315 of prospectus printing expenses. Accordingly, the Company received \$64,892,301 of commission revenue from affiliates. See Note 1 – Revenue and expense accounting policy. At December 31, 2023, the Company had accrued concessions receivable from affiliates of \$4,912,635.

At December 31, 2023, the Company paid to ONESCO \$219,243 of asset marketing allowance expense and \$180 of production marketing allowance expense reported in the statement of operations, respectively. These expenses are for marketing support services related to the sale and distribution of ALIC annuity contracts, per a selling agreement with the Company.

The Company has an underwriting agreement with NSLAC and bills NSLAC for employee benefit chargebacks, which reduce the service contracts expenses. There is no assurance that these costs would be similar if the Company had to obtain such services and support on its own. The Company is also reimbursed by NSLAC for expenses related to distributing variable annuity and variable universal life contracts issued by NSLAC, per the underwriting agreement. For the year ended December 31, 2023, the Company received \$177,389 in reimbursement of expenses reported in asset marketing allowance expense in the statement of operations.

The affiliated amounts owed to the Company as of December 31 were as follows, which are shown on the face of the statement of financial condition:

	<u>2023</u>
Trail concessions accrued	\$ 4,812,178
NSLAC reimbursements	<u>16,206</u>
Total accounts receivable from affiliates, net	<u>\$ 4,828,384</u>

The affiliated amounts owed by the Company as of December 31 were as follows, which are shown on the face of the statement of financial condition:

AUGUSTAR DISTRIBUTORS, INC.

(A Wholly Owned Subsidiary of
Constellation Insurance, Inc.)

Notes to Financial Statements

December 31, 2023

	<u>2023</u>
ONESCO asset-based marketing allowance due	\$ 53,706
Other reimbursements due to ALAC	172
Other reimbursements due to CII	<u>2,078</u>
Total accounts payable to affiliates, net	<u>\$ 55,956</u>

The Company files a consolidated federal income tax return with ALIC. Tax payments for 2023 were \$41,016.

(4) Regulatory Requirements

The Company's broker dealer business is limited to the distribution of annuity and insurance products of affiliated insurance companies. The Company carries no customer accounts. The Company has claimed exemption under the Customer Protection Rule, SEC Rule 15c3 3, Section k(1) which limits the Company to transactions in certain redeemable securities of registered investment companies or insurance products and allows the Company to briefly handle customer funds and/or securities, but requires such funds or securities to be transmitted promptly.

The Company, as a registered broker and dealer in securities, is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1 or the "Rule"). Under the computation provided by the Rule, the Company is required to maintain "net capital" equal to the greater of \$5,000 or 1/15 of "aggregate indebtedness," as those terms are defined in the Rule. The Rule also provides that equity capital may not be withdrawn or cash dividends paid if the resulting indebtedness to net capital ratio would exceed 10 to 1. At December 31, 2023, the Company had a minimum capital requirement of \$396,449, "aggregate indebtedness" of \$5,946,739, "net capital" of \$3,223,646, and a ratio of aggregate indebtedness to net capital of 1.84 to 1.

(5) Contingencies

The Company establishes liabilities for litigation and regulatory loss contingencies when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Legal costs are accrued by the Company as incurred and for the estimated amount to be incurred. On a quarterly and annual basis, the Company reviews relevant information with respect to the liabilities for litigation, regulatory investigations, and litigation-related contingencies. If a liability is required it would be reflected in accounts payable and accrued expenses on the statement of financial condition.

AUGUSTAR DISTRIBUTORS, INC.

(A Wholly Owned Subsidiary of
Constellation Insurance, Inc.)

Notes to Financial Statements

December 31, 2023

(6) Subsequent Events

The Company has evaluated events occurring after December 31, 2023 and have concluded that there are no events that require recognition or disclosure in the financial statements.

Schedule 1

AUGUSTAR DISTRIBUTORS, INC.

(A Wholly Owned Subsidiary of Constellation Insurance, Inc.)

Computation of Net Capital under Rule 15c3-1 of the Securities Exchange Act of 1934

As of December 31, 2023

Aggregate indebtedness:	
Total liabilities	\$ <u>5,946,739</u>
Net capital	3,223,646
Minimum capital required to be maintained (greater of \$5,000 or 1/15 of aggregate indebtedness of \$5,946,739)	396,449
Net capital in excess of requirements	\$ <u>2,827,197</u>
Percentage of aggregate indebtedness to net capital	184.47
Net worth:	
Common stock	\$ 33,000
Additional paid-in capital	12,397,000
Retained deficit	<u>(9,149,221)</u>
Total net worth	<u>3,280,779</u>
Deduct:	
Nonallowable assets:	
Accounts receivable from affiliates	16,206
Other assets	<u>40,927</u>
	<u>57,133</u>
Net capital before haircuts on securities positions	3,223,646
Haircuts on securities computed pursuant to Rule 15c3-1:	
Other securities	<u>—</u>
Net capital	<u>\$ 3,223,646</u>

Note: The above computation does not materially differ from the computation of net capital under Rule 15c3-1 at December 31, 2023 filed on unaudited Form X-17A-5, Part IIA on January 25, 2024.

See accompanying report of independent registered public accounting firm.

AUGUSTAR DISTRIBUTORS, INC.
(A Wholly Owned Subsidiary of Constellation Insurance, Inc.)
Computation for the Determination of the Reserve Requirements
under Rule 15c3-3 of the Securities Exchange Act of 1934
As of December 31, 2023

The Company is exempt from Rule 15c3-3 pursuant to the provisions of the subparagraph (k)(1) of that rule.

See accompanying report of independent registered public accounting firm.

AUGUSTAR DISTRIBUTORS, INC.
(A Wholly Owned Subsidiary of Constellation Insurance, Inc.)
Information Relating to Possession or Control Requirements
under Rule 15c3-3 of the Securities Exchange Act of 1934
As of December 31, 2023

The Company is exempt from Rule 15c3-3 pursuant to the provisions of the subparagraph (k)(1) of that rule.

See accompanying report of independent registered public accounting firm.



Crowe LLP
Independent Member Crowe Global

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have reviewed management's statements, included in the accompanying AuguStar Distributors, Inc., Exemption Report in which (1) AuguStar Distributors, Inc. identified the following provisions of 17 C.F.R. § 15c3-3(k) under which AuguStar Distributors, Inc. claimed an exemption from 17 C.F.R. § 240.15c3-3: (k)(1) (the "exemption provisions") and (2) AuguStar Distributors, Inc. stated that AuguStar Distributors, Inc. met the identified exemption provisions throughout the most recent fiscal year ended December 31, 2023 without exception. AuguStar Distributors, Inc.'s management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about AuguStar Distributors, Inc.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the conditions set forth in paragraph (k)(1) of Rule 15c3-3 under the Securities Exchange Act of 1934.


Crowe LLP

New York, New York
March 4, 2024



AuguStarSM Distributors, Inc., Member FINRA

One Financial Way
Cincinnati, Ohio 45242

Post Office Box 237
Cincinnati, Ohio 45201-0237
513.794.6100
augustarfinancial.com

Exemption Report

AuguStar Distributors, Inc. (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. §240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

The Company claimed an exemption from 17 C.F.R. §240.15c3-3 under the following provisions of 17 C.F.R. §240.15c3-3 (k)(1).

The Company has met the identified exemption provisions for the fiscal year ended December 31, 2023 without exception.

AuguStar Distributors, Inc.

I, Marc A. Socol, affirm that, to my best knowledge and belief, this Exemption Report is true and correct.

By: Marc Socol

Title: Chairman of the Board and President

Date: March 4, 2024

Signature: Marc Socol
Marc Socol (Mar 4, 2024 12:00 EST)

Email: marc_socol@augustarfinancial.com



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
ON APPLYING AGREED-UPON PROCEDURES

To the Management and Board of Directors of AuguStar Distributors, Inc.

We have performed the procedures included in Rule 17a-5(e)(4) under the Securities Exchange Act of 1934 and in the Securities Investor Protection Corporation (SIPC) Series 600 Rules, which are enumerated below, on the accompanying Certification of Exclusion From Membership (Form SIPC-3) for the year ended December 31, 2023. Management of AuguStar Distributors, Inc. (the "Company") is responsible for its Form SIPC-3 and for its compliance with the applicable instructions on Form SIPC-3.

Management of the Company has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting you and SIPC in evaluating the Company's compliance with the exclusion requirements from membership in SIPC under section 78(a)(2)(A) of the Securities Investor Protection Act of 1970 for the year ended December 31, 2023, as noted on the accompanying Form SIPC-3. Additionally, SIPC has agreed to and acknowledged that the procedures performed are appropriate for their intended purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed, and the associated findings are as follows:

1. Compared the Total amount included in the accompanying Schedule of Form SIPC-3 Revenues prepared by the Company for the year ended December 31, 2023 to the total revenues in the Company's audited financial statements included on Annual Audited Report Form X-17A-5 Part III for the year ended December 31, 2023, noting no differences;
2. Compared the amount in each revenue classification reported in the Schedule of Form SIPC-3 Revenues prepared by the Company for the year ended December 31, 2023 to supporting schedules and working papers, noting no differences;
3. Recalculated the arithmetical accuracy of the Total Revenues amount reflected in the Schedule of Form SIPC-3 Revenues prepared by the Company for the year ended December 31, 2023 and in the related schedules and working papers, noting no differences.

We were engaged by the Company to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and in accordance with the standards of the Public Company Accounting Oversight Board (United States). We were not engaged to, and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Company's Form SIPC-3 and for its compliance with the applicable instructions on Form SIPC-3 for the year ended December 31, 2023. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

(Continued)

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Company and SIPC and is not intended to be, and should not be, used by anyone other than these specified parties.

Crowe LLP
Crowe LLP

New York, New York
March 4, 2024

✓