

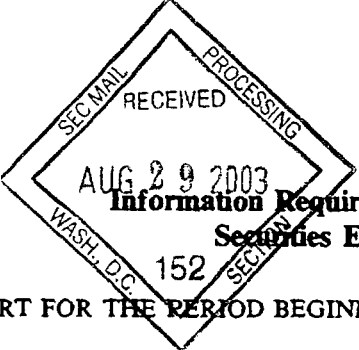
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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

**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 July 1, 2002 AND ENDING June 30, 2003  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: TBN Securities + Insurance  
DBA: TBN Securities, Inc. Services Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
31255 Cedar Valley Drive Suite 212  
(No. and Street)  
Westlake Village California 91362  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Michael Gallop (818) 735-0006  
(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Kevin G. Breard, CPA An Accountancy Corporation  
(Name - if individual, state last, first, middle name)  
9010 Corbin Avenue, Suite 7 Northridge California 91324  
(Address) (City) (State) Zip Code

CHECK ONE:  
 Certified Public Accountant  
 Public Accountant  
 Accountant not resident in United States or any of its possessions.

PROCESSED  
SEP 10 2003

FOR OFFICIAL USE ONLY  
THOMSON FINANCIAL

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

OATH OR AFFIRMATION

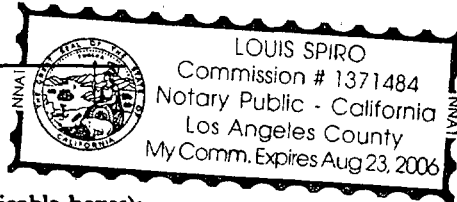
I, Michael Gallop, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of TBN Securities, Inc, as of June 30, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

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

State of California  
County of Los Angeles  
Subscribed and sworn (or affirmed) to before me this 17 day of June, 2003

Michael Gallop  
Signature  
President  
Title

\_\_\_\_\_  
Notary Public



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

- (a) Facing page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition. Cash Flows
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited 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).



**TBN Securities, Inc.**

**Report Pursuant to Rule 17a-5 (d)**

**Financial Statements**

**For the Year Ended June 30, 2003**

KEVIN G. BREARD, C.P.A.  
AN ACCOUNTANCY CORPORATION

Independent Auditor's Report

Board of Directors  
TBN Securities, Inc.

I have audited the accompanying statement of financial condition of TBN Securities, Inc. as of June 30, 2003, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TBN Securities, Inc. as of June 30, 2003, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Schedules I-III are presented for purposes of additional analysis and is not required as part of the basic financial statements, but as supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subject to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respect in relating to the basic financial statements taken as a whole and in conformity with the rules of the Securities and Exchange Commission.



Kevin G. Breard  
Certified Public Accountant

Northridge, California  
July 29, 2003

**TBN Securities, Inc.**  
**Statement of Financial Condition**  
**June 30, 2003**

**Assets**

Cash and cash equivalents	\$ 17,241
Accounts receivable	43,134
Prepaid expense	<u>219</u>
<b>Total assets</b>	<b><u>\$ 60,594</u></b>

**Liabilities & Stockholder's Equity**

<b>Liabilities</b>	
Accrued expenses	\$ 2,030
Accounts payable	<u>33,549</u>
<b>Total liabilities</b>	<b>35,579</b>
<b>Stockholder's equity</b>	
Common stock, no par value, 50,000 shares authorized 10,500 shares issued and outstanding	10,500
Retained earnings	<u>14,515</u>
<b>Total stockholder's equity</b>	<b><u>25,015</u></b>
<b>Total liabilities &amp; stockholder's equity</b>	<b><u>\$ 60,594</u></b>

*The accompanying notes are an integral part of these financial statements.*

**TBN Securities, Inc.**  
**Statement of Operations**  
**For the year ended June 30, 2003**

**Revenues**

Commissions	\$ 137,155
Interest income	491
Other income	<u>154</u>
<b>Total revenues</b>	<b>137,800</b>

**Expenses**

Officer's salary	30,000
Commissions and consulting fees	79,064
Tax and license fees, other than income	7,513
Other operating expenses	<u>27,659</u>
<b>Total expenses</b>	<b><u>144,236</u></b>

**Income (loss) before income taxes** (6,436)

**Income tax provision**

Income tax provision 800

**Total income tax provision** **800**

**Net income (loss)** **\$ (7,236)**

*The accompanying notes are an integral part of these financial statements.*

**TBN Securities, Inc.**  
**Statement of Changes in Stockholder's Equity**  
**For the year ended June 30, 2003**

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at July 1, 2001	\$ 10,500	\$ 21,751	\$ 32,251
Net income (loss)	<u>          —</u>	<u>(7,236)</u>	<u>(7,236)</u>
Balance at June 30, 2003	<u>\$ 10,500</u>	<u>\$ 14,515</u>	<u>\$ 25,015</u>

*The accompanying notes are an integral part of these financial statements.*

**TBN Securities, Inc.**  
**Statement of Cash Flow**  
**For the year ended June 30, 2003**

**Cash flows from operating activities:**

Net income (loss) \$ (7,236)

Adjustments to reconcile to net income (loss) to net cash and cash equivalents used in operating activities

(Decrease) increase:

    Accounts receivable \$ 178

    Prepaid expenses (219)

(Increase) decrease

    Accrued expenses (1,761)

    Accounts payable 2,741

    Income taxes payable (6,901)

        Total adjustments (5,962)

        Net cash and cash equivalents used in operating activities (13,198)

**Cash flows from investing activities:** -

**Cash flows from financing activities:** -

Net decrease in cash and cash equivalents (13,198)

Cash and cash equivalents at beginning of year 30,439

Cash and cash equivalents at end of year \$ 17,241

**Supplemental disclosure of cash flow information:**

    Income taxes paid \$ 800

    Interest paid \$ -

*The accompanying notes are an integral part of these financial statements.*



**TBN Securities, Inc.**  
**Notes to Financial Statements**  
**For the year ended June 30, 2003**

**Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*General*

TBN Securities, Inc. (The "Company") was incorporated in California in December of 1999, and began operations in 2000. The Company operates on a fully-disclosed basis whereby it does not hold customer accounts or securities. The Company is a member of the National Association of Securities Dealers (NASD).

The Company is in the business of selling variable insurance policies to customers, and caters largely to the estate planning market. The Company does business nationwide with its main office in Agoura Hills, California. A significant portion of the Company's revenue comes from a small client base.

*Summary of Significant Accounting Policies*

The presentation of financial statements in conformity with 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents consist of bank accounts and money market accounts.

The Company recognizes its commission fee income when earned.

Accounts receivable are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

**Note 2: INCOME TAXES**

The income tax provision consists of the following at June 30, 2003:

Federal	\$	-
State		<u>800</u>
Total income tax provision	\$	<u>800</u>

**TBN Securities, Inc.**  
**Notes to Financial Statements**  
**For the year ended June 30, 2003**

**Note 3: RELATED PARTY TRANSACTIONS**

The Company uses facilities and staff provided by another company owned by the Company's sole stockholder at no expense.

**Note 4: NET CAPITAL REQUIREMENTS**

The Company is subject to the uniform net capital rule (Rule 15c3-1) of the Securities and Exchange Commission, which requires both the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and aggregate indebtedness change day to day, but on June 30, 2003, the Company's net capital of \$24,364 exceeded the minimum net capital requirement by \$19,364; and the Company's ratio of aggregate indebtedness (\$35,579) to net capital was 1.42:1, which is less than the 15 to 1 maximum ratio allowed.

**Note 5: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS**

There is a difference between the computation of net capital under net capital Sec. Rule 15c3-1 and the corresponding unaudited focus part IIA.

Net capital per unaudited schedule		\$ 26,394
Adjustments:		
Accrued expenses	<u>\$ 2,030</u>	
Total adjustments		<u>(2,030)</u>
Net capital per audited statements		<u>\$ 24,364</u>

**TBN Securities, Inc.**  
**Schedule I - Computation of Net Capital Requirements**  
**Pursuant to Rule 15c3-1**  
**As of June 30, 2003**

**Computation of net capital**

Stockholder's equity

Common stock	\$ 10,500	
Retained earnings	<u>14,515</u>	
Total stockholder's equity		\$ 25,015

Less: Non allowable assets

Prepaid expenses	(219)	
Accounts receivable	<u>(69)</u>	
Total adjustments		<u>(288)</u>

Net capital before haircuts 24,727

Less: Haircuts

Total Haircuts (363)

**Net Capital** **24,364**

**Computation of net capital requirements**

Minimum net capital requirements

6 2/3 percent of net aggregate indebtedness	\$ 2,372	
Minimum dollar net capital required	<u>5,000</u>	
Net capital required (greater of above)		<u>(5,000)</u>

**Excess net capital** **\$ 19,364**

Ratio of aggregate indebtedness to net capital 1.42:1

There was a difference between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 report dated June 30, 2003. (See Note 5)

*See independent auditor's report.*

**TBN Securities, Inc.**  
**Schedule II - Computation for Determination of Reserve**  
**Requirements Pursuant to Rule 15c3-3**  
**As of June 30, 2003**

A computation of reserve requirements is not applicable to TBN Securities, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k) (1).

*See independent auditor's report.*

**TBN Securities, Inc.**  
**Schedule III - Information Relating to Possession or Control**  
**Requirements Under Rule 15c3-3**  
**As of June 30, 2003**

Information relating to possession or control requirements is not applicable to TBN Securities, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k) (1).

*See independent auditor's report.*

**TBN Securities, Inc.**  
**Supplementary Accountant's Report**  
**on Internal Accounting Control**  
**Report Pursuant to 17a-5**  
**For the Year Ended June 30, 2003**

KEVIN G. BREARD, C.P.A.  
AN ACCOUNTANCY CORPORATION

Board of Directors  
TBN Securities, Inc

In planning and performing my audit of the financial statements of TBN Securities, Inc for the year ended June 30, 2003, I considered its internal control structure, for the purpose for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), I have made a study of the practices and procedures followed by TBN Securities, Inc including tests of such practices and procedures that I considered relevant to 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 security accounts for customers or perform custodial functions relating to customer securities, I did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications and comparisons
2. Recordation of differences required by Rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control structure and the practice and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures 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 an internal control structure 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 preparation of financial statements in conformity with generally accepted accounting principles. Rule 17-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted no matters involving the internal control structure, including procedures for safeguarding securities, that I considered to be material weakness as defined above.

I 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 purpose 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 material inadequacy for such purposes. Based on this understanding on my study, I believe that the Company's practices and procedures were adequate at June 30, 2003 to meet the SEC's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.



Kevin G. Breard  
Certified Public Accountant

Northridge, California  
July 29, 2003