



CREWS & ASSOCIATES, INC.

June 30, 2009

Statement of Financial Condition

(UNAUDITED)

521 President Clinton Ave, Suite 800
Little Rock, Arkansas 72201
501-907-2000
Member SIPC & FINRA

Pursuant to Rule 17a-5 of the Securities and Exchange Commission the Statement of Financial Condition of Crews & Associates, Inc. as of June 30, 2009 is available for examination at the principal office of the Company, and at the Fort Worth, Texas regional office of the Commission.

CREWS & ASSOCIATES, INC.

June 30, 2009

Statement of Financial Condition

(UNAUDITED)

Assets

Cash (including \$307,284 segregated under federal regulation)	\$ 2,764,578
Receivables from	
Broker-dealers and clearing organizations	3,455,239
Customers	1,598,536
Marketable securities, at fair value	34,843,664
Furniture, equipment and leasehold improvements, net	1,788,134
Net deferred tax asset	3,596,116
Cash surrender value of life insurance policies	9,954,041
Employee loans receivable and covenants not to compete, net	1,429,466
Goodwill	772,574
Other assets	<u>1,101,571</u>
 Total assets	 <u>\$ 61,303,919</u>

Liabilities and Stockholder's Equity

Payables to	
Broker-dealers and clearing organizations	\$ 968,130
Customers	375,405
Accounts payable, accrued expenses and other liabilities	5,704,350
Income taxes payable	2,673,847
Non-qualified deferred compensation liability	9,494,832
Short-term borrowings	<u>10,400,000</u>
 Total liabilities	 <u>29,616,564</u>
 Stockholder's equity	
Common stock, \$.0005 par value, 5,000,000 shares authorized and 853,220 issued and outstanding	427
Additional paid-in capital	2,838,692
Retained earnings	<u>28,848,236</u>
Total stockholder's equity	<u>31,687,355</u>
 Total liabilities and stockholder's equity	 <u>\$ 61,303,919</u>

The accompanying notes are an integral part of the statement of financial condition.

CREWS & ASSOCIATES, INC.**June 30, 2009****Notes to Statement of Financial Condition****(UNAUDITED)****1. Description of Business**

Crews & Associates, Inc. (the "Company") is comprised of Crews & Associates, Inc., a registered broker-dealer. The Company is located in Little Rock, Arkansas and is 100% owned by First Security Bancorp (the "Parent").

Crews & Associates, Inc. ("Crews") is registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). Crews conducts business with other broker-dealers located throughout the United States on behalf of its customers and for its own account.

2. Summary of Significant Accounting Policies

- a. **Securities transactions** – Securities transactions are captured on the Company's computer system and monitored on a trade date basis and are reflected in the accompanying statement of financial condition on a settlement date basis. Recording such transactions on a trade date basis would not result in a material difference in the accompanying statement of financial condition. Investment banking revenue is recorded at the time the transaction is completed and the income is reasonably determinable.
- b. **Cash equivalents** – The Company considers all liquid investments with an original maturity of three months or less to be cash equivalents. At June 30, 2009, the Company did not hold investments considered to be cash equivalents.
- c. **Marketable securities** – Marketable securities are comprised of securities used for trading and are valued at market.
- d. **Property, plant and equipment** – Property, plant, and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.
- e. **Impairment of long-lived assets to be held and used** – The Company reviews the carrying value of long-lived assets for impairment whenever certain triggering events or changes in circumstances indicate that the carrying amounts of any asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the excess of the carrying amount over the fair value of the assets. No triggering events or changes in circumstances were identified by management for the period ended June 30, 2009.
- f. **Intangible assets** – Intangible assets consist of goodwill in the amount of \$772,574 at June 30, 2009. Goodwill represents the excess purchase price over the fair value of net assets acquired in business acquisitions. The Company accounts for goodwill in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, whereby intangible assets are evaluated on at least an annual basis for indicators of impairment. The Company performed its annual impairment test of goodwill during 2008 and concluded that the goodwill was fully recoverable.
- g. **Employee loans receivable and covenants not to compete** – In the ordinary course of business, the Company enters into agreements with certain employees for covenants not to compete and employee loans. These amounts are being amortized over a five-year period. The net unamortized balance was \$1,429,466 at June 30, 2009.

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Notes to Statement of Financial Condition

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2. Summary of Significant Accounting Policies (cont.)

- h. **Income taxes** – The Company will be included in the consolidated federal income tax return of the Parent. Federal income taxes are calculated as if the companies filed on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from the Parent. The amount of current and deferred taxes payable or refundable is recognized as of the date of the statement of financial condition, utilizing currently enacted tax laws and rates. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that all, or some portion of such deferred tax assets will not be realized.
- i. **Related parties** – In the normal course of business, the Company purchases and sells securities for Company officers and its stockholder. These transactions have substantially the same terms as those with unrelated parties.
- j. **Disclosure about the fair value of financial instruments** – The financial instruments of the Company are reported in the statement of financial condition at market or fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments.
- k. **Use of estimates** – The preparation of the statement of financial condition in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures about contingent assets and liabilities. The estimates and assumptions used in the accompanying statement of financial condition are based upon management's evaluation of the relevant facts and circumstances as of the date of the statement of financial condition. However, actual results may differ from the estimates and assumptions used in the accompanying statement of financial condition.
- l. **Recent accounting pronouncements** – The Financial Accounting Standards Board ("FASB") issued SFAS No. 157, "Fair Value Measurements." This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements. The implementation of this pronouncement did not have an impact on the statement of financial condition.

The FASB issued FASB Interpretation No. 48 which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's statement of financial condition in accordance with SFAS No. 109, "Accounting for Income Taxes." This interpretation provides 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. This interpretation gives guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This interpretation is effective for fiscal years beginning after December 15, 2008. The Company's management does not anticipate that this pronouncement will have a significant impact on the statement of financial condition.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities." This statement permits entities to measure many financial instruments and certain other items at fair value without being required to apply complex hedge accounting provisions, but does not require fair value measurement. SFAS No. 159 is effective for statement of financial conditions issued for fiscal years beginning after November 15, 2007. The adoption of this pronouncement did not have an impact on the statement of financial condition.

CREWS & ASSOCIATES, INC.**June 30, 2009****Notes to Statement of Financial Condition****(UNAUDITED)****2. Summary of Significant Accounting Policies (cont.)**

In December 2007, the FASB issued SFAS No. 141 (revised 2007) ("SFAS No. 141R"), "Business Combinations." SFAS No. 141R replaces SFAS No. 141 and was issued to improve the comparability of the information that a reporting entity provides in its financial reports about business combinations. The provisions of SFAS No. 141R apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of this pronouncement did not have an impact on the statement of financial condition.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of Accounting Research Bulletin ("ARB") No. 51." The objective of SFAS No. 160 is to improve the relevance, comparability and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This statement applies to all entities that prepare consolidated financial statements, except not-for-profit organizations. SFAS No. 160 amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It also amends certain of ARB No. 51's consolidation procedures for consistency with the requirements of SFAS No. 141(R). This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Earlier adoption is prohibited. The effective date of this statement is the same as that of the related SFAS No. 141 (R). The adoption of this pronouncement did not have an impact on the statement of financial condition.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of SFAS No. 133." This statement changes the disclosure requirements for derivative instruments and hedging activities. SFAS No. 161 requires enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. This statement is effective for the statement of financial condition issued for fiscal years and interim periods beginning after November 15, 2008. The Company's management does not anticipate this pronouncement will have a significant impact on the statement of financial condition.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of the statement of financial condition of nongovernmental entities that are presented in conformity with GAAP in the United States (the "GAAP hierarchy"). The hierarchical guidance provided by SFAS No. 162 did not have a significant impact on the Company's statement of financial condition.

On October 10, 2008, the FASB issued Staff Position ("FSP") clarifies the application of SFAS No. 157, "Fair Value Measurements," in FSP FAS 157-3. This FSP applies to financial assets within the scope of accounting pronouncements that require or permit fair value measurements in accordance with SFAS No. 157. This FSP clarifies the application of SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active.

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Notes to Statement of Financial Condition

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3. Cash Segregated Under Federal Regulation

At June 30, 2009 \$307,284 of cash was segregated in a special reserve bank account “for the exclusive benefit of customers” under SEC Rule 15c3-3.

4. Receivables from and Payables to Broker – Dealers and Clearing Organizations, and Customers

The balances shown as receivables from and payables to broker – dealers and clearing organizations, and customers represent amounts due in connection with normal trading transactions executed for customers or the Company. These receivables and payables are generally collateralized by securities held by or due to the Company. To further minimize the risks associated with these balances, the Company monitors the credit standing of each broker – dealer and clearing organization and customer with whom it conducts business. In addition, the Company monitors the market value of collateral held and the market value of the securities due from others. Because these receivable balances are generally collateralized, the Company has not historically incurred any significant losses related to bad debt. Accordingly, the Company has not recorded an allowance for doubtful accounts at June 30, 2009.

At June 30, 2009, receivables from customers consisted of \$305,666 from institutional firms and \$1,292,870 from retail customers. Payables consisted of \$101,066 to institutional firms and \$273,339 to retail customers. The institutional firms represent financial institutions, and retail customers represent a diversified clientele, both located throughout the United States.

5. Marketable Securities

Marketable securities consisted of the following trading securities, stated at quoted market values:

State and municipal government obligations	\$ 26,704,344
U.S. government obligations	4,985,920
Corporate obligations	2,662,318
Other	<u>491,082</u>
	<u>\$ 34,843,664</u>

6. Furniture, Equipment and Leasehold Improvements

The furniture, equipment and leasehold improvements were as follows:

Leasehold improvements	\$ 491,468
Furniture and equipment	<u>3,965,088</u>
	4,456,556
Accumulated depreciation	<u>(2,668,422)</u>
Furniture, equipment and leasehold improvements, net	<u>\$ 1,788,134</u>

CREWS & ASSOCIATES, INC.**June 30, 2009****Notes to Statement of Financial Condition****(UNAUDITED)****7. Short-Term Borrowings**

At June 30, 2009, the Company had a revolving line of credit with a balance of \$5,500,000 outstanding under this arrangement. The revolving line of credit bears interest at a variable rate based on the financial institution's internal rate (1.90% at June 30, 2009). Borrowings are collateralized by marketable securities and availability is variable based on the amount of marketable securities.

At June 30, 2009, the Company had a \$13,000,000 line of credit agreement with a related party financial institution. At June 30, 2009 \$2,000,000 was outstanding under these arrangements. The lines of credit bear interest at the greater of 4.5% or LIBOR + 190pts (4.5% at June 30, 2009) and are collateralized by marketable securities owned by the Company.

At June 30, 2009 the Company had a \$10,000,000 revolving line of credit agreement with the Parent of which there was no outstanding balance at June 30, 2009. The revolving line of credit bears interest at a fixed rate of 5.0%. The loan is uncollateralized.

At June 30, 2009, the Company had a \$15 million revolving credit line with a bank of which there was no outstanding balance at June 30, 2009. The revolving line of credit bears interest at the greater of 4.65% or LIBOR + 175pts (6.0% at June 30, 2009). The loan is uncollateralized.

At June 30, 2009, the Company had a \$17.5 million revolving credit line with a bank. At June 30, 2009, \$2,900,000 was outstanding under this arrangement. The revolving line of credit bears interest at LIBOR + 180pts (2.12% at June 30, 2009). The loan is uncollateralized.

As of June 30, 2009, the Company had no outstanding obligations which were subordinated to claims of general creditors.

8. Income Taxes

The Company utilizes the liability method to determine deferred income taxes. Under this method, deferred income taxes are determined by applying statutory tax rates in effect at the statement of financial condition date to differences between the book basis and the tax basis of assets and liabilities.

The deferred income tax asset reflected in the accompanying statement of financial condition resulted primarily from the recognition of certain expenses for financial reporting purposes which are not yet deductible for income tax reporting purposes.

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9. Commitments and Contingencies

The following schedule reflects the future minimum rental payments required under operating leases that have non-cancelable lease terms in excess of one year as of June 30, 2009:

	Lease <u>Commitments</u>	Less <u>Sub-lease</u>	Net Lease <u>Commitments</u>
Six months ending December 31, 2009	\$ 858,870	\$ (46,548)	\$ 812,322
Year ending December 31, 2010	1,202,576	(101,403)	1,101,173
Year ending December 31, 2011	891,500	(105,738)	785,762
Year ending December 31, 2012	891,500	(107,862)	783,638
Year ending December 31, 2013	891,500	(110,043)	781,457
Year ending December 31, 2014	891,500	(112,239)	779,261
Thereafter	<u>891,500</u>	<u>(28,197)</u>	<u>863,303</u>
	<u>\$ 6,518,946</u>	<u>\$ (612,030)</u>	<u>\$ 5,906,916</u>

The Company moved offices to the First Security Center in November 2004 and now leases their office space from the Parent.

In connection with its retail brokerage business, the Company performs securities execution, clearance and settlement on behalf of its customers for whom it commits to settle trades submitted by such customers. The Company stands ready to meet the obligations of its customers with respect to securities transactions. If the customer fails to fulfill its obligation, the Company must fulfill the customer's obligation with the trade counterparty. The Company is fully secured by assets in the customer's account, as well as any proceeds received from the securities transaction entered into by the Company on behalf of the customer. In addition, the Company controls this risk by establishing credit limits for such activities and by monitoring its customers' compliance with their contractual obligations and the related exposure on a daily basis.

In addition, the Company enters into when-issued transactions and underwriting commitments. Such commitments require that the Company purchase securities at specified prices. To manage the off-balance sheet risk related to these commitments, the Company generally sells the issue to third parties on a when-issued basis. At June 30, 2009, the Company had firm commitments to purchase securities totaling \$4,608,000 and no commitments to sell securities.

The Company maintains, at various financial institutions, cash balances which may exceed the federally insured amounts at various times during the year.

CREWS & ASSOCIATES, INC.**June 30, 2009****Notes to Statement of Financial Condition****(UNAUDITED)****10. Net Capital Requirement**

As a registered broker-dealer, Crews is subject to the Uniform Net Capital Rule 15c3-1 administered by the SEC. Crews has elected to compute its net capital requirement under the aggregate indebtedness method of the rule, which does not allow the aggregate indebtedness of Crews, as defined under the rule, to exceed 15 times regulatory net capital. At June 30, 2009, Crews had an aggregate indebtedness to net capital ratio of 1.25 to 1 with \$17,859,060 of regulatory net capital, which was \$16,371,560 in excess of the required minimum regulatory net capital of \$1,487,500.

11. Related Party Transactions

At June 30, 2009, the Company had \$2,000,000 outstanding under a line of credit agreement with a bank that is a subsidiary of the Parent. Total borrowings available pursuant to these agreement totaled \$13,000,000 at June 30, 2009. In addition, the Company had a \$10,000,000 revolving line of credit agreement with the Parent with no outstanding balance at June 30, 2009.

The Company leases office space from the Parent and the lease payments of \$891,500 are included in lease commitments.

12. Deferred Compensation

The Company has a nonqualified deferred compensation arrangement for certain employees, which permits participants to defer a portion of their compensation ("Participant Deferrals") and provides that the Company will make matching contributions up to a specified dollar amount. The Participant Deferrals are fully vested and are credited with the gain or loss associated with the investment choices selected by the participant as provided by the plan. The Company contribution is credited with interest at a specified rate set each year by the Company. The rate in 2009 was 4.30% per annum and vests over a 10-year period. The Company funds its obligations under these arrangements through the purchase of life insurance policies. The cash surrender value of these life insurance policies was \$9,954,041 as of June 30, 2009. The Company's net benefit obligation under these arrangements which is reflected in nonqualified deferred compensation in the accompanying statement of financial condition was \$9,494,832 at June 30, 2009.

13. Retirement Plan

The Company sponsors a defined contribution plan (the "401(k) Plan"), which is intended to provide assistance in accumulating personal savings for retirement. The 401(k) Plan is qualified as a tax-exempt plan under Sections 401(a) and 401(k) of the Internal Revenue Code. The 401(k) Plan covers all full-time employees of the Company once they have completed six months of service. Participants may make rollover contributions and deferral contributions through payroll deductions. The Company may, at its discretion, make matching contributions for the benefit of each participant making a deferral contribution. During 2009, the Company matched 10% of a participant's deferral contribution. The Company may also make a discretionary non-elective contribution, as determined by the Company. There was no discretionary non-elective contribution made during 2009.

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14. Fair Value

The Company measures certain of its financial assets and liabilities on a fair value basis using various valuation techniques and assumptions, depending on the nature of the financial asset or liability. Additionally, fair value is used either annually or on a nonrecurring basis to evaluate certain financial assets and liabilities for impairment or for disclosure purposes. With respect to the disclosure provisions for its nonfinancial assets and liabilities, the Company has elected the one-year deferral provision as allowed by FASB FSP No. FAS 157-2, "Effective Date of SFAS No. 157."

Beginning December 31, 2008, assets and liabilities recorded at fair value in the statement of financial condition are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels – defined by SFAS No. 157 and directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities – are as follows:

Level I – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. The types of assets and liabilities carried at Level I fair value generally are G-7 government and agency securities, equities listed in active markets and investments in publicly traded mutual funds with quoted market prices.

Level II – Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life. Fair valued assets and liabilities that are generally included in this category are non-G-7 government securities, municipal bonds, certain hybrid financial instruments, certain mortgage and asset backed securities, and certain corporate debt.

Level III – Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model. Generally, assets and liabilities carried at fair value and included in this category are certain mortgage and asset-backed securities, certain corporate debt, and certain private equity investments.

The following table sets forth the Company's financial assets and liabilities at June 30, 2009 that are accounted for at fair value on a recurring basis.

	Quoted Prices in Active Markets for Identical Assets (Level I)	Other Observable Inputs (Level II)	Unobservable Inputs (Level III)	Total
Assets				
Marketable securities	\$ -	\$ 29,482,450	\$ 5,361,214	\$ 34,843,664
Lease inventory	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 29,482,450</u>	<u>\$ 5,361,214</u>	<u>\$ 34,843,664</u>

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14. Fair Value (cont.)

For marketable securities traded in an active market, fair values are measured on a recurring basis, obtained from an independent pricing service and based on quoted market prices if available. If quoted market prices are not available, fair values are based on quoted market prices of comparable securities, broker quotes or comprehensive interest rate tables and pricing matrices. For investment securities traded in a market that is not active, fair value is determined using unobservable inputs or value drivers and is generally determined using expected cash flows and appropriate risk-adjusted discount rates. Expected cash flows are based primarily on the contractual cash flows of the instrument, and the risk-adjusted discount rate is typically the contractual coupon rate of the instrument on the measurement date, adjusted for changes in interest rate spreads of the yields on comparable corporate or municipal bonds, similar mortgage backed asset obligations, and the yields on U.S. Treasuries between the date of purchase and the measurement date.

The following table presents additional information about financial assets and liabilities measured at fair value on a recurring basis and for which the Company has utilized Level III inputs or value drivers to determine fair value.

	<u>Marketable Securities</u>	<u>Lease Inventory</u>	<u>Total</u>
Balances – January 1, 2009	\$ 3,003,974	\$ 619,930	\$ 3,623,904
Total realized gains (losses) included in earnings	(1,144,640)	(10,763)	(1,155,403)
Purchases, sales, issuances and settlements, net	3,501,880	(609,167)	2,892,713
Transfers in and/or out of Level III	-	-	-
Balances - June 30, 2009	<u>\$ 5,361,214</u>	<u>\$ -</u>	<u>\$ 5,361,214</u>