**CREWS & ASSOCIATES, INC.**

**December 31, 2008**

**Statement of Financial Condition**

**With**

**Independent Auditor's Report**

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

Pursuant to Rule 17a-5 of the Securities and Exchange Commission the Statement of Financial Condition of Crews & Associates, Inc. as of December 31, 2008 is available for examination at the principal office of the Company, and at the Fort Worth, Texas regional office of the Commission.

FROST, PLLC
Certified Public Accountants
...more than an accounting firm

**Independent Auditor's Report**

Board of Directors
Crews & Associates, Inc.
Little Rock, Arkansas

We have audited the accompanying statement of financial condition of Crews & Associates, Inc. as of December 31, 2008. The statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on the statement of financial condition based on our audit.

We conducted our audit 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 statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Crews & Associates, Inc. as of December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

Frost, PLLC
Certified Public Accountants

Little Rock, Arkansas
February 20, 2009

# CREWS & ASSOCIATES, INC.

## Statement of Financial Condition

### December 31, 2008

| Assets | |
|---|---|
| Cash (including $305,671 segregated under federal regulation) | $ 2,187,811 |
| Receivables from | |
| Broker-dealers and clearing organizations | 874,449 |
| Customers | 5,435,101 |
| Marketable securities | 21,133,211 |
| Lease inventory | 619,930 |
| Furniture, equipment and leasehold improvements, net | 1,753,120 |
| Net deferred tax asset | 3,344,557 |
| Cash surrender value of life insurance policies | 8,634,037 |
| Employee loans receivable and covenants not to compete, net | 1,473,018 |
| Goodwill | 772,574 |
| Other assets | 930,061 |
| Total assets | $ 47,157,869 |

| Liabilities and Stockholder's Equity | |
|---|---|
| Payables to | |
| Broker-dealers and clearing organizations | $ 1,162,739 |
| Customers | 362,819 |
| Accounts payable, accrued expenses and other liabilities | 5,254,657 |
| Income taxes payable | 880,430 |
| Due to parent | 1,242,121 |
| Nonqualified deferred compensation liability | 8,937,166 |
| Short-term borrowings | 1,500,000 |
| Total liabilities | 19,339,932 |
| 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 | 24,978,818 |
| Total stockholder's equity | 27,817,937 |
| Total liabilities and stockholder's equity | $ 47,157,869 |

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

1. **Description of Business**

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

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 December 31, 2008, 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. **Lease inventory** – Lease inventory represents leases purchased by the Company and held for sale to outside investors. Lease inventory is valued at the Company's cost which is less than their estimated realizable value at December 31, 2008.

e. **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.

f. **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 year ended December 31, 2008.

g. **Intangible assets** – Intangible assets consist of goodwill in the amount of $772,574 at December 31, 2008. 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.

h. **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 the term of the agreements which are five and six year periods. The net unamortized balance was $1,473,018 at December 31, 2008.

i. **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.

2. **Summary of Significant Accounting Policies (cont.)**

j. **Related party transactions** – 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.

k. **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.

l. **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 and liabilities, 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.

m. **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 adoption of this pronouncement did not have a material 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 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.

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). This statement shall be applied prospectively as of the beginning of the fiscal year in which this statement is initially applied, except for the presentation and disclosure requirements. The impact to the statement of financial condition will require minority interest to be labeled as noncontrolling interest and this will become a portion of patrons' equity in the consolidated balance sheet. The Company's management does not anticipate this pronouncement will have a significant impact on the statement of financial condition.

2. **Summary of Significant Accounting Policies (cont.)**

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 statement of financial conditions 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 statement of financial conditions 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.

3. **Cash Segregated Under Federal Regulation**

At December 31, 2008, $305,671 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 December 31, 2008.

At December 31, 2008, receivables from customers consisted of $3,275,534 from institutional firms and $2,159,567 from retail customers. Payables consisted of $49,799 to institutional firms and $313,020 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 fair market values:

| | |
|---|---|
| State and municipal government obligations | $ 16,895,986 |
| U.S. Government obligations | 389,446 |
| Corporate obligations | 3,048,727 |
| Other | 799,052 |
| | $ 21,133,211 |

## 6. Furniture, Equipment and Leasehold Improvements

The furniture, equipment and leasehold improvements were as follows:

| | |
|---|---|
| Leasehold improvements | $ 483,618 |
| Furniture and equipment | 3,707,711 |
| | 4,191,329 |
| Accumulated depreciation | (2,438,209) |
| Furniture, equipment and leasehold improvements, net | $ 1,753,120 |

## 7. Short-Term Borrowings

At December 31, 2008, the Company had a revolving line of credit with a balance of $1,500,000 outstanding at year end. The revolving line of credit bears interest at a variable rate based on the financial institution's internal rate (2.00% at December 31, 2008) and are collateralized by marketable securities owned by the Company. Availability is determined daily by the lender based primarily on average quarterly balances.

At December 31, 2008, the Company had a $13,000,000 line of credit agreement with a related party financial institution. At December 31, 2008, there was no balance outstanding under this agreement. The line of credit bears interest at a variable rate based on the financial institution's prime rate (2.41% at December 31, 2008) and are collateralized by marketable securities owned by the Company.

At December 31, 2008, the Company had a $10,000,000 revolving line of credit agreement with the Parent of which there was no outstanding balance at year end. The revolving line of credit bears interest at a rate based on the 90-day London Interbank Offered Rate ("LIBOR") (5.09% at December 31, 2008). The loan is uncollateralized.

At December 31, 2008, the Company had a revolving line of credit agreement with a bank with no outstanding balance at year end. The revolving line of credit bears interest at a rate based on the 30-day LIBOR rate (2.27% at December 31, 2008). The loan is collateralized by marketable securities with the availability of $5.5 million.

At December 31, 2008, the Company had a revolving credit line agreement with a bank of which there was no outstanding balance and bearing interest at the greater of 4.65% or the 90-day LIBOR rate (4.65% at December 31, 2008). The loan is collateralized by marketable securities with the availability of $15 million.

As of December 31, 2008, 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 financial statement 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 the nonqualified deferred compensation liability for financial reporting purposes which are not yet deductible for income tax reporting purposes.

Total deferred tax assets and deferred tax liabilities are as follows:

| | |
|---|---|
| Deferred tax assets | $ 3,721,590 |
| Deferred tax liabilities | (377,033) |
| Net deferred tax asset | $ 3,344,557 |

## 9. Commitments and Contingencies

The following schedule reflects the future minimum rental payments required under operating leases that have noncancelable lease terms in excess of one year as of December 31, 2008:

| Year Ending December 31, | Lease Commitments | Less Sub-lease | Net Lease Commitments |
|---|---|---|---|
| 2009 | $ 1,154,801 | $ (91,271) | $ 1,063,530 |
| 2010 | 950,339 | (102,331) | 848,008 |
| 2011 | 891,500 | (105,913) | 785,587 |
| 2012 | 891,500 | (108,043) | 783,457 |
| 2013 | 891,500 | (110,226) | 781,274 |
| Thereafter | 1,783,000 | (131,218) | 1,651,782 |
| | $ 6,562,640 | $ (649,002) | $ 5,913,638 |

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 December 31, 2008, the Company had no firm commitments to purchase or sell securities.

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

## 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 December 31, 2008, Crews had an aggregate indebtedness to net capital ratio of 1.19 to 1 with $14,953,159 of regulatory net capital, which was $13,763,393 in excess of the required minimum regulatory net capital of $1,189,766.

## 11. Related Party Transactions

At December 31, 2008, the Company had no balance outstanding under a line of credit agreement with a bank that is a subsidiary of the Parent. Total borrowings available pursuant to this agreement totaled $13,000,000 at December 31, 2008. In addition, the Company had a $10,000,000 revolving line of credit agreement with the Parent with no balance outstanding at December 31, 2008.

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 for 2008 was 4.45% 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 $8,634,037 as of December 31, 2008. The Company's net benefit obligation under these arrangements which is reflected in nonqualified deferred compensation in the accompanying statement of financial condition was $8,937,166 at December 31, 2008.

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 2008, 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 2008. For the year ended December 31, 2008, the Company made matching contributions of $102,297 related to this plan.

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.

14. **Fair Value (cont.)**

The following table sets forth the Company's financial assets and liabilities at December 31, 2008 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 | $ - | $ 18,129,237 | $ 3,003,974 | $ 21,133,211 |
| Lease inventory | - | - | 619,930 | 619,930 |
| Total | $ - | $ 18,129,237 | $ 3,623,904 | $ 21,753,141 |

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.

| | Marketable Securities | Lease Inventory | Total |
|---|---|---|---|
| Balances - January 1, 2008 | $ - | $ - | $ - |
| Total realized gains (losses) - included in earnings | - | - | - |
| Purchases, sales, issuances and settlements, net | - | - | - |
| Transfers in and/or out of Level III | 3,003,974 | 619,930 | 3,623,904 |
| Balances - December 31, 2008 | $ 3,003,974 | $ 619,930 | $ 3,623,904 |