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

SEC FILE NUMBER
8- 35721

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 January 1, 2009 AND ENDING December 31, 2009  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Zions Direct, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

One South Main St., 17th Floor

(No. and Street)

Salt Lake City

Utah

84133

(City)

(State)

(Zip Code)

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

James Christensen

(801)844-7776

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Ernst & Young LLP

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

178 Rio Grande, Suite 400

Salt Lake City

Utah

84101

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

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

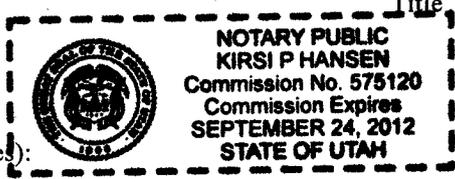
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OATH OR AFFIRMATION

I, James Christensen, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Zions Direct, Inc. as of February 23, 2010, 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:

[Signature]
Signature
SVP/FINOP
Title

[Signature]
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.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Zions Direct, Inc.  
(A Wholly-Owned Subsidiary of Zions First National Bank)

Statement of Financial Condition

Year Ended December 31, 2009

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Audited Statement of Financial Condition

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## Report of the Independent Registered Public Accounting Firm

The Board of Directors  
Zions Direct, Inc.

We have audited the accompanying statement of financial condition of Zions Direct, Inc. (the Company) as of December 31, 2009. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement of financial condition presentation. We believe that 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 Zions Direct, Inc. at December 31, 2009, in conformity with U.S. generally accepted accounting principles.

*Ernst + Young LLP*

February 26, 2010

**Zions Direct, Inc.**  
(A Wholly-Owned Subsidiary of Zions First National Bank)

**Statement of Financial Condition**

December 31, 2009

**Assets**

Cash and cash equivalents	\$ 4,973
Cash segregated and on deposit for federal and other regulations	522,722
Cash deposits with clearing organizations	3,349,697
Receivables from brokers, dealers, and others	7,793,853
Receivables from affiliate	307,049
Receivable from underwriter	343,367
Securities borrowed	57,556,376
Investment securities:	
Trading securities owned, pledged as collateral, at fair value	22,213,993
Available-for-sale securities at fair value	1,458,548
Fixed assets, at cost, less accumulated depreciation and amortization of \$320,714	113,467
Accrued interest receivable	214,382
Deferred income tax assets	54,111
Prepaid expenses	156,341
Other assets	3,742
<b>Total assets</b>	<b><u>\$ 94,092,621</u></b>

**Liabilities and stockholder's equity**

Payables to customers	\$ 33,465
Payables to brokers, dealers, and others	1,067,320
Payables to affiliate	291,407
Securities sold, not yet purchased, at fair value	43,403,652
Borrowing from parent	25,960,668
Accrued interest payable	558,528
Employee compensation payable	299,609
Other liabilities and accrued expenses	553,016
<b>Total liabilities</b>	<b><u>72,167,665</u></b>

**Stockholder's equity:**

Common stock (50,000 shares authorized, issued, and outstanding; \$1 par value)	50,000
Additional paid-in capital	17,196,337
Accumulated other comprehensive income	24,501
Retained earnings	4,654,118
<b>Total stockholder's equity</b>	<b><u>21,924,956</u></b>
<b>Total liabilities and stockholder's equity</b>	<b><u>\$ 94,092,621</u></b>

*See accompanying notes to financial statements.*

Zions Direct, Inc.  
(A Wholly-Owned Subsidiary of Zions First National Bank)

Notes to Statement of Financial Condition

December 31, 2009

**1. Organization and Ownership**

Zions Direct, Inc. (the “Company”) is a wholly-owned subsidiary of Zions First National Bank (“ZFNB” or “Parent”). ZFNB is a wholly-owned subsidiary of Zions Bancorporation, a bank holding company with operations in several western states. The Company is a member of the Financial Industry Regulatory Authority (“FINRA”) and is registered as a broker and dealer under the Securities Exchange Act of 1934.

The Company provides comprehensive brokerage services to its client base, including soliciting and effecting transactions in fixed income products, mutual funds, equities, unit investment trusts, annuities and insurance policies, municipal securities, and various other investment products. Trades for options are effected but not solicited.

The Company operates *zionsdirect.com*, an online brokerage service. The Company also has registered representatives in its principal markets of Utah, Idaho, Nevada, Texas, Arizona, California, Colorado, and Washington. The Company may act as principal in corporate bond transactions through various electronic trading platforms.

The Company auctions certificates of deposit (CDs) online for ZFNB and its affiliates and auctions medium term notes and preferred stock for Zions Bancorporation. The Company acts as auction agent and receives a fee based on the total amount auctioned.

For retail securities transactions, the Company operates as an introducing broker-dealer, clearing most transactions through Pershing LLC, an affiliate of Bank of New York Mellon (the “clearing broker”), on a fully disclosed basis. In December 2009, the Company signed an agreement to clear these transactions through National Financial Services. It is estimated the conversion, from Pershing, LLC to National Financial Services, will take place during the second quarter of 2010. On a limited basis, the Company self-clears a small number of annuity transactions and mutual fund transactions directly with the providers. The Company does not carry customer balances or act as custodian for customer securities.

For principal securities transactions, the Company also operates a self-clearing, fixed income trading division. The Company has contracted with its Parent to provide certain systems and clearing services and support.

**Zions Direct, Inc.**  
(A Wholly-Owned Subsidiary of Zions First National Bank)

**Notes to Statement of Financial Condition (continued)**

**2. Summary of Significant Accounting Policies**

**Basis of Financial Statement Presentation**

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States (“GAAP”). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Subsequent Events**

Subsequent events have been evaluated through February 26, 2010, the date the financial statements were ready to be issued.

**Cash and Cash Equivalents**

The Company classifies as cash equivalents all highly liquid investments with no restrictions that have an original maturity date of three months or less. The Company’s cash and cash equivalents are carried at cost, which approximates fair value.

**Cash Deposits with Clearing Organizations**

The Company has obtained membership in the National Securities Clearing Corporation (“NSCC”) with respect to its securities business. The NSCC requires a cash deposit relative to the Company’s clearance activity.

**Securities Transactions**

*Securities Borrowed/Securities Loaned*

Securities borrowed and loaned are treated as collateralized financing transactions and are recorded at the amount of cash collateral advanced or received. It is the Company’s policy to take possession or control of securities borrowed. The Company is required to provide securities to counterparties to collateralize lending agreements. The Company minimizes credit risk associated with these activities by monitoring credit exposure and collateral values on a daily basis, marking all positions to market daily, and requiring additional collateral to be deposited or returned daily. There were no securities loaned at December 31, 2009.

Zions Direct, Inc.  
(A Wholly-Owned Subsidiary of Zions First National Bank)

Notes to Statement of Financial Condition (continued)

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

*Securities Borrowed/Securities Loaned (continued)*

In the normal course of business, the Company borrows securities on terms that permit it to repledge or resell the securities to others. At December 31, 2009, the majority of securities obtained on such terms have been either pledged or otherwise transferred to others in connection with the Company's financing activities, or to satisfy its commitments under proprietary short sales.

*Securities Owned/Securities Sold, Not Yet Purchased*

Principal securities transactions and the related revenues and expenses are recorded on a trade date basis. All securities owned and securities sold, not yet purchased consist of corporate debt securities and municipal bonds stated at fair value with related changes in unrealized appreciation or depreciation reflected in principal transactions revenues. Fair value is generally based on current market prices. If current market prices are not available, fair value is determined based on other relevant factors, including broker or dealer price quotations.

Available-for-sale securities are reported at fair value and consist of municipal and mutual fund auction-rate-securities held for investment.

Securities sold, not yet purchased represent obligations to deliver specified securities at contracted prices. The Company is obligated to acquire such securities at the prevailing market prices in the future to satisfy these obligations. Accordingly, these transactions result in off-balance sheet risk, as the Company's ultimate obligation to satisfy the sale of securities sold, not yet purchased may exceed the amount reflected in the statement of financial condition.

Arbitrage positions included in securities owned and securities sold, not yet purchased result from buying or selling a security subject to exchange, conversion, or reorganization and selling or buying a security or securities to be received upon the exchange, conversion, or reorganization.

**Fixed Assets**

Fixed assets are carried at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives, which range between three and ten years.

Zions Direct, Inc.  
(A Wholly-Owned Subsidiary of Zions First National Bank)

Notes to Statement of Financial Condition (continued)

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

**Income Taxes**

Deferred tax assets and liabilities are determined based on temporary differences between financial statement asset and liability amounts and their respective tax bases and are measured using enacted tax laws and rates. 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. Deferred tax assets are recognized subject to management's judgment that realization is more likely than not.

**3. Cash Segregated Under Federal Regulations**

As of December 31, 2009, the Company's cash balance segregated and on deposit for federal and other regulations has been deposited in a special reserve bank account for the exclusive benefit of customers under Securities and Exchange Commission ("SEC") Rule 15c3-3(e).

**4. Receivables from and Payables to Brokers, Dealers and Others**

Included in the receivables from and payables to brokers, dealers, and others are amounts due on unsettled principal securities transactions and payables for clearing charges.

Also included in the receivables from brokers, dealers, and others are commission amounts due from the clearing broker related to the settlement of retail securities transactions, net of payables for clearing charges.

**5. Transactions with Customers**

For transactions in which the Company's clearing broker extends credit to customers, the clearing broker seeks to control the risks associated with these activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company and the clearing broker monitor required margin levels daily and, pursuant to such guidelines, request customers to deposit additional collateral or reduce securities positions when necessary. The Company has agreed to indemnify the clearing broker for losses that it may sustain from the customer accounts introduced by the Company. Based on experience, the Company expects the risk of such loss to be remote. At December 31, 2009, there were no amounts to be indemnified to the clearing broker for these customer accounts.

Zions Direct, Inc.  
(A Wholly-Owned Subsidiary of Zions First National Bank)

Notes to Statement of Financial Condition (continued)

**6. Income Taxes**

The Company is included in the consolidated federal income tax return filed by Zions Bancorporation. Generally, the Company files separate state and local income tax returns; however, where applicable, it is included in a combined state income tax return with Zions Bancorporation and certain other subsidiaries of Zions Bancorporation. State and local taxes have been provided for in these financial statements on separate entity income at the effective rate of the Company.

The Company's income tax provision is computed in accordance with a Tax Sharing Agreement between Zions Bancorporation and its subsidiaries. In accordance with this agreement, any temporary tax differences are attributed to Zions Bancorporation. Accordingly, deferred tax assets of the Company are offset with current taxes payable.

As of December 31, 2009, current income taxes receivable from affiliates totaled \$307,049, which is included in receivable from affiliates.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets are reflected without reduction for a valuation allowance. No valuation allowance is recorded as it is more likely than not that the assets will be realized. Deferred tax assets of \$117,221 relate principally to retirement benefits, deferred compensation agreements, and accrued bonuses. Deferred tax liabilities of \$63,110 relate principally to depreciation of fixed assets and accrued bonuses.

**7. Benefits**

The Company participates in the defined benefit pension plan of Zions Bancorporation, covering certain eligible employees. ASC Topic 715, *Compensation – Retirement Benefits* (formerly SFAS 158), requires an entity to recognize the over-funded or under-funded status of a defined benefit postretirement plan as an asset or liability in the balance sheet and to recognize changes in that funded status through other comprehensive income in the years in which changes occur. The Company funds this program based on allocated amounts as determined by Zions Bancorporation; however, there was no funding requirement in the current year for this plan. The Company also participates in other trustee retirement plans covering all qualified employees who have at least one year of service.

Zions Direct, Inc.  
(A Wholly-Owned Subsidiary of Zions First National Bank)

Notes to Statement of Financial Condition (continued)

**7. Benefits (continued)**

The Company participates in Zions Bancorporation's 401(k) and employee stock ownership plan ("Payshelter") under which employees select from several investment alternatives excluding Zions Bancorporation common stock. Employees can contribute up to 80% of their earnings to the Payshelter plan which will be matched 100% by the Company for the first 3% of employee contributions and 50% for the next 2% of employee contributions. Our matching contributions are invested in Zions Bancorporation common stock.

The Payshelter plan also has a noncontributory profit sharing feature which is discretionary and may range from 0% to 6% of eligible compensation based upon Zions Bancorporation's return on average equity for the year. For the year ended December 31, 2009, the contribution percentage was 0%. Our profit sharing contribution is also invested in Zions Bancorporation common stock.

**8. Share-Based Compensation**

The Company participates in the Zions Bancorporation employee stock option and incentive plan. ASC Topic 718, *Compensation – Stock Compensation* (formerly SFAS No. 123R). Details of the information for the share-based payments are disclosed in the consolidated financial statements of Zions Bancorporation.

**9. Net Capital Requirement**

As a registered broker-dealer with the SEC and FINRA, the Company is subject to the SEC's Uniform Net Capital Rule 15c3-1 (the "Rule"), which requires the maintenance of minimum net capital equal to the greater of \$250,000 or 6-2/3% of aggregate indebtedness as defined. At December 31, 2009, the Company had net capital, as defined by the Rule, of \$18,429,058, which was \$18,179,058 in excess of its required net capital of \$250,000. The Company's ratio of aggregate indebtedness to net capital was 0.0942 to 1 at December 31, 2009.

**10. Fair Value of Financial Instruments**

The Company applies ASC Topic 820, *Fair Value Measurements and Disclosures* (formerly SFAS No. 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Zions Direct, Inc.  
(A Wholly-Owned Subsidiary of Zions First National Bank)

Notes to Statement of Financial Condition (continued)

**10. Fair Value of Financial Instruments (continued)**

To measure fair value, ASC 820 has established a hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. This hierarchy, utilized by the Company, uses three levels of inputs to measure the fair value of assets and liabilities as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data

Substantially all of the Company's financial instruments are carried at fair value or amounts approximating fair value using level 2 inputs defined under ASC 820, which includes, but is not limited to, broker-dealer price quotations. Assets, including securities owned, securities borrowing agreements, and receivables from brokers, dealers, and others are carried at fair value or contracted amounts, which approximates fair value. Similarly, liabilities, including securities sold, not yet purchased, securities lending agreements, payables to brokers, dealers, and others and payables to affiliate are carried at fair value or contracted amounts approximating fair value.

Available-for-sale (AFS) auction rate securities are carried at fair value under a level 3 cash flow modeling approach using third-party models. At December 31, 2009, these securities have an amortized cost basis of \$1,418,870 and a carrying value of \$1,458,548. These securities have expected maturities between eleven and thirty-five years.

**11. Concentrations of Credit Risk**

The Company is involved in various trading and brokerage activities in which the counterparties primarily include broker-dealers, financial institutions, and other institutional customers. In the event counterparties do not fulfill their obligations, the Company may be exposed to credit risk.

Zions Direct, Inc.  
(A Wholly-Owned Subsidiary of Zions First National Bank)

Notes to Statement of Financial Condition (continued)

**11. Concentrations of Credit Risk (continued)**

The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty. The Company's exposure to credit risk related to securities borrowed transactions has been considered in the computation of net capital.

**12. Commitments and Contingent Liabilities**

The Company is a defendant in lawsuits related to its participation in Merrill Lynch and Lehman Brothers bond underwritings and lawsuits incidental to its securities and insurance business. Due to the ongoing nature of the lawsuits, the adverse effect on the Company's financial position is undetermined.

As a member of FINRA, the Company is subject to periodic regulatory examinations conducted by FINRA. Dependent upon its findings in the course of such examinations, FINRA may levy disciplinary fines or fees related to violations of applicable rules. At December 31, 2009, the Company, through its counsel, was engaged in discussions with FINRA relating to issues raised in a presently open FINRA examination. The Company has accrued for the estimated cost of concluding such discussions, including legal fees and associated expenses which are included in other liabilities and accrued expenses.

**13. Related Party Transactions**

The Company maintained \$527,695 in cash and cash equivalent accounts, including cash on deposit pursuant to Rule 15c3-3 reserve requirements, with ZFNB as of December 31, 2009.

The Company's office space is located primarily in certain ZFNB banking facilities.

The Company reimburses ZFNB for allocated overhead costs and periodic payroll disbursements.

The Company has a line of credit in the amount of \$50 million bearing interest at one year LIBOR plus 2.2% (3.6613% at December 31, 2009) with ZFNB, of which \$25,960,668 was outstanding at December 31, 2009. The line of credit is secured by the Company's bonds held at the Depository Trust Company. The line of credit is renewable on an annual basis.

**Zions Direct, Inc.**  
(A Wholly-Owned Subsidiary of Zions First National Bank)

**Notes to Statement of Financial Condition (continued)**

**13. Related Party Transactions (continued)**

A fee based on the unused portion of the credit facility is calculated quarterly. The fee is equal to 0.40% of the unused amount based on the average unused balance of the credit facility for the previous quarter.

The Company, with respect to its securities business, has entered into a clearing contract with ZFNB.

## Report of Independent Accountants on Applying Agreed-Upon Procedures

To the Board of Directors and Management of Zions Direct, Inc. and to the Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corporation:

We have performed the procedures enumerated below, which were agreed to by the Board of Directors and management of Zions Direct, Inc. (the Company), the Securities Investor Protection Corporation (SIPC), the Securities and Exchange Commission, and the Financial Industry Regulatory Authority, in accordance with Rule 17a-5(e)(4) of the Securities Exchange Act of 1934. We performed the procedures solely to assist the specified parties in evaluating the Company's compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7T) for the period from April 1, 2009 through December 31, 2009. The Company's management is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7T with respective cash disbursement record entries.

No findings were noted.

2. Compared the amounts reported on client schedules derived from the FOCUS reports with the amounts reported in Form SIPC-7T for the period from April 1, 2009 through December 31, 2009.

No findings were noted.

3. Compared any adjustments reported in Form SIPC-7T with supporting schedules and working papers.

No findings were noted.

4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7T and in the related supporting schedules and working papers supporting the adjustments.

No findings were noted.

5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7T on which it was originally computed.

Because no overpayment exists, this step is not applicable.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7T) for the period from April 1, 2009 through December 31, 2009. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

*Ernst & Young LLP*

February 26, 2010

STATEMENT OF FINANCIAL CONDITION

Zions Direct, Inc.

(A Wholly-Owned Subsidiary of Zions First National Bank)

December 31, 2009

With Report of Independent Registered Public Accounting Firm

STATEMENT OF FINANCIAL CONDITION

Zions Direct, Inc.

(A Wholly-Owned Subsidiary of Zions First National Bank)

December 31, 2009

With Report of Independent Registered Public Accounting Firm