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

SEC FILE NUMBER
8- 24075

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, 2013 AND ENDING December 31, 2013
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Crews & Associates, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

521 President Clinton Ave, Suite 800

(No. and Street)

Little Rock

Arkansas

72201

(City)

(State)

(Zip Code)

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

Joe P. Bumpers

Chief Financial Officer

501-978-8650

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

FROST, PLLC.

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

425 West Capitol

Little Rock

Arkansas

72201

(Address)

(City)

SEC
Mail Processing
Section

(Zip Code)

CHECK ONE:

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

MAR 04 2014

Washington, DC
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*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)

DD
3/31/14

OATH OR AFFIRMATION

I, Joe P. Bumpers, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Crews & Associates, Inc., as

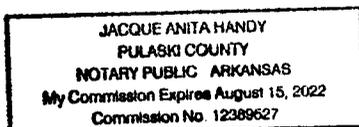
of December 31, 2013, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Joe P. Bumpers
Signature

Chief Financial Officer

Title

Jacque Anita Handy
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).

CREWS & ASSOCIATES, INC.

December 31, 2013

**Financial Statements
And
Supplementary Information**

With

Independent Auditor's Report

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Crews & Associates, Inc., which comprise the statement of financial condition as of December 31, 2013, and the related statements of income, stockholder's equity and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities and Exchange Act of 1934, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crews & Associates, Inc. as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Frost, PLLC

Certified Public Accountants

Little Rock, Arkansas
February 27, 2014

Statement of Financial Condition

December 31, 2013

Assets

Cash (including \$1,017,220 segregated under federal regulation)	\$ 4,001,183
Receivables from	
Broker-dealers and clearing organizations	1,790,359
Customers	733,721
Marketable securities	44,993,431
Furniture, equipment and leasehold improvements, net	1,321,310
Net deferred tax asset	6,067,452
Income tax receivable	24,740
Cash surrender value of life insurance policies	17,249,685
Employee loans receivable and covenants not to compete, net	181,044
Goodwill	772,574
Notes receivable	823,176
Other assets	<u>1,144,184</u>
Total assets	<u>\$ 79,102,859</u>

Liabilities and Stockholder's Equity

Liabilities	
Payables to	
Broker-dealers and clearing organizations	\$ 421,070
Customers	172,579
Accounts payable, accrued expenses and other liabilities	4,016,270
Nonqualified deferred compensation	16,471,353
Short-term borrowings	<u>9,000,000</u>
Total liabilities	<u>30,081,272</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>46,182,468</u>
Total stockholder's equity	<u>49,021,587</u>
Total liabilities and stockholder's equity	<u>\$ 79,102,859</u>

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

Statement of Income
For the Year Ended December 31, 2013

Revenues	
Trading profits	\$ 36,988,141
Investment banking and other income	7,388,499
Interest income	<u>1,438,209</u>
Total revenues	<u>45,814,849</u>
Expenses	
Employee compensation and benefits	31,995,845
Professional and other	1,483,331
Amortization of employee loans receivable and covenants not to compete	178,190
Occupancy and equipment	1,798,008
Trading and platform services	2,049,791
Communications and advertising	770,278
Business development	1,401,897
Clearing fees	497,724
Interest expense	<u>81,836</u>
Total expenses	<u>40,256,900</u>
Income before income taxes	5,557,949
Income taxes	<u>2,089,661</u>
Net income	<u>\$ 3,468,288</u>

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

CREWS & ASSOCIATES, INC.

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Statement of Stockholder's Equity**For the Year Ended December 31, 2013**

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance - January 1, 2013	\$ 427	\$ 2,838,692	\$ 42,714,180	\$ 45,553,299
Net income	<u>-</u>	<u>-</u>	<u>3,468,288</u>	<u>3,468,288</u>
Balance - December 31, 2013	<u>\$ 427</u>	<u>\$ 2,838,692</u>	<u>\$ 46,182,468</u>	<u>\$ 49,021,587</u>

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

Statement of Cash Flows

For the Year Ended December 31, 2013

Cash flows from operating activities	
Net income	\$ 3,468,288
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	344,416
Loss on disposal of equipment	2,990
Amortization of employee loans receivable and covenants not to compete	178,190
Deferred income taxes	(681,090)
Earnings on cash surrender value of life insurance	(986,350)
Expense on nonqualified deferred compensation	2,321,101
Changes in operating assets and liabilities	
Receivables from	
Broker-dealers and clearing organizations	(1,011,768)
Customers	829,528
Marketable securities	(1,347,253)
Cash surrender value of life insurance policies	(1,075,157)
Other assets	441,349
Payables to	
Broker-dealers and clearing organizations	219,564
Customers	(61,085)
Accounts payable, accrued expenses and other liabilities	(1,019,006)
Nonqualified deferred compensation	(696,495)
Income taxes	(73,045)
Net cash provided by operating activities	<u>854,177</u>
Cash flows from investing activities	
Proceeds from disposal of equipment	20,000
Purchases of furniture and office equipment	(290,054)
Issuance of notes receivable	(823,176)
Repayments received from note receivable	<u>2,700,897</u>
Net cash provided by investing activities	<u>1,607,667</u>
Cash flows from financing activities	
Net changes in short-term borrowings	(1,500,000)
Issuance of employee loans receivable	<u>(5,000)</u>
Net cash used by financing activities	<u>(1,505,000)</u>
Net increase in cash	956,844
Cash - beginning of year	<u>3,044,339</u>
Cash - end of year	<u>\$ 4,001,183</u>
<u>Supplementary disclosures of cash flow information</u>	
Cash paid during the year for	
Interest	\$ 89,701
Income taxes, net	2,724,000

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

Notes to Financial Statements**December 31, 2013****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. 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. **Revenue recognition** – Securities transactions are captured on the Company’s computer system and monitored on a trade date basis and are reflected in the accompanying financial statements on a settlement date basis. Recording such transactions on a trade date basis would not result in a material difference in the accompanying financial statements. Investment banking revenue is recorded at the time the transaction is completed and the income is reasonably determinable and probable.
- b. **Cash equivalents** – For purposes of the statement of cash flows, the Company considers all liquid investments with an original maturity of three months or less to be cash equivalents. At December 31, 2013, 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 recorded at fair value. Any unrealized gains and losses have been reflected as a component of trading profits in the accompanying statement of income.
- d. **Furniture, equipment and leasehold improvements** – Furniture, equipment and leasehold improvements 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 year ended December 31, 2013.
- f. **Intangible assets** – Intangible assets consist of goodwill in the amount of \$772,574 at December 31, 2013. 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 the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 350-10, “Goodwill and Other Intangible Assets,” whereby intangible assets are evaluated on at least an annual basis for indicators of impairment. The Company performed its annual evaluation of goodwill during 2013 and concluded that there were no impairment indicators present.

Notes to Financial Statements

December 31, 2013

2. Summary of Significant Accounting Policies (cont.)

- 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 the term of the agreements, which range from two to six-year periods. Amortization expense related to these agreements was \$178,190 for the year ended December 31, 2013. Gross original agreements were \$501,900, net of accumulated amortization of \$320,856, at December 31, 2013. Future amortization expenses related to these agreements are as follows:

2014	\$ 54,833
2015	112,810
2016	<u>13,401</u>
	<u>\$ 181,044</u>

- 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 financial statements, utilizing currently enacted tax laws and rates.

ASC 740, “Income Taxes,” clarifies the accounting for uncertainty in income taxes recognized in the financial statements and requires the impact of a tax position to be recognized in the financial statements if that position is more likely than not of being sustained by the taxing authority. A deferred tax liability is recognized for all temporary differences that will result in future taxable income; a deferred tax asset is recognized for all temporary differences that will result in future tax deductions, subject to reduction of the asset by a valuation allowance in certain circumstances. This valuation allowance is recognized if, based on an analysis of available evidence, management determines that it is more likely than not that some portion or all of the deferred tax asset will not be realized. The valuation allowance is subject to ongoing adjustment based on changes in circumstances that affect management’s judgment about the realizability of the deferred tax asset. Adjustments to increase or decrease the valuation allowance are charged or credited, respectively, to income tax expense.

The Company is no longer subject to U.S. federal and state tax examinations by tax authorities for years before 2010. The Company recognizes interest accrued related to unrecognized tax benefits and penalties in income tax expense. During the year ended December 31, 2013, the Company did not recognize any interest or penalties. The Company did not have any interest or penalties accrued at December 31, 2013.

- i. **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.

Notes to Financial Statements

December 31, 2013

2. Summary of Significant Accounting Policies (cont.)

- j. **Advertising** – Advertising costs, included in communications and advertising expenses, are expensed as incurred. Advertising expense was \$336,307 in December 31, 2013.
- k. **Use of estimates** – The preparation of financial statements 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 financial statements are based upon management’s evaluation of the relevant facts and circumstances as of the date of the financial statements. However, actual results may differ from the estimates and assumptions used in the accompanying financial statements.
- l. **Fair value measurements** – 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 estimated either annually or on a nonrecurring basis to evaluate certain financial assets and liabilities for impairment or for disclosure purposes. Hierarchical levels defined by ASC 820, “Fair Value Measurements and Disclosures,” 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, certain municipal debt and certain private equity investments.

Notes to Financial Statements

December 31, 2013

2. Summary of Significant Accounting Policies (cont.)

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of marketable security and market conditions. As the observability of prices and inputs may change for a marketable security from period to period, this condition may cause a transfer of a marketable security among the fair value hierarchy levels. Transfers among the levels are recognized at the beginning of each period. The degree of judgment exercised in determining fair value is greatest for marketable securities categorized in Level III.

The Company is required to update the market values for their ending marketable security balances at the end of each reporting period. Each marketable security which trades in an active market's ending period date market value is obtained from an independent third party pricing source. These pricing services are considered Level II input data for pricing of marketable securities and provide the baseline valuation estimates for the Company's marketable securities when available. The independent third party pricing information is provided directly to the Company through the Company's online securities processing platform.

At the end of each period, the Company provides the marketable security listing to management, the market price data from the independent third party pricing provider and independent agency bond ratings for each graded marketable security. Management adjustments from these estimates to their estimated current market value are based on their knowledge of the related marketable security taking into consideration any local specific knowledge credit events, bond ratings, coupon rate and maturity.

Marketable securities with significant pricing differences from the independent pricing source are subjected to a second review by the Company's management for reasonableness and to verify ending price estimate.

The following outlines the valuation methodologies and inputs for the Company's material categories of assets and liabilities:

- **State and municipal government obligations** – The fair value of municipal bonds is derived using recent trade activity, market price quotation and new issuance levels. In the absence of this information, fair value is calculated using comparable bond credit spreads. For obligations traded in a market that is not active or not priced by the Company's independent third party pricing service, fair value is determined using unobservable inputs. Current interest rates, credit events and individual bond characteristics such as coupon, call feature, maturity and revenue purpose are considered in the valuation process. Securities valued using observable data are considered Level II and unobservable value inputs are considered Level III in the fair value hierarchy.
- **U.S. Government obligations** – The fair value of agency issued debt securities is derived using market prices and recent trade activity gathered from independent dealer pricing services. Agency issued debt securities are generally classified as Level II in the fair value hierarchy.

Notes to Financial Statements

December 31, 2013

2. Summary of Significant Accounting Policies (cont.)

- **Corporate obligations** – When available corporate bonds are based on the most recent observable trade and/or external quotes for independent dealer pricing services. When price information is not available, the Company utilizes coupon interest rates, credit events and underlying collateral analysis to value these obligations. Securities valued using observable data are considered Level II and unobservable value inputs are considered Level III in the fair value hierarchy.
 - **Certificates of deposit** – The fair value of certificates of deposit are derived using market prices and recent trade activity of similar items and are considered Level II in the fair value hierarchy.
 - **Other marketable securities** – The fair value of private placement offerings and municipal leases within this category are valued utilizing underlying collateral analysis and individual bond characteristics such as coupon, call feature and maturity. The fair values of marketable securities within the category are considered Level III in the fair value hierarchy.
 - **Life insurance policies and nonqualified deferred compensation liabilities** – The Deferred Compensation Plan (the “Plan”) is comprised of individual life insurance policies issued. The Plan allows the Company to invest premiums in a group of private mutual funds available only to the policyholders. The Cash Surrender Value (“CSV”) is calculated daily based on the Net Asset Value (“NAV”) of the investment elections, as directed by the Company. The NAVs are provided daily to the Company’s third party record keeper. The deferred compensation liability is calculated daily based on the NAVs of the investment elections, as directed by the Plan’s participants (the Company’s employees). The Plan participants make investment elections from the same set of mutual funds. The participant liability and CSV are based on the same NAVs. The Company’s investment objective is to match the investments in the policies’ CSV to the elections made by the participants. These private mutual funds will mirror the results of many of the similarly styled funds traded in the public sector. Based on the nature of the funds, the ability of the fund manager to report NAVs daily and third party record keeping, these assets and liabilities are considered Level II in the fair value hierarchy.
- m. **Recent accounting pronouncements** – In January 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-02, “Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill (a consensus of the Private Company Council).” ASU 2014-02 gives an entity, which is not a public business, the option to amortize goodwill over 10 years or less than 10 years if the entity demonstrates that another useful life is more appropriate and requires goodwill impairment testing only when triggering events occur. ASU 2014-02 is effective for annual periods beginning after December 15, 2014. Early application is permitted, including application to any period for which the entity’s annual or interim financial statements have not yet been made available for issuance. The Company is evaluating the application of ASU 2014-02 and the effect it will have on the Company’s financial statements.

Notes to Financial Statements

December 31, 2013

3. Cash Segregated Under Federal Regulation

Statutory rules require customer funds be segregated in a special reserve bank account “for the exclusive benefit of customers” based on the computation required under SEC Rule 15c3-3. While not required based on the regulatory calculation, the Company maintained \$1,017,220 in the special reserve bank account at December 31, 2013.

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, 2013.

At December 31, 2013, receivables from customers consisted of \$663,376 from institutional firms and \$70,345 from retail customers. Payables consisted of \$12,620 to institutional firms and \$159,959 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 consist of the following trading securities, stated at fair market values:

	<u>Cost</u>	Net Unrealized <u>Losses</u>	Market <u>Value</u>
State and municipal government obligations	\$ 41,005,688	\$ (1,238,263)	\$ 39,767,425
U.S. Government obligations	909,437	(52)	909,385
Corporate obligations	2,502,452	(271,682)	2,230,770
Certificates of deposit	497,006	-	497,006
Other	<u>3,000,690</u>	<u>(1,411,845)</u>	<u>1,588,845</u>
	<u>\$ 47,915,273</u>	<u>\$ (2,921,842)</u>	<u>\$ 44,993,431</u>

Notes to Financial Statements

December 31, 2013

6. Furniture, Equipment and Leasehold Improvements

The furniture, equipment and leasehold improvements are as follows:

Leasehold improvements	\$ 780,819
Furniture and equipment	<u>5,143,274</u>
	5,924,093
Accumulated depreciation	<u>(4,602,783)</u>
Furniture, equipment and leasehold improvements, net	<u>\$ 1,321,310</u>

7. Notes Receivable

At December 31, 2013, the Company had notes receivable from third parties with a principal balance of \$823,176. A total of \$885,000 may be borrowed under these notes. The notes bear interest ranging from 3.00 to 5.00% annually. The principal balance of \$623,176 plus accrued interest is due on or before April 19, 2014 and the principal balance of \$200,000 plus accrued interest is due on or before March 15, 2015. The notes are unsecured.

8. Short-Term Borrowings

At December 31, 2013, the Company had a \$20,000,000 line of credit agreement with a bank. At December 31, 2013, the outstanding balance on the line of credit agreement was \$7,300,000. The line of credit agreement bears interest at the 30-day London Interbank Offered Rate plus .80% (0.99% at December 31, 2013) and is collateralized by marketable securities owned by the Company.

At December 31, 2013, the Company had a \$30,000,000 line of credit agreement with a related party financial institution. At December 31, 2013, the outstanding balance on the line of credit agreement was \$1,700,000. The line of credit agreement bears interest at the greater of 4.25% or the 30-day London Interbank Offered Rate plus 1.9% (4.25% at December 31, 2013), matures in July 2014 and is collateralized by marketable securities owned by the Company.

At December 31, 2013, the Company had a \$20,000,000 revolving line of credit agreement with the Parent, of which there was no outstanding balance at year end. The revolving line of credit agreement bears interest at a fixed rate (4.50% at December 31, 2013), matures in April 2014 and is uncollateralized.

At December 31, 2013, the Company had a \$10,000,000 revolving line of credit agreement with a bank, with no outstanding balance at year end. The revolving line of credit agreement bears interest at the greater of 3.25% or the Wall Street Journal Prime Rate (3.25% at December 31, 2013), matures in May 2015 and is uncollateralized.

Notes to Financial Statements

December 31, 2013

8. Short-Term Borrowings (cont.)

As of December 31, 2013, the Company had no outstanding obligations that were subordinated to claims of general creditors.

9. Income Taxes

Income taxes consist of the following:

Current provision	\$ 2,770,751
Deferred benefit	<u>(681,090)</u>
	<u>\$ 2,089,661</u>

The actual tax expense differs from the “expected” tax expense (computed by applying the applicable federal corporate income tax rate of 35% to income before income taxes) primarily due to the effect of state income taxes, net of federal benefit and nontaxable municipal bond interest income, net of nondeductible interest expense.

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	
Nonqualified deferred compensation	\$ 6,460,889
Covenants not to compete	115,628
Other	<u>130,110</u>
Total deferred tax assets	<u>6,706,627</u>
Deferred tax liabilities	
Accumulated depreciation	197,340
Goodwill	202,028
Prepays	177,736
Other	<u>62,071</u>
Total deferred tax liabilities	<u>639,175</u>
Net deferred tax asset	<u>\$ 6,067,452</u>

Notes to Financial Statements

December 31, 2013

10. 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, 2013:

	<u>Lease Commitments</u>	<u>Less Sub-lease</u>	<u>Net Lease Commitments</u>
2014	\$ 1,682,170	\$ (112,420)	\$ 1,569,750
2015	<u>240,189</u>	<u>(18,797)</u>	<u>221,392</u>
	<u>\$ 1,922,359</u>	<u>\$ (131,217)</u>	<u>\$ 1,791,142</u>

The Company leases its office space from the Parent. Rent expense was \$833,359 for the year ended December 31, 2013.

In the normal course of business, the Company is a party to lawsuits and claims. In some of the lawsuits, relating primarily to its securities business, the plaintiffs claim substantial amounts. The costs to defend and settle such matters have been included in professional and other expense in the accompanying statement of income. In August 2013, the City of Port Gibson, Mississippi filed suit against Crews & Associates, Inc., et al in the Circuit Court of Claiborne, Mississippi seeking to have the Lease Purchase Agreement for the City of Port Gibson declared void and illegal. The City received approximately \$1.9 million under the lease. Crews, the current owner of lease, removed this case to the United States District Court for the Southern District of Mississippi, Western District; counterclaimed for the amounts unpaid under the lease, totaling approximately \$1.7 million; and filed a partial motion to dismiss. The lease is included in marketable securities – other in the statement of financial condition. As of December 31, 2013, this matter is stayed pending resolution of the motion to remand the case to State Court.

Management intends to vigorously defend these matters and, after consultation with counsel, believes that resolution of all such matters, including the City of Port Gibson, are not expected to have a material adverse effect on the financial condition, results of operations or cash flows of the Company. Factors considered by management in reaching this conclusion are the loss and damages sought by the plaintiffs, the merits of the claims, the total cost of defending the litigation, the potential for fines and penalties from regulatory agencies, and the likelihood of a successful defense against the claims.

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.

Notes to Financial Statements**December 31, 2013****10. Commitments and Contingencies (cont.)**

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, 2013, 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.

11. 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, 2013, Crews had an aggregate indebtedness to net capital ratio of 0.95 to 1 with \$22,345,913 of regulatory net capital, which was \$20,937,304 in excess of the required minimum regulatory net capital of \$1,408,609.

12. Related Party Transactions

The Company engaged in trading activity with the Parent or related affiliates resulting in trading revenues of approximately \$1,819,292 for the year ended December 31, 2013. Management of the Company believes this activity was conducted on terms equivalent to those with unrelated parties.

At December 31, 2013, the Company had \$1,700,000 outstanding under a line of credit agreement with a bank that is a subsidiary of the Parent. Total borrowings available pursuant to this line of credit agreement totaled \$30,000,000 at December 31, 2013. In addition, the Company controls customer deposits of approximately \$76,195,000 held in a trust on customer behalf at a bank that is a subsidiary of the Parent at December 31, 2013. The Company also had a \$20,000,000 revolving line of credit agreement with the Parent with no outstanding balance at December 31, 2013.

For the year ended December 31, 2013, the Company paid legal fees of approximately \$351,000 to a law firm associated with a board member.

Notes to Financial Statements**December 31, 2013****13. 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 2013 was 3.95% 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 \$17,249,685 as of December 31, 2013. The Company's net benefit obligation under these arrangements which is reflected in nonqualified deferred compensation in the accompanying financial statements was \$16,471,353 at December 31, 2013. During the year ended December 31, 2013, the Company recognized \$1,334,751 of employee compensation and benefit expense associated with this arrangement.

14. 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 upon hire date. 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 2013, 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 nonelective contribution made during 2013. For the year ended December 31, 2013, the Company made matching contributions of \$139,658 related to this plan.

Notes to Financial Statements

December 31, 2013

15. Fair Value of Financial Instruments

The following table sets forth the Company's financial assets and liabilities 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				
State and municipal government obligations	\$ -	\$ 31,749,694	\$ 8,017,731	\$ 39,767,425
U.S. Government obligations	-	909,385	-	909,385
Corporate obligations	-	428,586	1,802,184	2,230,770
Certificates of deposit	-	497,006	-	497,006
Other	-	-	1,588,845	1,588,845
	-	33,584,671	11,408,760	44,993,431
Cash surrender value of life insurance policies	-	17,249,685	-	17,249,685
Total assets at fair value	<u>\$ -</u>	<u>\$ 50,834,356</u>	<u>\$ 11,408,760</u>	<u>\$ 62,243,116</u>
Liabilities				
Nonqualified deferred compensation liabilities	<u>\$ -</u>	<u>\$ 16,471,353</u>	<u>\$ -</u>	<u>\$ 16,471,353</u>
Total liabilities at fair value	<u>\$ -</u>	<u>\$ 16,471,353</u>	<u>\$ -</u>	<u>\$ 16,471,353</u>

Notes to Financial Statements

December 31, 2013

15. Fair Value of Financial Instruments (cont.)

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.

	State and Municipal Government <u>Obligations</u>	Corporate <u>Obligations</u>	<u>Other</u>	<u>Total</u>
Balances - January 1, 2013	\$ 4,933,558	\$ 1,595,726	\$ 1,453,121	\$ 7,982,405
Total realized gains (losses) - included in earnings	(837,614)	13,926	(360,635)	(1,184,323)
Purchases	37,964,187	24,533,597	1,382,084	63,879,868
Sales	(35,704,343)	(24,341,065)	(885,725)	(60,931,133)
Transfers in and/or out of Level III	<u>1,661,943</u>	<u>-</u>	<u>-</u>	<u>1,661,943</u>
Balances - December 31, 2013	<u>\$ 8,017,731</u>	<u>\$ 1,802,184</u>	<u>\$ 1,588,845</u>	<u>\$ 11,408,760</u>

The following table presents quantitative information about the significant unobservable inputs utilized by the Company in the fair value measurements of Level III assets.

<u>Description</u>	<u>Fair Value</u>	<u>Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range</u>
State and municipal obligations	\$ 8,017,731	Bond characteristic analysis	Current interest rates, credit events, coupon, call feature maturity and revenue purpose	2% - 13% coupon 5.6% weighted-average 3 - 33 year maturity 15.2 year weighted-average
Corporate obligations	1,802,184	Bond characteristic analysis Collateral analysis	Current interest rates, credit events, coupon, call feature and maturity Valuation of underlying collateral and convertibility of assets	5% - 11% coupon 6.5% weighted-average 1 - 38 year maturity 6.3 year weighted-average
Other marketable securities	1,588,845	Bond characteristic analysis	Current interest rates, credit events, coupon, call feature and maturity	6% coupon 2.7% weighted-average 1-14 year maturity 6.7 year weighted-average

Notes to Financial Statements

December 31, 2013

16. **Subsequent Events Evaluation Date**

The Company evaluated the events and transactions subsequent to its December 31, 2013 statement of financial condition date and determined there were no significant events to report through February 27, 2014, which is the date the Company issued its financial statements.

**Independent Auditor's Report on Supplementary Information
Required by Rule 17a-5 Under the Securities Exchange Act of 1934**

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

We have audited the financial statements of Crews & Associates, Inc. as of and for the year ended December 31, 2013, and have issued our report thereon dated February 27, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The supplementary information on pages 22 through 25, required by Rule 17a-5 under the Securities Exchange Act of 1934, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Frost, PLLC

Certified Public Accountants

Little Rock, Arkansas
February 27, 2014

**Computation of Net Capital Requirement Under
Rule 15c3-1 of the Securities and Exchange Commission**

December 31, 2013

Net capital		
Total stockholder's equity for Crews & Associates, Inc.		\$ 49,021,587
Deduct		
Nonallowable assets		22,911,749
Other		<u>163,049</u>
Net capital before haircuts on securities positions		25,946,789
Haircuts on securities positions		
Trading positions		
Bankers' acceptances, certificates of deposit and commercial paper	14,421	
State and municipal government obligations	2,578,065	
U.S. Government obligations	40,480	
Corporate obligations	39,782	
Contractual securities commitments	53,340	
Undue concentration	7,309	
Other securities	10	
Other	<u>867,469</u>	<u>3,600,876</u>
Net capital		<u>\$ 22,345,913</u>
Aggregate indebtedness		
Payables to brokers and dealers for customers' securities failed to receive	421,070	
Payables to customers	172,579	
Accounts payable and accrued liabilities	<u>20,535,479</u>	
Total aggregate indebtedness		<u>\$ 21,129,128</u>
Net capital		\$ 22,345,913
Minimum capital required to be maintained (the greater of 1/15 of aggregate indebtedness of \$1,408,609 or \$250,000)		<u>1,408,609</u>
Net capital in excess of requirement		<u>\$ 20,937,304</u>
Ratio: Aggregate indebtedness to net capital		<u>0.95</u>

There are no material differences between this computation and the computation included in the unaudited FOCUS Part II as of December 31, 2013.

See independent auditor's report on supplementary information required by Rule 17a-5 Under the Securities Exchange Act of 1934.

**Determination of Reserve Requirement Under
Rule 15c3-3 of the Securities and Exchange Commission**

December 31, 2013

Credit balances	
Free credit balances and other credit balances	
in customers' security accounts	\$ 163,630
Customers' securities failed to receive	243,330
Other	<u>359,051</u>
Total credit balances	<u>766,011</u>
Debit balances	
Debit balances in customers' cash and margin accounts, excluding	
unsecured accounts and accounts doubtful of collection	<u>670,702</u>
Excess of total credits over total debits	<u>\$ 95,309</u>
For monthly computations - required deposit (105% of excess	
total credits over debits)	<u>\$ 100,074</u>
Amount held on deposit "for the exclusive benefit of customers"	
at December 31, 2013	<u>\$ 1,017,220</u>

There are no material differences between this computation and the computation included in the unaudited FOCUS Part II as of December 31, 2013.

**Information Relating to Possession or Control Requirements
Under Rule 15c3-3 of the Securities and Exchange Commission**

December 31, 2013

	<u>Market Value</u>	<u>Number of Items</u>
Customers' fully paid securities and excess margin securities not in the Company's possession or control as of December 31, 2013 (for which instructions to reduce to possession or control had been issued as of December 31, 2013, but for which the required action was not taken by the Company within the time frames specified under Rule 15c3-3).	<u>None</u>	<u>None</u>
Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of December 31, 2013, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.	<u>None</u>	<u>None</u>

**Schedule of Assessment and Payments to the
Securities Investor Protection Corporation**

For the Period from January 1, 2013 to December 31, 2013

Total revenue for the period from January 1, 2013 to December 31, 2013	<u>\$ 45,814,849</u>
Additions	
Plus expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities	<u>206,375</u>
Deductions	
Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security future products.	1,002,799
Other revenue not related either directly or indirectly to the securities business. (Subleased office space.)	110,409
Total interest and dividend expense	<u>81,836</u>
Total deductions	<u>1,195,044</u>
SIPC net operating revenue	<u>\$ 44,826,180</u>
General assessment (at .0025)	\$ 112,066
Less payments made on July 31, 2013	<u>61,908</u>
Assessment due and paid with SIPC 7T, January 30, 2014	<u>\$ 50,158</u>

See independent auditor's report on supplementary information required by Rule 17a-5 Under the Securities Exchange Act of 1934.

**Independent Auditor's Report on Internal Control
Required by Securities and Exchange Commission Rule 17a-5(g)(1)**

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

In planning and performing our audit of the financial statements of Crews & Associates, Inc. (the "Company") as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e);
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the 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; and
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

We 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 purposes 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 a material inadequacy for such purposes. Based on this understanding and on our study, we believe the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2013 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be, and should not be, used by anyone other than these specified parties.

Frost, PLLC

Certified Public Accountants

Little Rock, Arkansas
February 27, 2014

**Independent Auditor's Report on Applying Agreed-Upon
Procedures Related to an Entity's SIPC Assessment Reconciliation as
Required Under Securities and Exchange Commission Rule 17a-5(e)(4)**

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

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying schedule of assessment and payments to the Securities Investor Protection Corporation ("SIPC") for the year ended December 31, 2013, which were agreed to by Crews & Associates, Inc. (the "Company") and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc. and SIPC, solely to assist you and the other specified parties in evaluating the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). The Company's management is responsible for the Company's 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-7 with respective cash disbursement records entries, including check copies, noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2013, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2013, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers, including general ledger details, focus reconciliation schedules and a certain sublease agreement, noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers, including general ledger details, focus reconciliation schedules and a certain sublease agreement, supporting the adjustments noting no differences; and
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. 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.

Frost, PLLC

Certified Public Accountants

Little Rock, Arkansas
February 27, 2014