



Statement of Financial Condition

December 31, 2009

Assets

Cash and cash equivalents	\$ 4,377,406
Cash segregated in compliance with federal and other regulations	60,119,439
Receivable from broker-dealers and clearing organizations	2,409,250
Receivable from customers	29,471,194
Securities owned at market value	61,530,798
Goodwill	7,129,258
Furniture, equipment and leasehold improvements	142,460

Other assets 727,770

Total Assets \$ 165,907,575

Liabilities & Stockholders' Equity

Liabilities

Payable to customers	\$ 128,549,631
Payable to non customers	2,163,492
Drafts payable	2,599,954
Payable to broker-dealers and clearing organizations	333,250
Securities sold, not yet purchased	526,479
Accounts payable, accrued expenses and other liabilities	3,336,214
Total Liabilities	<u><u>\$ 137,509,020</u></u>

Stockholders' Equity

Common stock; \$1.00 par value 8,000 shares authorized, 8,000	
Issued and outstanding	\$ 8,000
Paid in capital	\$ 19,292,352
Retained earnings	\$ 9,098,203

Stockholders' Equity \$ 28,398,555

Total Liabilities & Stockholders' Equity \$ 165,907,575

The Accompanying Notes are an Integral Part of this Financial Statement

Independent Auditor's Report

We have audited the accompanying statement of financial condition of StockCross Financial Services Inc. as of December 31, 2009 that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion of this financial statement 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. An audit includes 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, as well as evaluating the overall financial statement 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 Stock Cross Financial Services Inc. on December 31, 2009 in conformity with accounting principles generally accepted in the United States.

Lilling & Company

Certified Public Accountants
Great Neck, NY
February 12, 2010

Notes to Statement of Financial Condition as of December 31, 2009

1 ORGANIZATION AND NATURE OF BUSINESS

StockCross Financial Services, Inc. (The "Company") is a securities broker/dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the New York Stock Exchange, Inc. and Financial Industry Regulatory Authority ("FINRA").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Accounting Standards Board ("FASB") has issued FASB Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, effective for periods ending after September 15, 2009. This Statement establishes the FASB Accounting Standard Codification ("ASC") as the single source of authoritative United States generally accepted accounting and reporting standards for nongovernmental entities, in addition to guidance issued by the SEC and these financial statements are referenced accordingly.

Securities Transactions and Commissions

Customers' securities transactions are recorded on a settlement date basis, generally three business days following the transaction. Commission and other securities transactions are recorded on a trade-date basis as the securities transactions occur. Securities owned and securities borrowed are recorded at current market value.

Securities Borrowed and Loaned

Securities borrowed are recorded at the amount of cash collateral advanced. Securities borrowed transactions require the Company to deposit cash, letters of credit, or other collateral with the lenders. For securities loaned, the Company monitors the market value of the securities borrowed and securities loaned, with additional collateral obtained or refunded as necessary.

Goodwill

In accordance with ASC 350, "Goodwill and Other Intangible Assets", the Company does not amortize goodwill and indefinite-lived intangible assets. Instead, these assets must be reviewed annually for impairment in accordance with this statement. Goodwill is tested for impairment annually. Using cash flow and marketing analysis, management determined in 2009 that the carrying value of goodwill was not impaired and therefore there was no impact on the Company's results of operations or financial position as of December 31, 2009.

Income Taxes

Effective in 2006, the Company elected subchapter S subsidiary status for federal income tax purposes. As a subchapter S subsidiary, the Company is a disregarded entity for federal tax purposes and as such the Parent company's stockholder reports the income.

In December 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) Fin 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises. FSP Fin 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes* (FASB Accounting Standards Codification (ASC) 740, *Income Taxes*), to its annual financial statements for fiscal years beginning after December 15, 2008. The Company has elected to defer the application of the uncertain tax position provisions of ACS 740 for the year ended December 31, 2009.

Property and Equipment

Property, equipment and leasehold improvements are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are recorded on a straight-line basis over the lesser of the estimated useful lives of the related assets or non-cancelable lease terms, as appropriate.

Drafts Payable

Drafts payable represent checks drawn by the Company against customer accounts which were deposited subsequent to year-end.

Concentrations of Credit Risk and Estimates

The Company is engaged in various trading and brokerage activities whose contra-parties include broker-dealers, banks and other financial institutions.

In the event contra-parties do not fulfill their obligations, the Company may sustain a loss if the market value of the instrument is different from the contract value of the transaction. The risk of default primarily depends upon the credit worthiness of the contra-parties involved in the transactions. It is the Company's policy to review, as necessary, the credit standing of each contra-party with which it conducts business.

The Company is located in Beverly Hills, California, with offices throughout the United States and its customers are located worldwide.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management of the Company to use estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



STOCKCROSS
FINANCIAL SERVICES
Established 1973 Member NYSE/SIPC

Statement of Financial Condition

December 31, 2009

Valuation of Investments

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the input to valuation techniques used to measure fair value into three broad levels:

Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 - inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 - are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.)

3 FAIR VALUE MEASUREMENT

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Assets				
Securities owned:				
Municipal Obligations	\$ -	\$ 35,797	\$ -	\$ 35,797
US Government and Agency Obligations	3,154,073	-	-	3,154,073
Certificates of Deposit	-	-	47,726,357	47,726,357
Corporate Obligations	-	6,351,079	-	6,351,079
Equity Securities	4,263,492	-	-	4,263,492
	\$7,417,565	\$6,386,876	\$47,726,357	\$ 61,530,798
Liabilities				
Securities sold, not yet purchased	\$ 526,479	\$ -	\$ -	\$ 526,479

4 COMMITMENTS AND CONTINGENCIES:

Lease Commitments

The Company rents office space and leases computers and other equipment under various operating leases.

At December 31, 2009 minimum future rental on non-cancelable leases are as follows:

2010	\$997,000
2011	1,004,000
2012	938,000
2013	759,000
2014	733,000
Thereafter	247,000
	\$ 4,678,000

Litigation

The Company is subject to various claims and arbitration in normal course of business. The Company does not believe that the resolution of these matters will have a material impact on the financial statements.

5 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:

The Company enters into various transactions to meet the needs of customers, conducts trading activities and manages market risks and is, therefore subject to varying degrees of market and credit risk.

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance sheet risk in the event that the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to its customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customers' accounts. In connection with these activities, The Company executes and clears customer transactions involving the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transactions may expose the Company to significant off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations.

The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with regulatory and internal guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requires customers to deposit additional collateral or reduce positions, when necessary.

The Company's customer financing and securities settlement activities may require the Company to pledge customer securities as collateral in support of various secured financing sources such as bank loans and securities loaned. In the event the counter-party is unable to meet its contractual obligation to return customer securities pledged as collateral, the Company may be exposed to risk of acquiring the securities at prevailing market prices in order to satisfy its customer obligations. The Company controls this risk by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral levels in the event of excess market exposure. In addition, the Company establishes credit limits for such activities and monitors compliance on a daily basis.

6 RECEIVABLE FROM AND PAYABLE TO CUSTOMERS

Accounts receivable from and payable to customers include amounts due on cash and margin transactions. Securities owned by customers are held as collateral for receivables.

7 CASH AND SECURITIES SEGREGATED IN COMPLIANCE WITH FEDERAL AND OTHER REGULATIONS:

Cash of equivalents \$60,119,439 and securities of \$49,253,792, included in securities owned, have been segregated in a special reserve account for the benefit of customers under Rule 15c3-3 of the Securities and Exchange Act.

8 PAYABLE TO NON-CUSTOMERS

Payable to non-customers include amounts due on cash and margin transactions on accounts owned and controlled by principal officers, directors and stockholders.

9 NET CAPITAL REQUIREMENT

The Company, as a broker-dealer subject to the Uniform Net Capital Rule of the SEC (Rule 15c3-1). Under the alternate method permitted by this, net capital, as defined, shall not be less than 2% of aggregate debit items arising from customer transactions. At December 31, 2009 the Company's net capital was \$18,316,464 which was \$17,620,636 in excess of its required net capital of \$695,828. The Company's percentage of aggregate debit balance to net capital was 52.7% as of December 31, 2009.

10 INCENTIVE PLAN

With the approval the board of directors and stockholders, the Company adopted an incentive plan (the "Plan") in 2007 to provide annual incentives to certain employees or directors. The incentive will be the award of cash settled stock appreciation rights ("SARs") based on shares of common stock not to exceed 100,000 shares awarded to any participant for a calendar year. SARs which satisfy the vesting requirements set forth in the Plan will entitle the participant to receive a cash settled payment equal to the appreciation in the fair market value of a stated number of shares of common stock from the grant date to the date of exercise. The grant price for a particular SAR will be set forth in the award notice. At December 31, 2009, there were approximately 377,000 nonvested SARs outstanding with no intrinsic value.

11 SUBSEQUENT EVENTS

In preparing the accompanying financial statement, the Company has reviewed events that have occurred after December 31, 2009, through the date of issuance of these financial statements on February 12, 2010. During this period, the Company did not have any material subsequent events that are required to be disclosed in the financial statement.

An audited Statement of Financial Condition as of December 31, 2009 and Supplemental Report of Internal Control prepared pursuant to Rule 17a-5 of the Securities Exchange Act of 1934 are available for examination and copying at our offices in Beverly Hills and the regional office of the Securities and Exchange Commission in Los Angeles.