



Statement of Financial Condition

December 31, 2007



Assets

Cash and cash equivalents	\$472,298
Cash segregated in compliance with federal and other regulations	17,071
Receivable from broker-dealers and clearing organizations	3,471,113
Receivable from customers	52,541,935
Securities owned at market value	60,837,301
Securities borrowed	716,000
Goodwill	7,129,258
Furniture, equipment and leasehold improvements	331,845
Other assets	672,060
Total Assets	<u>\$126,188,881</u>

Liabilities & Stockholders' Equity

Liabilities

Payable to customers	\$68,583,977
Payable to non-customers	20,066,560
Drafts Payable	6,801,028
Payable to broker-dealers and clearing organizations	1,388,095
Securities sold, not yet purchased	118,116
Accounts payable, accrued expenses and other liabilities	<u>1,182,384</u>
	\$ 98,140,160

Total Liabilities

Stockholders' Equity

Common stock; \$1.00 par value, 8,000 shares authorized, issued and outstanding	\$8,000
Paid in capital	\$17,692,352
Retained earnings	<u>\$10,348,369</u>
	<u>\$28,048,721</u>
	<u>\$126,188,881</u>

The Accompanying Notes are an Integral Part of this Financial Statement Independent Auditor's Report

To the Board of Directors of StockCross Financial Services Inc.

We have audited the accompanying statement of financial condition of StockCross Financial Services Inc. as of December 31, 2007 that you are filing pursuant to rule 17-a-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 standard 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 an opinion. An audit also includes, on a test basis, evidence supporting the amounts of 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 StockCross Financial Services, Inc. at December 31, 2007 in conformity with accounting principles generally accepted in the United States.

Lilling & Company
Certified Public Accountants
Great Neck, NY
February 14, 2008

Notes to Statement of Financial Condition as of December 31, 2007

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

StockCross Financial Services, Inc. (the "Company") is a discount broker 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"). The Company primarily operates as a retail securities broker.

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 lender. 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

The Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 142 no longer permits the amortization of 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 2007 that 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, 2007.

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 attributable to the Company on their personal income tax return. Accordingly, there is no provision necessary for federal income taxes. The Company is subject to state and local excise and income taxes in certain jurisdictions.

Drafts Payable

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

Furniture Equipment and Leasehold Improvements

Furniture equipment and leasehold improvements are carried at 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.

Concentrations of Credit Risk and Estimates

The Company is engaged in various trading and brokerage activities whose contra-parties include broker-dealers, bank 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 in Massachusetts, Texas, Washington and Pennsylvania and its customers are located throughout the world.

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.



Statement of Financial Condition

December 31, 2007

2. SECURITIES OWNED SECURITIES BORROWED

Securities owned and securities borrowed consist primarily of U.S. government obligations and trading securities in U.S. public entities at quoted market value.

3. COMMITMENTS AND CONTINGENCIES:

Lease Commitments

At December 31, 2007 minimum future rental on non-cancelable leases are as follows:

2008	565,000
2009	443,000
2010	236,000
	<u>\$1,244,000</u>

4. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:

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

In the normal course of business, the Company's customer's 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 customer, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customer's 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.

5. RECEIVABLE FROM AND PAYABLE TO CUSTOMERS

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

6. CASH AND SECURITIES SEGREGATED IN COMPLIANCE WITH FEDERAL AND OTHER REGULATIONS:

Cash of \$17,071 and securities of \$34,414,570 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 Commission.

7. PAYABLE TO NON-CUSTOMERS

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

8. NET CAPITAL REQUIREMENT

The Company as a broker-dealer is 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. On December 31, 2007 the Company's net capital was \$19,371,728 which was \$18,256,662 in excess of its required net capital of \$1,115,066. The Company's percentage of aggregate debit balance to net capital was 34.8% as of December 31, 2007.

9. INCENTIVE PLAN

With the approval the board of directors and stockholder, the Company adopted an incentive plan (the "Plan") in 2007 to provide annual incentives to certain employees or directors. The incentives will be the award of stock appreciation rights ("SARs") not to exceed 100,000 shares of common stock awarded to any one participant for a calendar year. The maximum number of SARs available for the Plan will not exceed 1,000,000 shares of common stock. SARs which satisfy the vesting requirements set forth in the Plan will entitle the participant to receive a 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. There were no awards made under the Plan in 2007.

An audited Statement of Financial Condition as of December 31, 2007 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 office in Boston or Los Angeles and the regional office of the Securities and Exchange commission in Boston.