

Statement of Financial Condition (audited)
June 30, 2008

Smith, Moore & Co.

Providing financial advice since 1913.
Member FINRA/SIPC

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Branch Offices:

16305 Swingley Ridge Rd.
Suite 130
Chesterfield, MO 63107
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2412 Hyde Park Road
Suite A
Jefferson City, MO 65109
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Suite 104
Collumbia, MO 65203
(573) 442-5111

1902 East Battlefield
Suite B
Springfield, MO 65804
(417) 883-2871

223 Main Street
Boonville, MO 65233
(660)882-7804

To Our Customers and Friends:

We are pleased to present the audited statement of our financial condition, as required by the rules of the Securities and Exchange Commission.

We are proud to show a strong balance sheet which reflects our long time policy of conservative business conduct. Net capital, as computed according to the requirements of the Securities and Exchange Commission, was \$2,409,450. This is well above our required minimum net capital of \$784,916 ratio of aggregate indebtedness to net capital was approximately 488%. This compares with a maximum indebtedness allowable by the Securities and Exchange Commission of 1500%.

Our resources are used in providing our customers with professional investment services as well as in the selection of particular securities including:

Services

- Free Money Market Accounts with Check Writing
- Retirement Planning
- Education Planning
- Fee-Based Accounts
- Asset Allocation & Portfolio Review

Products

- Stocks & Mutual Funds
- Corporate & Municipal Bonds
- Government Bonds & US Treasuries
- Traditional & Roth IRAs
- Qualified Retirement Plans
- Section 529 Education Plans
- Options
- Insurance & Annuities
- Professional Money Managers

2008 has been another tumultuous year for the U.S. equity markets. As of June 30th, the Dow Jones Industrial Average is down just over 16% for the year. The broader markets have fared no better; S&P 500 and even the Wilshire 5000 index have recorded losses of over 15% in the first 6 months of 2008.

Concerns about default risk and liquidity has caused bond investors to see the safety of CDs and U.S. Treasury bonds. While the Federal Reserve and the U.S. Treasury have taken unprecedented steps to provide stability to the financial markets, it is likely we will continue to see significant volatility. This type of uncertainty reinforces the need for investors to periodically review their investment objectives and tolerance for risk. Investors may reduce their overall market risk by maintaining a balanced, diversified investment portfolio.

Smith, Moore and Co. continues to make strategic investments for the benefit of its customers and employees. The firm recently opened a branch in Springfield, MO and now has additional branches in the Missouri communities of Chesterfield, Columbia, Boonville and Jefferson City. Please visit the firm's website at www.smithmoore.com for more information.

The management of Smith Moore and Co. appreciates your trust and continued business. Customer service will continue to be our highest priority.

The Board of Directors

Member FINRA, SIPC

www.smithmoore.com

Smith, Moore & Co.
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Assets			
Cash	\$		23,265
Cash & securities segregated under federal and other regulations			5,069,935
Receivable from broker-dealers and clearing organizations			341,147
Receivable from customers			7,536,970
Receivable from officers			29,568
Securities owned, at market value:			
Corporate Obligations		131	
State and Municipal Govt		615,964	
Stock		419,680	1,035,775
Securities owned, not readily marketable, at cost			34,817
Other assets			762,404
Total assets	\$		14,833,881
Liabilities and Stockholders' Equity			
Notes payable, bank	\$		4,315,000
Payable to broker-dealers clearing organizations			458,064
Payable to customers			5,834,722
Payable to officers			441,337
Accounts payable, accrued liabilities and expenses			724,615
Securities sold not yet purchased at market value			0
Total liabilities			11,773,738
Stockholders' Equity:			
Common stock - par value \$1 per share; authorized 100,000 shares, issued 20,700 shares of which 8,275 shares are held as treasury stock			20,700
Additional paid in capital			1,345,071
Retained earnings			2,937,074
			4,302,845
Less: Treasury stock, at cost		(1,242,702)	
Total stockholders' equity			3,060,143
Total liabilities & stockholders' equity	\$		14,833,881

Smith, Moore & Co.
Notes to Financial Statement

1. Summary of Accounting Policies

Description of business -- Smith, Moore & Co. is a registered securities broker-dealer under the Securities Exchange Act of 1934 and a member of the Financial Industry Regulatory Authority (FINRA). The Company executes principal and agency securities transactions, provides investment banking services and offers correspondent clearing and execution services for another firm. The majority of the Company's clients are individuals residing in the St. Louis, MO and Jefferson City, MO metropolitan areas. During the year, the Company opened a new branch office in Columbia, MO and is in the process of opening branch offices in Springfield, MO and Boonville, MO.

Securities transactions -- Commission, principal transactions and related clearing expenses are recorded on a trade date basis.

Securities owned -- Securities owned and securities sold not yet purchased, are valued at current market prices. Any unrealized gains or losses are reflected in revenues as principal transactions gains or losses.

Equipment and furniture -- Equipment, furniture and leasehold improvements (included in other assets) with a net book value of \$335,482 are carried at cost. Depreciation is computed on straight-line basis. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease. The cost of maintenance and repairs is charged to income as incurred, whereas significant renewals and improvements are capitalized.

Securities held for customers -- Values of securities held for customers are not recorded in the financial statements.

Use of Estimates -- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

2. Cash and securities segregated under Federal and other regulations -- Cash of \$5,069,935 is segregated in a special reserve bank account for the benefit of customers under Rule 15c3-3 of the Securities and Exchange Commission.

3. Receivable from and payable to broker-dealers and clearing organizations -- Receivables from broker-dealers and clearing organizations include amounts arising from normal cash and margin transactions. Margin receivables are collateralized by securities owned by brokerage clients. Such collateral is not reflected in the accompanying financial statements.

Amounts receivable from and payable to at June 30, 2008, consist of the following:

	<u>Receivable</u>	<u>Payable</u>
Securities failed to deliver/receive	\$ 227,947	\$458,064
Deposits for securities borrowed	113,200	_____
	<u>\$ 341,147</u>	<u>\$ 458,064</u>

4. Receivable from and payable to customers or officers -- Accounts receivable from and payable to customers or officers include amounts due on cash and margin transactions. Securities owned by customers are held as collateral for receivables. Such collateral is not reflected in the financial statements. Substantially all amounts payable to customers are subject to withdrawal upon customer request.

5. Equipment and Furniture consist of the following as of June 30, 2008:

		<u>Estimated Life</u>
Computers and office equipment	\$ 233,149	5 to 7 yrs
Furniture and fixtures	135,743	5 to 7 yrs
Leasehold improvements	<u>87,891</u>	5 yrs
	456,783	
Less accumulated depreciation and amortization	<u>121,301</u>	
	<u>\$ 335,482</u>	

Depreciation and amortization, using the straight-line method, charged to occupancy and equipment expense, was \$57,365 during the fiscal year ended June 30, 2008.

6. Notes Payable -- Bank

The Company has five credit arrangements with U.S. Bank, N.A. One agreement is secured by customer owned securities, two agreements are secured by securities owned by specific customers, one agreement is secured by officers' securities and one agreement is secured by Company owned securities. Each credit agreement requires interest at the Bank's federal funds rate plus 1.00 percent. The notes are due on demand or, if no demand is made, then on September 30, 2008. The maximum loan commitment in aggregate with U.S. Bank, NA is \$30,000,000.

The loans outstanding at June 30, 2008 with the approximate value of securities held as collateral were:

	<u>Amount</u>	<u>Value of Collateral</u>
Customer owned securities	\$ 500,000	\$ 657,095
Company owned securities	900,000	1,051,851
Single customer owned securities	2,915,000	3,764,393
	<u>\$4,315,000</u>	

7. Commitments and Contingent Liabilities -- The Company leases office space at four locations under lease agreements classified as operating leases that expire in August 2009 and May 2010 and two of the locations in December 2012. The Company has also entered into lease agreements classified as operating leases for two additional locations beginning in August 2008 that expire in July 2009 and July 2013. The Company has an operating lease agreement on copy machines that expire in March 2011. Minimum future rental payments as of June 30, 2008 for future years and in the aggregate are:

<u>Year ended June 30</u>	<u>Amount</u>
2009	\$ 427,863
2010	229,779
2011	183,704
2012	168,428
2013	135,560

Total minimum future rental payments \$1,145,334

Rental expense for the items above was \$345,409 for fiscal year 2008.

7. Commitments and Contingent Liabilities (cont.) --

In addition, the Company is provided securities information services under various contracts. Payments of \$197,007 were charged to operating expense in fiscal year 2008. The commitments are similar for the fiscal year 2009.

The Company has a contract for computer services extending for six years that began June 14, 2006. Payments under the contract are based on the volume of the Company's business with a minimum charge of \$10,000 per month.

8. Retirement Plan -- The Company has a SIMPLE plan for eligible employees. The Company makes a matching contribution up to three percent of an employees' compensation. During the fiscal year ended June 30, 200 Company contributions to the plan charged to operations were \$106,774.

9. Income Taxes -- The Company files its corporate income tax returns with a year ending December 31. The Company has elected to be treated as a Subchapter S corporation for federal and Missouri state income tax purposes. As a result, net taxable federal and Missouri income is reported and taxed on the returns of the individual stockholders. Included in other operating expenses are corporate franchise taxes for Missouri.

10. Concentrations of Credit Risk -- The Company maintains several checking accounts with local banks. The banks provide \$100,000 of deposit insurance through the FDIC. There were no amounts in excess of insured limits at June 30, 2008.

11. Financial Instruments with Off-Balance Sheet Risk -- In the normal course of business, the Company's customer activities involve the execution, settlement and financing of various customer securities transactions requiring the services of counterparties that are primarily broker-dealers, banks, and other financial institutions. In the event the customer or counterparties do not fulfill their contractual obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss, the Company may be exposed to off-balance sheet risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument.

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. The Company's exposure to off-balance sheet risk associated with the nonperformance of these customers in fulfilling their contractual obligations pursuant to securities transactions is identical for unsettled or settled transactions and can be directly impacted by volatile trading markets which may impair the customers' ability to satisfy their obligations to the Company.

Generally, customer account margin account balances are secured by marketable securities controlled by the Company. The Company's policy is to monitor required margin levels daily and, pursuant to such guidelines, require the customer to deposit additional collateral or to reduce positions when necessary. Also, it is the Company's policy to review, as necessary, the credit standing of each counterparty and customer with whom the Company does business.

Securities sold but not yet purchased represent obligations of the Company to deliver specified securities at contracted prices. Settlement of such obligations may be at amounts greater than those recorded in the balance sheet.

12. Net Capital Requirements -- Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain minimum net capital, as defined under such provisions. The rule provides that aggregate indebtedness, as defined, may not exceed 1,500 percent (15 to 1) of net capital, as defined. The rule also provides that equity capital may not be withdrawn if the resulting relationship of aggregated indebtedness to capital would exceed 1,000 percent (10 to 1). At June 30, 2008, the Company's aggregate indebtedness was \$11,773,738 and net capital was \$2,409,450 for a percentage of aggregate indebtedness to net capital of 489 percent. The Company's net capital in excess of the minimum required was \$1,624,534. The percentage of aggregate indebtedness to net capital may fluctuate on a daily basis.

Report of Independent Public Accountants

To the Board of Directors
Smith, Moore & Co.
St. Louis, Missouri

We have audited the statement of financial condition of Smith, Moore & Co. (an S corporation) as of June 30, 2008, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Smith, Moore & Co. as of June 30, 2008 and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hauk, Fasani, Ramsey, Kruse & Company, P.C.
Certified Public Accountants

St. Louis, Missouri
August 25, 2008