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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

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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, 2008 AND ENDING December 31, 2008
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Talley & Company

OFFICIAL USE ONLY
FIRM I.D. NO.

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

5000 Birch Street Suite 2700

Newport Beach California 92660
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Richard Talley (877) 254-1110
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Breard & Associates Inc., Certified Public Accountants

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

9221 Corbin Avenue, Suite 170 Northridge CA 91324
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

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

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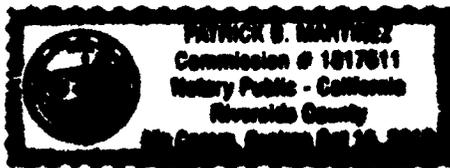
OATH OR AFFIRMATION

I, Ali Taj, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Talley & Company, as of December 31, 2008 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:

State of California
County of Orange
Subscribed and sworn to (or affirmed) before me on this 9th day of January, 2009
by Ali Taj
personally known to me or proved to me on the basis of satisfactory evidence to be the person(s)

Ali Taj
Signature
MANAGING DIRECTOR
Title

[Signature]
Notary Public



This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss)
- (d) Statement of Changes in Cash Flows
- (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 15c3-3 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).

BREARD & ASSOCIATES, INC.
Certified Public Accountants

Independent Auditor's Report

Board of Directors
Talley & Company:

We have audited the accompanying statement of financial condition of Talley & Company (the Company) as of December 31, 2008, and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. 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 that 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 Talley & Company as of December 31, 2008, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Breard & Associates, Inc.
Certified Public Accountants

Northridge, California
February 25, 2009

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Talley & Company
Statement of Financial Condition
December 31, 2008

Assets

Cash	\$ 18,032
Deposits with clearing organizations	27,882
Commissions receivable	156
Prepaid expense	1,448
Deposit	<u>4,599</u>
Total assets	<u>\$ 52,117</u>

Liabilities and Stockholder's Equity

Liabilities

Accounts payable and accrued expenses	\$ 1,363
Income taxes payable	<u>800</u>
Total liabilities	2,163

Stockholder's equity

Common stock, 5,000,000 shares authorized 100,000 issued and outstanding	23,000
Additional paid-in capital	234,010
Accumulated deficit	<u>(207,056)</u>
Total stockholder's equity	<u>49,954</u>
Total liabilities and stockholder's equity	<u>\$ 52,117</u>

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

Talley & Company
Statement of Income
For the Year Ended December 31, 2008

Revenues

Commission income	\$ 445,780
Investment banking	283,662
Interest income	<u>1,071</u>

Total revenues 730,513

Expenses

Commissions and floor brokerage	615,682
Professional fees	24,399
Communications	6,625
Occupancy	51,885
Other operating expenses	43,029
Reimbursed expenses	<u>(13,389)</u>

Total expenses 728,231

Net income (loss) before income tax provision 2,282

Income tax provision 800

Net income (loss) \$ 1,482

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

Talley & Company
Statement of Changes in Stockholder's Equity
For the Year Ended December 31, 2008

	<u>Common Stock</u>	<u>Additional Paid - In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance at December 31, 2007	\$ 23,000	\$ 225,010	\$ (208,538)	\$ 39,472
Additional paid-in capital	-	9,000	-	9,000
Net income (loss)	<u>-</u>	<u>-</u>	<u>1,482</u>	<u>1,482</u>
Balance at December 31, 2008	<u>\$ 23,000</u>	<u>\$ 234,010</u>	<u>\$ (207,056)</u>	<u>\$ 49,954</u>

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

Talley & Company
Statement of Cash Flows
For the Year Ended December 31, 2008

Cash flows from operating activities:		
Net income (loss)		\$ 1,482
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
(Increase) decrease:		
Deposits with clearing organizations	\$ 2,221	
Commissions receivable	13,651	
Prepaid expense	(1,448)	
(Decrease) increase in:		
Account payable and accrued expenses	649	
Payable to clearing organization	(324)	
Commissions payable	(6,900)	
Bank overdraft	<u>(299)</u>	
Total adjustments		<u>7,550</u>
Net cash provided by (used in) operating activities		9,032
 Cash flows from investing activities:		
		-
 Cash flows from financing activities:		
Proceeds from issuance of additional paid-in capital	<u>9,000</u>	
Net cash provided by (used in) financing activities		<u>9,000</u>
 Net increase (decrease) in cash		
		18,032
 Cash at beginning of year		
		<u>-</u>
 Cash at end of year		
		<u><u>\$ 18,032</u></u>
 Supplemental disclosure of cash flow information:		
Cash paid during the year for		
Income taxes	\$ 800	
Interest	\$ -	

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

Talley & Company
Notes to Financial Statements
December 31, 2008

Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Talley & Company (the "Company"), was originally incorporated in the State of California on August 7, 1991, as Yaeger Capital Markets Inc. On June 1, 2000, the Company amended its name to Talley & Company. The Company is registered as a broker/dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"), and the Securities Investor Protection Corporation ("SIPC").

The Company conducts business on a fully disclosed basis whereby the execution and clearance of trades are handled by clearing firms. The Company does not hold customer funds and/or securities.

The Company engages in selling limited partnerships in primary distributions, and private placements of securities. The Company earns commissions through the sale of retail equity securities over the counter.

Summary of Significant Accounting Policies

The presentation 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Securities transactions are recorded on a settlement date basis with the related commission revenues and expenses also recorded on a settlement date basis.

Investment banking income generally consists of retainers that are paid after letters of agreement are signed for consulting and investment banking business, as well as success fees upon the closing of transactions in which the Company participated.

Commissions receivables are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

The Company, with the consent of its Stockholder, has elected to be an S Corporation and, accordingly, has its income taxed under Sections 1361-1379 of the Internal Revenue Code. Subchapter S of the Code provides that the Stockholder, rather than the Company, is subject to tax on the Company's taxable income. Therefore, no provision or liability for Federal Income Taxes is included in these financial statements. The State of California has similar regulations, although there exists a provision for a minimum Franchise Tax and a tax rate of 1.5% over the minimum Franchise fee of \$800.

Talley & Company
Notes to Financial Statements
December 31, 2008

Note 2: DEPOSITS HELD AT CLEARING ORGANIZATIONS

The Company has deposited \$25,293 with Wedbush Morgan Securities and \$2,589 with North America Clearing, Inc. as security for its transactions with them. Interest is paid monthly on the deposit at the average overnight repurchase agreement rate.

For net capital purposes, the deposit with North American Clearing, Inc. is a non-allowable asset.

Note 3: INCOME TAXES

As discussed in the Summary of Significant Accounting Policies (Note 1), the Company has elected the S Corporation tax status, therefore no federal income tax provision is provided. The tax provision of \$800 is the California Franchise Tax .

Note 4: OCCUPANCY EXPENSE

Rent expense for the year ended December 31, 2008, is as follows:

Office rent	<u>\$ 51,885</u>
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Note 5: RELATED PARTY TRANSACTIONS

The Company earned a total of \$22,188 in revenues from companies that are affiliated with management. The Company earned \$12,736 from a company whereby the sole shareholder was a director for a period of time during the year and also earned \$9,452 from an entity which is affiliated with the Company.

Note 6: CONCENTRATION OF CREDIT RISK

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker/dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

Talley & Company
Notes to Financial Statements
December 31, 2008

Note 7: RECENTLY ISSUED ACCOUNTING STANDARDS

For the year ended December 31, 2008, various accounting pronouncements or interpretations by the Financial Accounting Standards Board (“FASB”) were either newly issued or had effective implementation dates that would require their provisions to be reflected in the financial statements for the year then ended. The Company has reviewed the following Financial Interpretation (“FIN”) and Statements of Financial Accounting Standards (“SFAS”) for the year to determine relevance to the Company’s operations:

<u>Statement Number</u>	<u>Title</u>	<u>Effective Date</u>
FIN 48	Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109	After 12/15/07
SFAS 141(R)	Business Combinations	After 12/15/08
SFAS 157	Fair Value Measurements	After 12/15/07
SFAS 160	Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51	After 12/15/07
SFAS 161	Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133	After 12/15/08

The Company has either evaluated or is currently evaluating the implications, if any, of each of these pronouncements and the possible impact they may have on the Company’s financial statements. In most cases, management has determined that the pronouncement has either limited or no application to the Company and, in all cases, implementation would not have a material impact on the financial statements taken as a whole.

Note 8: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and aggregate indebtedness change day to day, but by December 31, 2008, the Company had net capital of \$41,318 which was \$36,318 in excess of its required net capital of \$5,000; and the Company’s ratio of aggregate indebtedness (\$2,163) to net capital was 0.05:1, which is less than the 15 to 1 maximum ratio allowed for a broker/dealer.

Talley & Company
Notes to Financial Statements
December 31, 2008

Note 9: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS

There is a \$3,232 difference between the computation of net capital under net capital SEC Rule 15c3-1 and the corresponding unaudited FOCUS part IIA.

Net capital per unaudited schedule		\$ 44,550
Adjustments:		
Accumulated deficit	\$ (1,197)	
Non-allowable assets	<u>(2,035)</u>	
Total adjustments		<u>(3,232)</u>
Net capital per audited statements		<u>\$ 41,318</u>

Talley & Company
Schedule I - Computation of Net Capital Requirements
Pursuant to Rule 15c3-1
As of December 31, 2008

Computation of net capital

Stockholder's equity

Common stock	\$ 23,000
Additional paid-in capital	234,010
Accumulated deficit	<u>(207,056)</u>

Total stockholder's equity \$ 49,954

Less: Non-allowable assets

North American Clearing deposit	(2,589)
Prepaid expense	(1,448)
Deposit	<u>(4,599)</u>

Total adjustments (8,636)

Net capital 41,318

Computation of net capital requirements

Minimum net capital requirements

6 2/3 percent of net aggregate indebtedness	\$ 144
Minimum dollar net capital required	\$ 5,000

Net capital required (greater of above) 5,000

Excess net capital \$ 36,318

Ratio of aggregate indebtedness to net capital 0.05: 1

There was a \$3,232 difference between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 report dated December 31, 2008. See Note 9.

See independent auditor's report.

Talley & Company
Schedule II - Computation for Determination of Reserve
Requirements Pursuant to Rule 15c3-3
As of December 31, 2008

A computation of reserve requirements is not applicable to Talley & Company as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

See independent auditor's report.

Talley & Company
Schedule III - Information Relating to Possession or Control
Requirements Under Rule 15c3-3
As of December 31, 2008

Information relating to possession or control requirements is not applicable to Talley & Company as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

See independent auditor's report.

Talley & Company
Supplementary Accountant's Report
on Internal Accounting Control
Report Pursuant to 17a-5
For the Year Ended December 31, 2008

BREARD & ASSOCIATES, INC.
C e r t i f i e d P u b l i c A c c o u n t a n t s

Board of Directors
Talley & Company:

In planning and performing our audit of the financial statements of Talley & Company (the Company), as of and for the year ended December 31, 2008, 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 such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. 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

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 judgements 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 above-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 *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

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 that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, Financial Industry Regulatory Authority 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.



Breard & Associates, Inc.
Certified Public Accountants

Northridge, California
February 25, 2009

Talley & Company
Report Pursuant to Rule 17a-5 (d)
Financial Statements
For the Year Ended December 31, 2008