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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**

Washington, DC
105

SEC FILE NUMBER
8- 49178

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: S.L. Reed & Company

OFFICIAL USE ONLY
FIRM I.D. NO.

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

11111 Santa Monica Boulevard, Suite 1200

Los Angeles

90025

(City) (State) (Zip Code)

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

Stephan R. Pene

(310) 893-3006

(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)

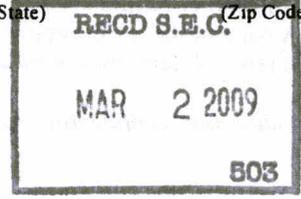
9221 Corbin Avenue Suite 170

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)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Stephan R. Pene, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of S.L. Reed & 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 Los Angeles
Subscribed and sworn to (or affirmed) before me on this 6th day of January, 2008
by STEPHAN R. PENE
personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Stephan R. Pene
Signature
Chief Financial Officer
Title

Milka D. Localzo
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
S.L. Reed & Company:

We have audited the accompanying statement of financial condition of S.L. Reed & Company (the Company) as of December 31, 2008, and the related statements of income, changes in stockholder's equity, changes in liabilities subordinated to claims of general creditors, 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 S.L. Reed & 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 17, 2009

*We Focus & Care*SM

S.L. Reed & Company
Statement of Financial Condition
December 31, 2008

Assets

| | |
|---------------------------------------|--------------------------|
| Cash | \$ 52,187 |
| Short-term investments | 105,801 |
| Deposit held at clearing organization | 25,285 |
| Commissions receivable | 15,108 |
| Prepaid expenses | <u>12,393</u> |
| Total assets | <u>\$ 210,774</u> |

Liabilities and Stockholder's Equity

Liabilities

| | |
|---|----------------|
| Accounts payable and accrued expenses | \$ 48,496 |
| Payable to affiliate | 1,210 |
| Liabilities subordinated to claims of general creditors | <u>100,000</u> |
| Total liabilities | 149,706 |

Stockholder's equity

| | |
|--|--------------------------|
| Common stock, no par value, 10,000,000 shares authorized, 5,000,000 shares issued and outstanding | 5,000 |
| Additional paid-in capital | 197,850 |
| Accumulated deficit | <u>(141,782)</u> |
| Total stockholder's equity | <u>61,068</u> |
| Total liabilities and stockholder's equity | <u>\$ 210,774</u> |

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

S.L. Reed & Company
Statement of Income
For the Year Ended December 31, 2008

Revenues

| | |
|-----------------------|------------------|
| Commissions | \$ 1,002,530 |
| Interest income | <u>38,039</u> |
| Total revenues | 1,040,569 |

Expenses

| | |
|---|-------------------------|
| Employee compensation and benefits | 127,183 |
| Floor brokerage, exchange, and clearance fees | 373,170 |
| Administrative expense | 416,747 |
| Professional fees | 72,642 |
| Interest on subordinated notes | 4,145 |
| Other operating expenses | <u>31,217</u> |
| Total expenses | <u>1,025,104</u> |

Net income (loss) before for income tax provision 15,465

Income tax provision 800

Net income (loss) \$ 14,665

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

S.L. Reed & Company
Statement of Changes in Stockholder's Capital
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 | \$ 5,000 | \$ 197,850 | \$ (156,447) | \$ 46,403 |
| Net income (loss) | <u>—</u> | <u>—</u> | <u>14,665</u> | <u>14,665</u> |
| Balance at December 31, 2008 | <u>\$ 5,000</u> | <u>\$ 197,850</u> | <u>\$ (141,782)</u> | <u>\$ 61,068</u> |

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

S.L. Reed & Company
Statement of Changes in Liabilities Subordinated
to the Claims of General Creditors
For the Year Ended December 31, 2008

| | <u>Subordinated debt</u> |
|------------------------------|------------------------------|
| Balance at December 31, 2007 | \$ 101,917 |
| Increase: | |
| Accrued interest | 4,145 |
| Decrease: | |
| Payment of accrued interest | <u>(6,062)</u> |
| Balance at December 31, 2008 | <u>\$ 100,000</u> |

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

S.L. Reed & Company
Statement of Cash Flows
For the Year Ended December 31, 2008

| | | |
|--|----------------|-------------------------|
| Cash flows from operating activities: | | |
| Net income (loss) | | \$ 14,665 |
| Adjustments to reconcile net income (loss) to net cash provided by equivalents (used in) operating activities: | | |
| (Increase) decrease in: | | |
| Short-term investments | \$ (3,220) | |
| Deposit held at clearing organization | (19) | |
| Commissions receivable | 269 | |
| Prepaid expenses | (1,795) | |
| (Decrease) increase in: | | |
| Accounts payable and accrued expenses | 19,129 | |
| Payable to affiliate | <u>543</u> | |
| Total adjustments | | <u>14,907</u> |
| Net cash provided by (used in) operating activities | | 29,572 |
| Cash flows from investing activities: | | |
| Interest on subordinated borrowing | <u>4,145</u> | |
| Net cash provided by (used in) financing activities | | 4,145 |
| Cash flows from financing activities | | |
| Payment of subordinated borrowing | <u>(6,062)</u> | |
| Net cash provided by (used in) financing activities | | (6,062) |
| Net increase (decrease) in cash | | 27,655 |
| Cash at beginning of year | | <u>24,532</u> |
| Cash at end of year | | <u><u>\$ 52,187</u></u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for: | | |
| Interest | \$ 6,062 | |
| Income taxes | \$ — | |

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

S.L. Reed & Company
Notes to Financial Statements
December 31, 2008

Note 1: GENERAL & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

S.L. Reed & Company (the "Company") was incorporated in the state of California on March 18, 1996, and began operations on March 25, 1997. The Company is a registered broker/dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

The Company is 100% owned by Windward Capital Group (the "Parent") and is under common ownership with Windward Capital Management Co. ("Windward").

The Company does not hold customer funds or securities and conducts business on a fully disclosed basis, where by all transactions are cleared by another broker/dealer and, accordingly, is exempt from Rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(2)(ii).

The Company operates as a retail broker/dealer in corporate securities over-the-counter, corporate debt securities, mutual funds, municipal securities, variable life annuities and U.S. government securities. The Company also operates as a put and call broker/dealer or option writer.

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.

Commissions receivable 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.

S.L. Reed & Company
Notes to Financial Statements
December 31, 2008

Note 2: DEPOSIT WITH CLEARING ORGANIZATION

The Company has a brokerage agreement with J.P. Morgan Clearing Corporation (“Clearing Broker”) to carry its account and the accounts of its customers as customers of the Clearing Broker. The Clearing Broker has custody of the Company’s cash balances which serve as collateral for any amounts due to the Clearing Broker as well as collateral for securities sold short or securities purchased on margin. Interest is paid monthly on these cash deposits at the average overnight repurchase rate. The balance at December 31, 2008, includes interest earned for a deposit total of \$25,285.

Note 3: SHORT-TERM INVESTMENTS

As of December 31, 2008, the short-term investment account consists of \$105,801 in Certificates of Deposit with an effective interest rate of 1.51% at a financial institution. This short-term investment is FDIC insured and matures June 22, 2009.

Note 4: INCOME TAXES

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

As discussed in note 1, the Company is a wholly-owned subsidiary of Windward Capital Group (the “Parent”), and is included in the consolidated income tax returns filed by its parent. A portion of the consolidated income tax liability is allocated to the Company as if the Company had filed separate income tax returns.

Note 5: COMMISSIONS RECEIVABLE

Pursuant to the clearance agreement, the Company introduces all of its securities transactions to clearing brokers on a fully disclosed basis. All of the customers’ money balances and security positions are carried on the books of the clearing brokers. In accordance with the clearance agreement, the Company has agreed to indemnify the clearing brokers for losses, if any, which the clearing brokers may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing brokers monitor collateral on the customers’ accounts. For the year ended December 31, 2008, the receivables from clearing brokers of \$15,108 are pursuant to these clearance agreements.

S.L. Reed & Company
Notes to Financial Statements
December 31, 2008

Note 6: RELATED PARTY TRANSACTIONS

The Company and the Parent share personnel, administrative expenses, and office space. All costs incurred for such shared expenses are paid by Windward and reimbursed by the company in accordance with an administrative services agreement. These expenses are reported as Administrative expense on the statement of income. For the year ended December 31, 2008, the Company paid \$416,747 under this agreement.

Note 7: LIABILITIES SUBORDINATED TO THE CLAIMS OF GENERAL CREDITORS

The borrowing under subordination agreement at December 31, 2008 is as follows;

Liabilities subordinated to the claims of general creditors:

| | |
|-----------------------------------|-------------------|
| Interest at 3% due March 31, 2009 | <u>\$ 100,000</u> |
|-----------------------------------|-------------------|

This subordinated borrowing is covered by an agreement approved by FINRA and is available in computing net capital under the Securities and Exchange Commission's uniform net capital rule. To the extent that such borrowing is required for the Company's continued compliance with minimum net capital requirements, it may not be repaid.

The Company has not chosen to include accrued interest on the subordinated note in the subordination agreement and it is thus not available in computing net capital under the Securities and Exchange Commission's uniform net capital rule.

Note 8: PROFIT SHARING PLAN

Effective January 1, 2000, the Company's Board of Directors adopted a qualified 401(K) Profit Sharing Plan (the "Plan"). All employees, 21 years of age or older, are eligible to participate in the Plan, provided they have been employed for more than one year. The Company plan contributions are discretionary and are determined each year by the Company. The participants must be employed on the last day of the plan year and have worked at least 1,000 hours during the year to receive a pre-tax contribution. The participant's contributions are 100% vested at all times. The Company's profit sharing contributions are vested 20% per year of service after the first two years with the Company. For the year ended December 31, 2008, there was no contribution to the plan by the Company.

S.L. Reed & Company
Notes to Financial Statements
December 31, 2008

Note 9: CONCENTRATIONS OF CREDIT RISK

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

Note 10: COMMITMENTS AND CONTINGENCIES

The Company and Windward have been involved in a legal action versus two former employees (the defendants). A final judgment after bench trial was received on August 5, 2008 from the Superior Court of California, County of Los Angeles. The ruling by the court was in favor of the Company and Winward. The Court ordered, adjudged and decreed that the Company and Windward receive the sum of \$382,635 in sanctions, costs and punitive damages. The Company's management has elected not to record this settlement award as income because there is a high likelihood that this amount will not be collectible.

The defendants have filed an Appeal of the above judgment on September 17, 2008. As of this writing, no decision by the Appellate Court has been received.

In a related action, the Company has filed a claim with FINRA against Raymond James Financial Services, Inc. the employer of the above defendants, for Misappropriation of Trade Secrets; Unfair Business Practices; Interference with Economic Relations; Aiding and Abetting Fraud; and Failure to Supervise. No arbitration date has been set as of this writing.

Note 11: RECENTLY ISSUED ACCOUNTING STANDARDS

For the year ending December 31, 2008, various accounting pronouncements or interpretations by the Financial Accounting Standards Board 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:

S.L. Reed & Company
Notes to Financial Statements
December 31, 2008

Note 11: RECENTLY ISSUED ACCOUNTING STANDARDS
(Continued)

| <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 12/15/06 |
| 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 12: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (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 on December 31, 2008, the Company had net capital of \$143,310 which was \$138,310 in excess of its required net capital of \$5,000; and the Company's ratio of aggregate indebtedness (\$49,706) to net capital was 0.35:1, which is less than the 15 to 1 maximum ratio allowed for a broker/dealer.

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

Note 13: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS

There was a \$163 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 | | \$ 143,147 |
| Adjustments: | | |
| Non-allowable asset | \$ (1) | |
| Haircuts & undue concentration | <u>164</u> | |
| Total adjustments | | <u>163</u> |
| Net capital per audit statements | | <u>\$ 143,310</u> |

S.L. Reed & 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 | \$ 5,000 | |
| Additional paid-in capital | 197,850 | |
| Accumulated deficit | <u>(141,782)</u> | |
| Total stockholder's equity | | \$ 61,068 |
| Add: Additions to capital | | |
| Secured demand notes | <u>100,000</u> | |
| Total additions | | <u>100,000</u> |
| | | 161,068 |
| Less: Non-allowable assets | | |
| Prepaid expenses | <u>(12,393)</u> | |
| Total adjustments | | <u>(12,393)</u> |
| Net capital before haircuts | | 148,675 |
| Less: Haircuts and undue concentration | | |
| Haircuts on CDs | (265) | |
| Haircut on fidelity bond | (5,000) | |
| Undue concentration | <u>(100)</u> | |
| Total adjustments | | <u>(5,365)</u> |
| Net capital | | 143,310 |

Computation of net capital requirements

| | | |
|--|----------|-------------------|
| Minimum net capital requirements | | |
| 6 2/3 percent of net aggregate indebtedness | \$ 3,314 | |
| Minimum dollar net capital required | \$ 5,000 | |
| Net capital required (greater of above) | | <u>5,000</u> |
| Excess net capital | | <u>\$ 138,310</u> |

Percentage of aggregate indebtedness to net capital 0.35:1

There was a \$163 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 13.

See independent auditor's report.

S.L. Reed & 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 S.L. Reed & Company as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

See independent auditor's report.

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

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

See independent auditor's report.

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

BREARD & ASSOCIATES, INC.

Certified Public Accountants

Board of Directors

S.L. Reed & Company:

In planning and performing our audit of the financial statements of S.L. Reed & 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 Industry, 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 17, 2009

SEC
Mail Processing
Section

MAR 02 2009

Washington, DC
105

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