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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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Washington, DC
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ANNUAL AUDITED REPORT

FORM X-17A-5

PART III

SEC FILE NUMBER
8- 50658

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 1/1/2008 AND ENDING 12/31/2008
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Saperston Asset Management, Inc.

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

172 Lake Street

(No. and Street)

Hamburg

NY

14075

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Karen L. Saperston (716)649-9800 ext. 213
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Philip J. Tantillo

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

43 Court Street - Suite 910

Buffalo

NY

14202

(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, Karen L. Saperston, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Saperston Asset Management, Inc., 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:

Karen L. Saperston, Pres.
Signature
President
Title

David M. Braunstein
Notary Public

DAVID M. BRAUNSTEIN
NOTARY PUBLIC, STATE OF NEW YORK
Reg. No. 01BR4611554
QUALIFIED IN ERIE COUNTY
My Commission Expires Sept. 30, 2009

- 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 Financial Condition.
 - (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 15c3-1 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).

SAPERSTON ASSET MANAGEMENT, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

Philip J. Cantillo Certified Public Accountant P.C.
43 Court Street, Suite 910
Buffalo, New York 14202
(716) 852-6981

To the Board of Directors
Saperston Asset Management, Inc.

We have audited the accompanying statement of financial condition of Saperston Asset Management, Inc. as of December 31, 2008 and 2007, and the related statement of income, stockholders' equity, changes in liabilities subordinated to claims of general creditors and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under 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 audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 audits provide 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 Saperston Asset Management, Inc. as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statement of Saperston Asset Management, Inc. taken as a whole. The Computation of Net Capital Pursuant to Rule 15c3-1 of the Securities and Exchange Commission 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 materials respects in relation to the basic financial statements taken as a whole.

 Philip J. Cantillo CPA PC

January 28, 2009

SAPERSTON ASSET MANAGEMENT, INC.

BALANCE SHEETS

DECEMBER 31, 2008 AND 2007

(See Accountants' Audited Report)

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$649,305	\$627,427
Accounts Receivable	141,183	136,126
Other Assets	<u>30,185</u>	<u>24,942</u>
TOTAL CURRENT ASSETS	820,673	788,495
PROPERTY AND EQUIPMENT, NET (Note 3)	<u>56,732</u>	<u>47,558</u>
TOTAL ASSETS	<u>\$877,405</u>	<u>\$836,053</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

CURRENT LIABILITIES		
Advances from stockholder and affiliate	\$ 7,807	\$109,906
Accounts Payable	61,527	25,892
Accrued Liabilities	69,127	52,859
Deferred Income Taxes	5,500	3,600
Liabilities subordinated to claims of General Creditors (Note 4)	<u>290,000</u>	<u>290,000</u>
TOTAL CURRENT LIABILITIES	<u>433,961</u>	<u>482,257</u>

STOCKHOLDERS' EQUITY

Common Stock; no par value, 1,500 shares authorized, 1,000 shares issued and outstanding	1,000	1,000
Additional Paid-In Capital	241,314	161,314
Retained Earnings	<u>201,130</u>	<u>191,482</u>
TOTAL STOCKHOLDERS' EQUITY	<u>443,444</u>	<u>353,796</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$877,405</u>	<u>\$836,053</u>

The accompanying notes are an integral part
of the financial statements

SAPERSTON ASSET MANAGEMENT, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(See Accountants' Audited Report)

	<u>2008</u>	<u>2007</u>
REVENUES		
Commissions	\$3,193,360	\$3,114,472
Interest, Dividends and other	<u>31,548</u>	<u>54,832</u>
TOTAL REVENUES	3,224,908	3,169,304
OPERATING EXPENSES	<u>3,205,460</u>	<u>3,150,058</u>
INCOME BEFORE INCOME TAXES	19,448	19,246
PROVISION FOR INCOME TAXES (Note 6)	<u>9,800</u>	<u>14,100</u>
NET INCOME	\$ <u>9,648</u>	\$ <u>5,146</u>

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

SAPERSTON ASSET MANAGEMENT, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(See Accountants' Audited Report)

	<u>2008</u>	<u>2007</u>
Common Stock 1,000 Shares	\$ <u>1,000</u>	\$ <u>1,000</u>
Additional Paid in Capital		
Balance, Beginning of Period	\$161,314	\$161,314
Contribution of Capital	<u>80,000</u>	<u>-</u>
Balance, End of Period	\$ <u>241,314</u>	\$ <u>161,314</u>
Retained Earnings		
Balance, Beginning of Period	\$191,482	\$186,336
Net Income	<u>9,648</u>	<u>5,146</u>
Balance, End of Period	\$ <u>201,130</u>	\$ <u>191,482</u>
Total Stockholders' Equity		
Balance, Beginning of Period	\$353,796	\$348,650
Contribution of Capital	80,000	-
Net Income	<u>9,648</u>	<u>5,146</u>
Balance, End of Period	\$ <u>443,444</u>	\$ <u>353,796</u>

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

SAPERSTON ASSET MANAGEMENT, INC.
STATEMENT OF CHANGES IN LIABILITIES
SUBORDINATED TO CLAIMS OF GENERAL CREDITORS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(See Accountants Audited Report)

	<u>2008</u>	<u>2007</u>
Balance, Beginning of Period	\$290,000	\$290,000
Increases (Decrease)	<u>-</u>	<u>-</u>
Balance, End of Period	<u>\$290,000</u>	<u>\$290,000</u>

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

SAPERSTON ASSET MANAGEMENT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(See Accountants' Audited Report)

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 9,648	\$ 5,146
Adjustments to Reconcile Net Income to Net Cash Provided by (used for) Operating Activities:		
Depreciation and Amortization	20,248	20,824
Deferred Income Taxes	1,900	3,600
Changes in Assets and Liabilities		
Account Receivable,	(5,057)	6,447
Other Assets	(5,243)	27
Accounts Payable	35,635	13,969
Accrued Liabilities	16,268	8,334
Accrued Income Tax	<u>-</u>	<u>(4,128)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>73,399</u>	<u>54,219</u>
CASH FLOWS FOR INVESTMENT ACTIVITIES		
Purchase of Equipment	<u>(29,422)</u>	<u>(37,351)</u>
NET CASH USED FOR INVESTMENT ACTIVITIES	<u>(29,422)</u>	<u>(37,351)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Additional Paid-In-Capital	80,000	-
Advances from Stockholder and affiliate	<u>(102,099)</u>	<u>27,853</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>(22,099)</u>	<u>27,853</u>
INCREASE (DECREASE) IN CASH	21,878	44,721
CASH, BEGINNING OF PERIOD	<u>627,427</u>	<u>582,706</u>
CASH, END OF PERIOD	<u>\$649,305</u>	<u>\$627,427</u>

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

SAPERSTON ASSET MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Saperston Asset Management, Inc. (the Company) was organized to conduct business as a broker-dealer in securities. The Company operates two (2) branch offices in Western New York State and services clients throughout the United States.

Customer Securities Transactions - Customer securities transactions are recorded on a trade date basis with related commission income and expenses recorded on a trade date basis.

Property and Equipment - Equipment is stated at cost, net of accumulated depreciation. Depreciation is provided using accelerated methods over the estimated useful lives of 5 to 7 years.

Cash and Cash Equivalents - Cash and cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities or three months or less. Cash and cash equivalents at financial institutions may exceed insured limits at various times throughout the year and subject the Company to concentrations of credit risk.

Investments - The Company's investments in marketable securities have been classified as trading securities since they are bought and sold principally for resale in the near term. Marketable securities are stated at fair value as determined by published market value quotations. Unrealized gains and losses are included in earnings.

Income Taxes - The provision for income taxes is based on pretax financial accounting income. Deferred assets and liabilities are recognized for the expected future tax consequences of temporary differences between the tax and financial statement bases of assets and liabilities. Temporary differences arise from using different methods of accounting for depreciation. Deferred taxes are based on tax laws currently enacted with tax rates expected to be in effect when the taxes are actually paid or recovered.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

SAPERSTON ASSET MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS CONTINUED

Note 2 Property and Equipment

At December 31, 2008 and 2007 property and equipment, net consisted of the following:

	<u>2008</u>	<u>2007</u>
Furniture and equipment	\$150,336	\$120,914
Less Accumulated Depreciation	<u>93,604</u>	<u>73,356</u>
Total	\$ <u>56,732</u>	\$ <u>47,558</u>

Note 3 - Liabilities Subordinated to Claims of General Creditors

At December 31, 2008 and 2007, the liabilities subordinated to claims of general creditors represented 9% interest-bearing unsecured notes from the sole stockholder.

The following summarizes the various details of the subordinated notes:

<u>Date of Note</u>	<u>Due Date</u>	<u>2008</u>	<u>2007</u>
August 20, 1998	May 31, 2010	\$190,000	\$190,000
April 29, 1998	June 30, 2010	<u>100,000</u>	<u>100,000</u>
		\$ <u>290,000</u>	\$ <u>290,000</u>

The subordinated borrowings are covered by an agreement approved by the NASD and is available in computing net capital under the Securities and Exchange Commission's uniform net capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid (Note 6).

Note 4 - Related Party Transactions

The Company has transactions with its sole stockholder and affiliated companies which are approximately as follows:

	<u>2008</u>	<u>2007</u>
Payables to Affiliates and Stockholders at December 31	\$ 7,807	\$109,906
Interest Expense	26,100	26,100
Consulting Fee Expense	370,835	220,560
Rent Expense	54,800	72,000

SAPERSTON ASSET MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS CONTINUED

Note 5 - Income Taxes

	<u>2008</u>	<u>2007</u>
Current Provision:		
Federal	\$ 5,000	\$ 6,650
State	<u>2,900</u>	<u>3,850</u>
 TOTAL CURRENT PROVISION	 \$ <u>7,900</u>	 \$ <u>10,500</u>
Deferred Provision:		
Federal	\$ 1,200	\$ 2,275
State	<u>700</u>	<u>1,325</u>
 TOTAL DEFERRED PROVISION	 \$ <u>1,900</u>	 \$ <u>3,600</u>
 TOTAL INCOME TAXES	 \$ <u>9,800</u>	 \$ <u>14,100</u>

Note 6 - Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 17a -5<a>), 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 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2008 and 2007, the Company has a net capital of \$641,219 and \$566,349, which was \$391,219 and \$316,349 in excess of its required capital of \$250,000. The Company's aggregate indebtedness to net capital ratio was .23 to 1 and .34 to 1 at December 31, 2008 and 2007.

The Company's unaudited computation of net capital of \$641,219 and \$566,349 disclosed in Part II A of the previously filed Focus Report as of December 31, 2008 and 2007 was in agreement with the amount determined in the above paragraph.

SAPERSTON ASSET MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS CONTINUED

Note 7 - Leases

Effective October 2008, the Company leases office space pursuant to noncancellable operating leases from a related party. At December 31, 2008, future minimum rental payments due are:

2009	\$ 36,000
2010	36,000
2011	36,000
2012	36,000
2013	<u>36,000</u>
	<u>\$180,000</u>

Total rent and leased vehicle expense for the years ended December 31, 2008 and 2007 was \$54,800 and \$81,875, net of reimbursements.

Note 8 - Contingencies

The Company is subject to claims and lawsuits which arise primarily in the ordinary course of business. The Company does not anticipate any losses with respect to such existing or pending claims and lawsuits at December 31, 2008 and 2007.

Note 9 - Cash Flows Information

Net cash flows from operating activities reflect cash payments for interest and income taxes for December 31, 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>
Interest	<u>\$26,100</u>	<u>\$26,100</u>
Income Taxes	<u>\$ 6,833</u>	<u>\$11,431</u>

Philip J. Tantillo Certified Public Accountant P.C.
43 Court Street, Suite 910
Buffalo, New York 14202
(716) 852-6981

The Board of Directors
Saperston Asset Management, Inc.

In planning and performing our audit of the financial statements and additional information of Saperston Asset Management, Inc. (the Company) for the year ended December 31, 2008 and 2007, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the 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 tests of compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making periodic computations of aggregate indebtedness and net capital under 17a-3(a)(11) and for determining compliance with 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.
2. Recordation of differences required by Rule 17a-13.
3. 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.
4. 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 judgments 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 authorizations and recorded properly to permit the preparation of financial statements in accordance with the generally accepted Accounting principles. Rule 17a-5(g) lists additional objective of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or 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 operations may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including 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 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, the National Association of Securities Dealers, Inc. 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, is not intended to be and should not be used by anyone other than these specified parties.

 Shulep J. Luntillo CPA PC

January 28, 2009

SAPERSTON ASSET MANAGEMENT, INC.
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION

	<u>2008</u>	<u>2007</u>
Net Capital		
Total Stockholders' Equity	\$443,444	\$353,796
Additions		
Allowable Subordinated Liabilities	<u>290,000</u>	<u>290,000</u>
Total Available Capital	733,444	643,796
Deductions		
Non-Allowable Assets:		
NASD Subscriptions	3,300	3,300
Equipment and Other Assets, less Accumulated Depreciation and Amortization	56,732	47,558
Prepaid Expenses	6,857	5,456
Unsecured Receivables	<u>20,029</u>	<u>16,187</u>
	<u>86,918</u>	<u>72,501</u>
Tentative Net Capital	646,526	571,295
Haircuts:		
Money Market Funds	5,304	4,942
U.S. Government Agencies	<u>3</u>	<u>4</u>
	<u>5,307</u>	<u>4,946</u>
Net Capital	<u>\$641,219</u>	<u>\$566,349</u>
Aggregate Indebtedness		
Current Liabilities	\$138,462	\$188,657
Deferred Income Taxes	<u>5,500</u>	<u>3,600</u>
	<u>\$143,962</u>	<u>\$192,257</u>
Net Capital	\$641,219	\$566,349
Minimum Net Capital	<u>250,000</u>	<u>250,000</u>
	<u>\$391,219</u>	<u>\$316,349</u>
Aggregated debt to net capital (Allowable 15 to 1)	.23 to 1	.34 to 1