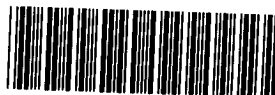


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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

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: Blakeslee & Blakeslee Inc.

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

299 Madonna Road

San Luis Obispo

and Street)

California

93405

(State)

(Zip Code)

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

Marjan Otto

805.543.4366

(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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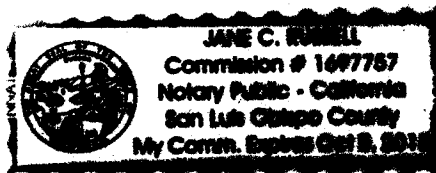
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OATH OR AFFIRMATION

I, Marjan Otto, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Blakeslee & Blakeslee 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:

State of California
County of San Luis Obispo
Subscribed and sworn to (or affirmed) to before me on this 14th day of January, 2009,
by Marjan Otto,
~~personally known to me or~~ proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

Marjan Otto
Signature
Operations Manager
Title



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
Blakeslee & Blakeslee, Inc.:

We have audited the accompanying statement of financial condition of Blakeslee & Blakeslee, Inc. as of December 31, 2008, and the related statements of income, changes in stockholders' 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 Blakeslee & Blakeslee, Inc. 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

We Focus & CareSM

Blakeslee & Blakeslee, Inc.
Statement of Financial Condition
December 31, 2008

Assets

Cash & cash equivalents	\$ 168,995
Receivable from broker and dealer	68,002
Furniture, equipment & leasehold improvements, net	96,146
Other assets	<u>4,144</u>

Total assets	<u>\$ 337,287</u>
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Liabilities and Stockholders' Equity

Liabilities

Accounts payable & accrued expenses	\$ 61,981
Income taxes payable	<u>12,263</u>

Total liabilities	74,244
--------------------------	--------

Stockholders' equity

Common stock, no par value, 200,000 authorized, 68,843 shares issued and outstanding	59,205
Retained earnings	<u>203,838</u>

Total stockholders' equity	<u>263,043</u>
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Total liabilities and stockholders' equity	<u>\$ 337,287</u>
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The accompanying notes are an integral part of these financial statements.

Blakeslee & Blakeslee, Inc.
Statement of Income
For the year ended December 31, 2008

Revenues

Commissions	\$ 2,603,646
Interest & dividend income	2,350
Other income	<u>5,932</u>

Total revenues	2,611,928
-----------------------	-----------

Expenses

Employee compensation & benefits	\$ 428,709
Commissions	1,737,170
Communications and data processing	16,285
Occupancy	112,778
Other operating expenses	<u>260,444</u>

Total expenses	<u>2,555,386</u>
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Net income (loss) before income tax provision	56,542
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Income tax provision	<u>14,943</u>
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Net income (loss)	<u><u>\$ 41,599</u></u>
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The accompanying notes are an integral part of these financial statements.

Blakeslee & Blakeslee, Inc.
Statement of Changes in Stockholders' Equity
For the year ended December 31, 2008

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at December 31, 2007	\$ 59,205	\$ 162,239	\$ 221,444
Net income (loss)	<u>—</u>	<u>41,599</u>	<u>41,599</u>
Balance at December 31, 2008	<u>\$ 59,205</u>	<u>\$ 203,838</u>	<u>\$ 263,043</u>

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

Blakeslee & Blakeslee, Inc.
Statement of Cash Flows
For the year ended December 31, 2008

Cash flows from operating activities:

Net income (loss)		\$ 41,599
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	\$ 23,895	
(Gain) loss on sale of assets	2,384	
(Increase) decrease in:		
Receivable from broker and dealer	69,457	
Other assets	8,018	
(Decrease) increase in:		
Accounts payable & accrued expenses	(50,685)	
Pension payable	(64,879)	
Income taxes payable	<u>12,263</u>	
Total adjustments		<u>453</u>

Net cash and cash equivalents provided by (used in) operating activities: 42,052

Cash flows from investing activities:

Furniture, equipment & leasehold improvements	<u>(2,982)</u>	
Net cash and cash equivalents provided by (used in) investing activities:		(2,982)

Cash flows from financing activities:

	<u>—</u>
Net increase (decrease) in cash and cash equivalents	39,070
Cash and cash equivalents at beginning of year	<u>129,925</u>
Cash and cash equivalents at end of year	<u><u>\$ 168,995</u></u>

Supplemental disclosure of cash flow information:

Cash paid during the period for:

Interest	\$ —
Income taxes	\$ 4,631

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

Blakeslee & Blakeslee, Inc.
Notes to Financial Statements
December 31, 2008

Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Blakeslee & Blakeslee, Inc. (the "Company") was organized as a California corporation on January 30, 1984. On April 25, 1980, the Company became a registered broker/dealer in securities under the Securities Exchange Act of 1934. The Company is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

The Company is engaged in the retailing corporate equity securities, municipal securities, mutual funds, variable life insurance or annuities, and selling tax shelters or limited partnerships in primary distributions. The Company does not carry security accounts for customers and does not perform custodial functions relating to customer securities.

The Company transacts business with its client and around San Luis Obispo and Santa Barbara counties.

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.

For purposes relating to the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company also includes certificate of deposit account as cash equivalents.

Receivable from broker and dealer 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.

Furniture, equipment and leasehold improvements are stated at cost. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized. Furniture, equipment and leasehold improvements are depreciated over their estimated useful lives ranging from five (5) to thirty-nine (39) years by the straight-line method.

Blakeslee & Blakeslee, Inc.
Notes to Financial Statements
December 31, 2008

Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Securities transactions and related commission revenues and expenses are recorded on a trade date basis.

The Company accounts for its income taxes using the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 109, "Accounting for income taxes", which requires the establishment of a deferred tax asset or liability for the recognition of the future deductible or taxable amounts and operating loss and tax credit carry forwards.

Deferred tax expenses or benefits are recognized as a result of the changes in the assets and liabilities during the year.

Advertising and marketing costs are expensed as incurred. For the year ended December 31, 2008, the Company included \$45,079 in other operating expenses.

Note 2: FURNITURE, EQUIPMENT AND LEASEHOLDS, NET

The furniture, equipment and leasehold improvements are recorded at cost and summarized by major classifications as follows:

		Depreciable <u>Life Years</u>
Furniture & fixtures	\$ 67,436	7
Equipment	96,887	5
Leasehold improvements	<u>106,090</u>	39
	270,413	
Less: accumulated depreciation	<u>(249,137)</u>	
Furniture, equipment and leasehold improvements, net	<u>\$ 21,276</u>	

Depreciation expense for the year ended December 31, 2008, was \$23,895.

Blakeslee & Blakeslee, Inc.
Notes to Financial Statements
December 31, 2008

Note 3: INCOME TAX PROVISION

For the year ended December 31, 2008, the Company recorded the following tax provision.

Current federal income taxes	\$ 9,681
Current state income taxes	<u>5,262</u>
Total income tax provision	<u>\$ 14,943</u>

Note 4: COMMITMENTS AND CONTINGENCIES

Commitments

The Company has entered into various lease agreements for office space. The leases contain provisions for rent escalation based on increases in certain costs incurred by the lessors.

Future minimum lease payments under the leases are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 69,499
2010	26,333
2011	28,225
2012	29,636
2013 & thereafter	<u>4,979</u>
Total	<u>\$ 158,672</u>

For the year ended December 31, 2008 rent expense was \$112,277.

The company receives \$6,150 in rental income which is income included in other income on the Statement of financial condition.

Contingencies

In the normal course of business, the Company's customer activities involve the execution and settlement of various customers securities and financial instrument transactions. These activities may expose the Company to off-balance-sheet credit risk in the event the customer is unable to fulfill its contractual obligations.

Blakeslee & Blakeslee, Inc.
Notes to Financial Statements
December 31, 2008

Note 4: COMMITMENTS AND CONTINGENCIES
(Continued)

The Company maintains several bank accounts at a financial institution. These accounts are insured either by the Federal Deposit Insurance Commission ("FDIC"), up to \$100,000, or SIPC, up to \$500,000. Effective October 3, 2008, the FDIC insurance limit was increased to \$250,000. This new limit is applicable through December 31, 2009.

At times during the year ended December 31, 2008, cash balances held in the financial institution were in excess of the FDIC and SIPC's insured limits. The Company has not experienced any losses in these accounts and management believes that it has placed its cash on deposit with financial institutions which are financially stable.

Note 5: RETIREMENT PLAN

The Company maintains a Simplified Employee Pension Plan ("SEP") plan covering all of its eligible employees. The SEP Plan is discretionary and continuance of the plan is at the sole discretion of the Company. Under the terms of the plan, all employees, 21 years of age or older are eligible to participate in the Plan, provided they have been employee for more than two (2) years. No contribution was made to the plan for the year ended December 31, 2008.

Note 6: CONCENTRATION OF CREDIT RISK

The Company is engaged in various trading and brokerage activities in which counterparties 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 upon the creditworthiness of the counterparty or issuer of the instrument. To mitigate the risk of loss, the Company maintains its accounts with credit worthy customers and counterparties.

Note 7: 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:

Blakeslee & Blakeslee, Inc.
Notes to Financial Statements
December 31, 2008

Note 7: 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 12/15/07
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 on December 31, 2008, the Company had net capital of \$154,992 which was \$149,992 in excess of its required net capital of \$5,000; and the Company's ratio of aggregate indebtedness (\$74,244) to net capital was 0.48 to 1, which is less than the 15 to 1 maximum ratio allowed for a broker/dealer.

Blakeslee & Blakeslee, Inc.
Notes to Financial Statements
December 31, 2008

Note 9: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS

There is a \$36,435 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	\$ 118,557
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Adjustments:

Retained earnings	\$ 28,599	
Non-allowable assets	7,851	
Haircuts	<u>(15)</u>	
Total adjustments		<u>36,435</u>

Net capital per audited statements	<u>\$ 154,992</u>
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Blakeslee & Blakeslee, Inc.
Schedule I - Computation of Net Capital Requirements
Pursuant to Rule 15c3-1
As of December 31, 2008

Computation of net capital

Stockholders' equity

Common stock	\$	59,205
Retained Earnings		<u>203,838</u>

Total stockholders' equity		\$ 263,043
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Less: Non-allowable assets

Receivable from broker and dealer	(7,663)	
Furniture, equipment & leasehold improvements, net	(96,146)	
Other Assets	(4,144)	
Petty cash	<u>(83)</u>	
Total adjustments		<u>(108,036)</u>

Net capital before haircuts		155,007
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Less: Adjustments to net capital

Haircuts on certificate of deposit	<u>(15)</u>	
Total adjustments to net capital		<u>(15)</u>

Net capital		154,992
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Computation of net capital requirements

Minimum net capital requirements

6 2/3 percent of net aggregate indebtedness	\$	4,950
Minimum dollar net capital required	\$	5,000
Net capital required (greater of above)		<u>5,000</u>

Excess net capital		<u>\$ 149,992</u>
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Ratio of aggregate indebtedness to net capital		0.48: 1
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There was a \$36,435 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.

Blakeslee & Blakeslee, Inc.
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 Blakeslee & Blakeslee, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

See independent auditor's report.

Blakeslee & Blakeslee, Inc.
Schedule III - Information Relating to Possession or Control
Requirements Pursuant to Rule 15c3-3
As of December 31, 2008

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

See independent auditor's report.

Blakeslee & Blakeslee, Inc.
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

Blakeslee & Blakeslee, Inc.:

In planning and performing our audit of the financial statements of Blakeslee & Blakeslee, Inc. (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 20, 2009