

SECURITIES AND EXCHANGE COMMISSION

FORM X-17A-5

Annual audited report of brokers and dealers (Section 17 of Act 1934 and Rule 17a-5)

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BLOCK-KELLY COMPANY

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*304 NORTH BROAD STREET
MONROE GA 30655
770-267-8100*

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SECURITIES AND EXCHANGE COMMISSION

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JUN 1 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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DIVISION OF MARKET REGULATION

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

SEC FILE NUMBER
8-27642

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 01/01/09 AND ENDING 12/31/09
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: BLOCK-KELLY COMPANY

OFFICIAL USE ONLY
FIRM I.D. NO.

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

MONROE	(No. and Street) GA	30655
(City)	(State)	(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
EUGENE KELLY, JR. 770-267-8100

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report* .
GOLDMAN & COMPANY, CPAs, P.C.

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

316 ALEXANDER ST. S.E., STE. #4	MARIETTA	GA	30060
(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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6/10

OATH OR AFFIRMATION

I, EUGENE KELLY, JR., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of BLOCK-KELLY COMPANY, as of DECEMBER 31, 2009, 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:

Signature

Title

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 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 15c3-1 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.
- (o) Independent Auditor's Report on internal accounting structure required by SEC Rule 17a-5.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

BLOCK-KELLY COMPANY

(A Georgia S Corporation)

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2009**

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(Pursuant to Rule 15c3-1 of the Securities Exchange Act of 1934)

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(Pursuant to Rule 15c3-1 of the Securities Exchange Act of 1934)

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INDEPENDENT AUDITOR'S REPORT


To the Board
Block-Kelly Company
Monroe, Georgia

We have audited the accompanying Statement of Financial Condition of Block-Kelly Company (an S Corporation company) as of December 31, 2009, and the related Statement of Income, Changes of Shareholder'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 Block-Kelly Company as of December 31, 2009, 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 1, 2, 3 and 4 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and 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.


Goldman & Company, CPAs, PC
Marietta, Georgia
February 28, 2010

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**BLOCK-KELLY COMPANY
STATEMENT OF FINANCIAL CONDITION**

Exhibit A

	<u>December 31, 2009</u>
ASSETS	
Cash & Cash Equivalents	\$ 278,735
Cash segregated in compliance with federal & other regulations	95,921
Receivable from broker, dealer and clearing organization:	
Omnibus Account, includible in "Formula for Reserve Requirement"	112,881
Other	26,834
Securities owned, at market value:	
Other Asset	1,165
Furniture, Fixtures and Equipment, Less Accumulated Depreciation of \$17,423	-
	<hr/>
TOTAL ASSETS	\$ 515,536 <hr/>

LIABILITIES AND SHAREHOLDER'S EQUITY

LIABILITIES

Payable to Customers:	
Securities Accounts, including free credit balances	\$ 111,223
Accrued Expenses & Other Liabilities	8,658
	<hr/>
TOTAL LIABILITIES	\$ 119,881 <hr/>

The Accompanying Notes are an Integral Part of these Financial Statements

**BLOCK-KELLY COMPANY
STATEMENT OF FINANCIAL CONDITION**

Exhibit A

Continued

December 31, 2009

SHAREHOLDER'S EQUITY (EXHIBIT C)

Common Stock - \$10 Par Value,
1,000 Shares Authorized, 1,000 Shares Issued
and Outstanding

\$ 10,000

Additional Paid-In Capital

356,000

Retained Earnings

29,656

TOTAL SHAREHOLDER'S EQUITY

395,656

**TOTAL LIABILITIES AND
SHAREHOLDER'S EQUITY**

\$ 515,536

The Accompanying Notes are an Integral Part of these Financial Statements

BLOCK-KELLY COMPANY
STATEMENT OF INCOME

Exhibit B

	<u>Year Ended</u> <u>December 31, 2009</u>
REVENUE	
Commissions on Securities:	
On listed stocks traded 3rd market	\$ 75,281
Other Securities	69,999
Interest on investments	7,678
Total Revenue	<u>152,957</u>
 COSTS AND EXPENSES	
Employee Compensation & Benefits	23,273
Salaries & other employment costs of stockholder	22,528
Communication & Data Processing	2,199
Floor brokerage, exchange & clearing fees	15,476
Occupancy Costs	35,911
Other General and Administrative	17,635
Total Costs and Expenses	<u>117,022</u>
 NET INCOME	 <u>\$ 35,935</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

BLOCK-KELLY COMPANY, INC.
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

Exhibit C

	<u>Common Shares</u>	<u>Stock Amount</u>	<u>Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Shareholder's Equity</u>
BALANCE - December 31, 2008	1,000	\$ 10,000	\$ 356,000	\$ 32,570	\$ 398,570
2009 NET INCOME(LOSS) (Exhibit B)	0	0	0	35,935	35,935
Distribution Paid in 2009	0	0	0	(38,850)	(38,850)
BALANCE - December 31, 2009	1,000	\$ 10,000	\$ 356,000	\$ 29,655	\$ 395,655

The Accompanying Notes are an Integral Part of these Financial Statements.

**BLOCK-KELLY COMPANY
STATEMENT OF CASH FLOWS**

Exhibit D

	<u>December 31, 2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Profit	\$ 35,935
Adjustments to Reconcile Net Profit (Loss) to Net Cash Used in Operating Activities:	
(Increase) Decrease in Operating Assets:	
Accounts Receivable from brokers or dealers	(97,533)
Cash & securities segregated under federal & other regulations	(73,051)
Other Changes	2,558
Increase (Decrease) in Operating Liabilities:	
Accrued Expenses	(355)
Payable to Customers	92,440
NET CASH (USED) BY OPERATING ACTIVITIES	<u>(40,007)</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES	
Proceeds from the sale of long term investments	77,301
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>77,301</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Distribution Paid	(38,850)
NET CASH USED IN FINANCING ACTIVITIES	<u>(38,850)</u>
 (DECREASE) IN CASH AND CASH EQUIVALENTS	 (1,556)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>280,291</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 278,735</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

BLOCK-KELLY COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The Company was formed January 25, 1982, primarily for the purpose of qualifying and operating as a broker-dealer of securities. The Company is registered with the Securities and Exchange Commission, Financial Industry Regulatory Authority and the Georgia and Texas Securities Commissions. Pursuant to the registration, the Company must maintain a minimum net capital requirement of the greater of 6 2/3% of aggregate indebtedness or \$250,000 and is authorized to hold securities or funds for its customers. The Company retails corporate equity, debt and mutual fund securities. The Company is a non exchange member that arranges for transactions in listed securities through an exchange member. The Company maintains an omnibus account with a clearing broker for the purpose of trading securities on behalf of its customers.**
- B. Property is recorded at cost and is depreciated over a five year estimated useful life using the straight line method for book purposes. Maintenance and repairs are charged to income, and renewals and betterments are capitalized.**
- C. Customer securities transactions and related commission income and expenses are recorded on trade date.**
- D. Cash and cash equivalents include cash on hand, money market accounts, and short term investments with maturities of less than 90 days. For purposes of the Statement of Cash Flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days that are not held for sale in the ordinary course of business. The Company's segregates cash under federal and other regulations. The Company segregated \$95,921 for the benefit of its customers under rule 15c3-3 of the Securities Act of 1934. This segregated cash is not included in cash and cash equivalents in the statement of cash flows.**
- E. The preparation of financial statements in conformity with U. S. generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.**
- F. The Company has elected to be taxed under subchapter S of the internal revenue code. A corporation making this election is generally not subject to income tax, such ordinarily being the responsibility of its Company's shareholder. Accordingly, no provision has been made for income taxes in these financial statements.**

2. **COMMITMENTS AND RELATED PARTY TRANSACTIONS**

The Company leases its office facilities from its stockholder which expires July 1, 2010. Office rent expense under related party lease was \$30,000 for 2009. The Company also leases an automobile under the terms of an operating lease, which expires in February 2010, the amount of lease expense was \$9,567 in 2009. Minimum future lease payments are as follows:

<u>Year</u>	<u>Other</u>	<u>Related Party</u>	<u>Total</u>
2010	\$ 1,021	\$ 15,000	\$16,021

3. **CONCENTRATIONS OF CREDIT RISK**

The Company is engaged in various activities in with counterparties. 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.

4. **Net Capital Requirements**

The Company is subject to the SEC 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. At December 31, 2009, the Company had net capital of \$391,697, which was \$141,697 in excess of its required net of \$250,000. The Company's ratio of aggregate indebtedness to net capital was 0.31 to 1.

SCHEDULE 1

BLOCK-KELLY COMPANY
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
(Pursuant to Rule 15c3-1 of the Securities Exchange Act of 1934)
As of December 31, 2009

TOTAL SHAREHOLDER'S EQUITY FROM STATEMENT OF FINANCIAL CONDITION	<u>\$ 395,655</u>
 LESS NON-ALLOWABLE ASSETS	
Other Assets	<u>(1,165)</u>
Subtotal Non Allowable Assets	<u>(1,165)</u>
Less: Haircut on Money Market	(\$2,794)
 NET CAPITAL	 <u><u>\$ 391,696</u></u>

Reconciliation with Company's computation (included in part II of Form X-17A-5 as of December 31 2009)

There is no significant difference between net capital as reported in Part II A of Form X-17A-5 and net capital as reported above.

SCHEDULE 2

BLOCK-KELLY COMPANY
COMPUTATION OF AGGREGATE INDEBTEDNESS AND BASIC CAPITAL REQUIREMENT
(Pursuant to Rule 15c3-1 of the Securities and Exchange Act of 1934)
As of December 31, 2009

AGGREGATE INDEBTEDNESS

Payable to Customers	\$	111,223
Accrued Expenses & Other		<u>8,658</u>
TOTAL AGGREGATE INDEBTEDNESS (AI)	\$	<u>119,881</u>
RATIO – Aggregate Indebtedness to Net Capital		<u>0.306055</u>
 BASIC NET CAPITAL REQUIREMENT		
Net Capital (Schedule 1)	\$	<u>391,696</u>
Minimum Net Capital Requirement (See note A below)		250,000
Minimum capital required from above		<u>250,000</u>
EXCESS NET CAPITAL	\$	<u>141,696</u>

Note A: Minimum capital requirement per Rule 15c3-1 is \$250,000 for brokers that carry customer accounts.

SCHEDULE 3

BLOCK-KELLY COMPANY

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS UNDER RULE 15c3-3
OF THE SECURITIES AND EXCHANGE COMMISSION

As of December 31, 2009

Credit Balances:

Free Credit balances & other credit balances in customers' security accounts	\$ 107,098
Other	4,125
Total Credit Items	<u>111,223</u>

Debit Balances:

Other Omnibus account	111,223
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Reserve Computation:

Excess of total debits over total credits	-
Excess of total credits over total debits	<u>-</u>
Required Deposit	<u>-</u>

105% of excess of total credits over total debits	<u>-</u>
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Amount held in reserve banks	<u>95,921</u>
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Reconciliation with Company's computation included in II of Form X-17A-5
as of December 31, 2009:

Excess as reported in Company's II FOCUS Report (unaudited)	-
Excess as reported in above computation	<u>-</u>
Difference	<u>-</u>

BLOCK-KELLY COMPANY
INFORMATION FOR POSSESSION OR CONTROL
REQUIREMENTS UNDER RULE 15C-3-3 OF THE SECURITIES AND EXCHANGE COMMISSION

MARKET VALUATION:

1. Customers' fully paid securities and excess margin securities not in the respondents' possession or control as of the report dated (for which instructions to reduce to possession or control had been issued as of the report date) but which the required action was not taken by respondents within the time frames specified under Rule 15c3-3.

\$ None

A. Number of items

 0

2. Customers' fully paid securities and excess margin securities for which instructions to reduce possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.

\$ None

A. Number of items

 0

**REPORT ON INTERNAL CONTROL
REQUIRED BY SEC RULE 17a-5(g)(1)**

To the Board
Block-Kelly Company
Monroe, Georgia

In planning and performing our audit of the financial statements and supplemental schedules of Block-Kelly Company, for the year ended December 31, 2009, 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 attests 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 reserve requirements of Rule 15c3-3. Because the Company carries securities accounts for customers or perform custodial functions relating to customers' securities, we reviewed the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons
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.
3. Making periodic computations of aggregate indebtedness (or aggregate debts) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3e.
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3.

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 judgment by management are required to assess the expected benefits and related costs of controls and of the practice 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 practice 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.

goldman

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 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 deficiency or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected or corrected on a timely basis.

Our consideration on internal control was for the limited purpose described in the paragraphs 1-2 above and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any weaknesses involving 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 first and 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, 2009 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, FINRA, 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.



Goldman & Company, CPAs, PC
February 28, 2010