

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

FORM 10-K

MARK ONE:

- Annual Report under Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2008
- Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____.

Commission file number 1-7986

KENT FINANCIAL SERVICES, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

75-1695953

(I.R.S. Employer Identification No.)

211 Pennbrook Road, P.O. Box 97, Far Hills, New Jersey

(Address of principal executive offices)

07931

(Zip Code)

Registrant's telephone number (908) 766-7221

Securities registered under Section 12(b) of the Exchange Act:

None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, par value \$.10 per share

Indicate by check mark if the registrant is a well-known season issuer, as defined in Rule 405 of the Securities Act.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One)

Large accelerated filer__ Accelerated filer__ Non-accelerated filer__ Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes __ No

The aggregate market value of the common stock held by non-affiliates of the registrant, based upon the closing sale price on the NASDAQ Capital Markets as of February 27, 2009, was approximately \$1.33 million. At February 27, 2009, there were 2,759,293 shares of common stock outstanding.

PART I

Item 1. BUSINESS

Kent Financial Services, Inc.'s ("Kent" or the "Company") business is comprised of the management of Kent International Holdings, Inc. ("Kent International") and Kent Educational Services, Inc. ("Kent Educational"). Kent was formed in 1988 as a Delaware corporation and reincorporated in Nevada in 2006 by a merger into a newly formed, wholly owned Nevada subsidiary with the same name that was the surviving corporation of the merger.

General

Except for the historical information contained herein, the matters discussed in this Annual Report on Form 10-K are forward-looking statements that involve risks and uncertainties. For a discussion of certain factors that may affect the outcome projected in such statements, see Item 7 ("Management's Discussion and Analysis of Financial Condition and Results of Operations") of this Annual Report, as well as factors noted in the balance of this Item 1 ("Description of Business"). Actual results may differ materially from those projected. These forward-looking statements represent the Company's judgment as of the date of the filing of this Annual Report. However, the Company disclaims any intent or obligation to update these forward-looking statements.

Kent International

Kent International is a publicly traded company (stock symbol "KNTH.PK") currently seeking to redeploy its assets into an operating business. The Company owned approximately 53.44% of Kent International at December 31, 2008. All of Kent International's assets, excluding its portfolio of pharmaceutical patents (which have a zero carrying value on the consolidated financial statements), are invested in cash and United States Treasury Bills. Kent International's current business plan is to serve as a vehicle for the acquisition of or merger or consolidation with another company. Kent International may use its available working capital, capital stock, debt or a combination of these to start a business or to effect a business combination with a company seeking to establish a public trading market for its securities while avoiding the time delays, significant expense, loss of voting control and other burdens including significant professional fees of an initial public offering. A business combination may be with a financially stable, mature company or a company that is in its early stages of development or growth, which could include companies seeking to obtain capital and to improve their financial stability.

Additionally, Kent International has developed a niche social networking website, www.ChinaUSPals.com, designed to promote cultural exchange between the citizens of the United States and those of the People's Republic of China. Membership to the site is free, thus, any potential revenues will be derived from advertisements placed on the site by third parties. The site provides users with access to other users' personal profiles and enables the user to send messages to other registered users of similar interests in order to develop lasting friendships or simply attain a pen pal. ChinaUSPals.com also features user generated discussion forums and blogs as well as user submitted videos and pictures. In July, Kent International reached an agreement with Wizart Studios, LLC, a New York based web design firm, to redesign and market the site in return for a 19% equity interest in ChinaUSPals.com, Inc., the site's holding company. As a part of the agreement, Kent International will be responsible for the costs of marketing the site until revenue is generated. The redesigned site was launched on August 6,

2008. Since then, site membership has grown to over 3,100 members from the approximately 150 members prior to the redesign.

While Kent International is encouraged by the membership and traffic growth since the redesign, we cannot be certain that the growth rate will continue or that existing members will continue using the site. Kent International also faces the risk that our website will not be viewable in China or will be deliberately blocked by the government of the People's Republic of China. Internet usage and content are heavily regulated in China and compliance with these laws and regulations may cause us to change or limit our business practices in a manner adverse to our business.

Kent International does not expect that these activities will generate any significant revenues for an indefinite period as these efforts are in their early stages. As a result, these programs may produce significant losses until such time as meaningful revenues are achieved.

Kent Educational

Kent Educational is a wholly owned subsidiary of Kent that has a 60% controlling interest in The Academy for Teaching and Leadership, Inc., a Delaware corporation ("The Academy"). The Academy, headed by Dr. Saul Cooperman, a former Commissioner of Education in the State of New Jersey, offers educators high quality programs designed to dramatically improve themselves, their students and their schools. The Academy brings together educators from school districts to engage in quality programs related to curriculum, assessment, and instructional strategies that have the potential to assist them in their own development as well as to enhance the learning of their students. Similarly, it offers administrators the latest programs in leadership practices that can support their school district's goals and give them the skills to achieve their specific objectives.

Academy programs for school leaders include "Solutions for Superintendents", "Strategies for School Leaders", "Effective Presentation Skills", "Leading and Coaching in a Complex Environment". Programs designed for educators include "Coaching the Literacy Coach", "Differentiating the Curriculum", "Classroom Management for the Elementary and Middle School Teacher" and "Designing and Delivering Effective Instruction".

Item 1a. RISK FACTORS

Risk Factors Related to the Company

The Company's business success is wholly dependent on the success of Kent International and Kent Educational.

Kent's business is comprised entirely of the management of Kent International and Kent Educational. Accordingly, any risks affecting those companies constitute risks to Kent at the same time.

Risk Factors Related to Kent International

For a discussion of Kent International's risk factors, please refer to Kent International's annual report for the year ended December 31, 2008 filed on form 10-K under SEC file no. 000-20726. All of the risk factors set forth under Item 1A of that report are incorporated herein by reference.

Risk Factors Related to Kent Educational

The Academy is currently reviewing its strategic options.

The Academy's sole full time executive officer resigned on December 15, 2007. This individual was primarily responsible for business development and coordinating services. As a result, The Academy is currently reviewing its strategic options including hiring a replacement for the executive officer, partnering with a competitor, continuing to provide services to existing clients through an outsourcing platform, or discontinuation of services.

The educational services sector in New Jersey is highly competitive.

The Academy operates in a highly fragmented market with numerous small service providers and no dominant competition. There can be no assurance that The Academy will maintain or improve its competitive position or that no single competitor or group of competitors will dominate the market in the future.

The resources allocated for educational purposes are unforeseeable.

The allocation of resources for educational purposes is currently under great scrutiny in New Jersey. Funding for public schools in New Jersey comes from either State aid or local property taxes. Although property taxes have increased rapidly in New Jersey over the last eight years, this has not resulted in additional educational expenditures, because the State of New Jersey has at the same time reduced its aid allocated to public schools. It is impossible to foresee the future developments of property taxes and educational State aids. As public schools in New Jersey are currently our primary customer, our revenue growth is restricted by any limitation on these resources.

Employees

As of February 27, 2009, the Company and its subsidiaries had two full-time employees and one part-time employee.

Item 2. PROPERTIES

None

Item 3. LEGAL PROCEEDINGS

None

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its Annual Meeting of Stockholders on December 17, 2008. Management's nominees, Paul O. Koether, William Mahomes, Jr., Casey K. Tjang, James L. Bicksler, and Bryan P. Healey were elected to the Board of Directors.

The following is the vote tabulation for all nominees:

	<u>FOR</u>	<u>AGAINST</u>	<u>WITHHELD</u>	<u>ABSTENTIONS AND BROKER NONVOTES</u>
Paul O. Koether	1,489,094	-	-	-
William Mahomes, Jr.	1,489,094	-	-	-
Casey K. Tjang	1,489,094	-	-	-
James L. Bicksler	1,489,094	-	-	-
Bryan P. Healey	1,489,094	-	-	-

PART II

Item 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Shareholders of Record

As of February 27, 2009, the Company had 1,347 stockholders of record of its common stock. The closing price of the common stock was \$1.27 on February 27, 2009.

Market Information

The Company's common stock trades on the NASDAQ Capital Market under the symbol "KENT". The table below sets forth the high and low sales price per share of the Common Stock for the periods indicated as reported by NASDAQ for the periods indicated.

	<u>High</u>	<u>Low</u>
Calendar Quarter:		
<u>2008</u>		
First Quarter	\$ 2.22	\$ 1.62
Second Quarter	1.94	1.60
Third Quarter	1.68	1.41
Fourth Quarter	1.86	1.40
<u>2007</u>		
First Quarter	\$ 3.73	\$ 2.21
Second Quarter	2.81	1.94
Third Quarter	2.40	1.98
Fourth Quarter	2.50	2.01

Dividends

The Company did not declare or pay any dividends in 2008 or 2007.

Equity Compensation Plan Information

On November 25, 2005, shareholders of the Company approved the 2005 Stock Option Plan making a total of 400,000 common stock options available for issuance. The Company did not record stock-based compensation expense for the years ended December 31, 2008 or 2007 as no options were earned during these periods. At December 31, 2008, the Company had no common stock options outstanding.

The following table provides a summary of the securities authorized for issuance under equity compensation plans, the weighted average price and number of securities remaining available for issuance, at December 31, 2008.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans Excluding Securities Reflected in Column (a)
Equity Compensation Plans Approved by Security Holders			
2005 Stock Option Plan	N/A	N/A	400,000
Equity Compensation Plans not Approved by Security Holders			
	N/A	N/A	N/A
Total	N/A	N/A	400,000

Repurchase Plans

SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES (COMMON STOCK-AUGUST 2004 REPURCHASE PLAN) (1)

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2008 - October 31, 2008	27,190	\$ 1.43	27,190	64,919
November 1, 2008 - November 30, 2008	-		-	64,919
December 1, 2008 - December 31, 2008	-		-	64,919
Total	27,190	\$ 1.43	27,190	64,919

- (1) In August 2004, the Board of Directors approved a plan to repurchase up to 200,000 shares of the Company's common stock. This plan has no expiration date.

Item 6. SELECTED FINANCIAL DATA

Not Applicable.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Company's Financial Statements and Notes thereto included elsewhere in this Form 10-K. Statements in this report relating to future plans, projections, events or conditions are forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected and include, but are not limited to, the risks discussed below, the risks discussed in the section of this Form 10-K entitled "Risk Factors" and risks discussed elsewhere in this Form 10-K. The Company expressly disclaims any obligation or undertaking to update these statements in the future.

The Company's business is comprised of the management of Kent International Holdings, Inc. ("Kent International") and Kent Educational Services, Inc. ("Kent Educational").

Kent International

Kent International is a publicly traded company (stock symbol "KNTH.PK") currently seeking to redeploy its assets into an operating business. The Company owned approximately 53.44% of Kent International at December 31, 2008. All of Kent International's assets, excluding its portfolio of pharmaceutical patents

(which have a zero carrying value on the consolidated financial statements), are invested in cash and United States Treasury Bills. Kent International's current business plan is to serve as a vehicle for the acquisition of or merger or consolidation with another company. Kent International may use its available working capital, capital stock, debt or a combination of these to start a business or to effect a business combination with a company seeking to establish a public trading market for its securities while avoiding the time delays, significant expense, loss of voting control and other burdens including significant professional fees of an initial public offering. A business combination may be with a financially stable, mature company or a company that is in its early stages of development or growth, which could include companies seeking to obtain capital and to improve their financial stability.

Additionally, Kent International has developed a niche social networking website, www.ChinaUSPals.com, designed to promote cultural exchange between the citizens of the United States and those of the People's Republic of China. Membership to the site is free, thus, any potential revenues will be derived from advertisements placed on the site by third parties. The site provides users with access to other users' personal profiles and enables the user to send messages to other registered users of similar interests in order to develop lasting friendships or simply attain a pen pal. ChinaUSPals.com also features user generated discussion forums and blogs as well as user submitted videos and pictures. In July, Kent International reached an agreement with Wizart Studios, LLC, a New York based web design firm, to redesign and market the site in return for a 19% equity interest in ChinaUSPals.com, Inc., the site's holding company. As a part of the agreement, Kent International will be responsible for the costs of marketing the site until revenue is generated. The redesigned site was launched on August 6, 2008. Since then, site membership has grown to over 3,100 members from the approximately 150 members prior to the redesign.

While Kent International is encouraged by the membership and traffic growth since the redesign, we cannot be certain that the growth rate will continue or that existing members will continue using the site. Kent International also faces the risk that our website will not be viewable in China or will be deliberately blocked by the government of the People's Republic of China. Internet usage and content are heavily regulated in China and compliance with these laws and regulations may cause us to change or limit our business practices in a manner adverse to our business.

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Kent Educational, a wholly owned subsidiary of Kent, has a 60% controlling interest in The Academy for Teaching and Leadership, Inc., ("The Academy"). The Academy, headed by Dr. Saul Cooperman, a former Commissioner of Education in the State of New Jersey, offers educators high quality programs designed to dramatically improve themselves, their students and their schools. The Academy brings together educators from school districts to engage in quality programs related to curriculum, assessment, and instructional strategies that have the potential to assist them in their own development as well as to enhance the learning of their students. Similarly, it offers administrators the latest programs in leadership practices that can support their school district's goals and give them the skills to achieve their specific objectives.

The Academy has also produced an innovative educational DVD entitled “*Sex Over Sixty*”. The Academy worked to produce this DVD based on research that enables those people over 60 to learn about their changing bodies and experience a healthier, happier sex life. “*Sex Over Sixty*” provides frank answers to sexual questions that mature adults face as they age, experience health problems, or begin dating again after a loss or divorce. The DVD was released on October 16, 2007; however, sales results have been disappointing.

Kent Educational and The Academy are consolidated in the accompanying financial statements. The Academy is currently reviewing its strategic options including hiring an executive officer, partnering with a competitor, continuing to provide services to existing clients through an outsourcing platform, or discontinuation of services.

Results of Operations

The Company had a consolidated net loss of \$296,281, (\$.11 basic and fully diluted loss per share) in 2008, compared to a consolidated net loss of \$551,641 (\$.20 basic and fully diluted loss per share) in 2007. The decrease in the net loss was mainly the result of decreased expenses offset by decreased interest revenue, seminar fees and administrative fees paid by an un-affiliated investment partnership during the period.

Revenues

Seminar fees based on seminars held by The Academy decreased to \$285,643 for the year ended December 31, 2008, compared to \$480,612 for the year ended December 31, 2007. The decrease is the result of the departure of The Academy’s executive director who was primarily responsible for business development. The Academy currently has approximately \$160,667 under contract for services to be rendered in 2009. The Company recognizes seminar revenue when the services are provided.

Interest income was \$300,274 and \$612,858 in 2008 and 2007, respectively, a decrease of \$312,584. The decrease was primarily caused by lower yields on invested balances.

Net unrealized losses on available for sale securities were \$43,149, and realized gains were \$36,180 for the year ended December 31, 2008 as compared to net unrealized losses on available for sale securities of \$2,675, and realized gains of \$6,574 for the year ended December 31, 2007. Since marketable securities are classified as available for sale securities, unrealized losses during the years ended December 31, 2008 and 2007 were recorded as an adjustment to accumulated other comprehensive income in stockholder’s equity.

For the year ended December 31, 2008, other income decreased to \$88,022 from \$138,102 for the comparable period in 2007, caused by the decrease in administrative fees paid by an un-affiliated investment partnership. These administrative fees fluctuate based on the performance of the investment partnership; as a result, based upon current global financial market conditions we do not believe that these fees will continue at the same level.

Expenses

General and administrative expenses decreased to \$1,104,337 for the year ended December 31, 2008 from \$1,804,717 for 2007. The decrease in expenses of \$700,830 or 39% is primarily attributed to a \$555,262 decrease in personnel costs. Other material decreases were accounting and legal fees of \$23,556, rental expenses of \$17,550, expenses related to travel and entertainment associated with our ongoing business development activities of \$18,993, Directors' fees of \$19,700 and the costs of providing seminars by The Academy of \$17,312.

Other

In 2008, Kent International repurchased 12,468 shares of common stock in open market transactions for \$20,764. The Company recorded an extraordinary gain of approximately \$8,838, as the amount paid for the shares was less than the fair value of the net assets recorded.

Liquidity and Capital Resources

At December 31, 2008, the Company had cash and cash equivalents of \$1,990,753. Cash and cash equivalents consist of cash held in banks and brokerage firms. The Company had short-term investments, consisting of U.S. Treasury Bills with original maturities of six months, of \$10.09 million at December 31, 2008 with yields ranging from 0.12% to 0.20%. Working capital at December 31, 2008 was approximately \$11.93 million. Management believes its cash and cash equivalents are sufficient for its business activities for at least the next 12 months and for the costs of seeking an acquisition of an operating business.

Net cash used in operations was \$227,549 for the year ended December 31, 2008, compared to net cash used in operations of \$655,144 in 2007. Cash used in operations is a direct result of operating expenses offset by operating revenues and adjusted for changes in operating assets and liabilities. The decrease in net cash used in operations was largely the result of the decrease in general and administrative expenses offset by the decrease in interest earned on invested balances.

\$2,152,213 was provided by investing activities during the year ended December 31, 2008 by the sales and maturities of short-term investments of \$23.776 million offset by the purchase of short-term investments of \$21.638 million and \$24,954 for the acquisition of a vehicle for The Academy. \$645,615 was provided by investing activities during the year ended December 31, 2007 by the sales and maturities of short-term investments of \$25.582 million offset by the purchase of short-term investments of \$24.958 million and \$14,266 for capital costs for ChinaUSPals.com. Net sales of marketable securities were \$39,245 and \$36,419 in 2008 and 2007, respectively.

The Company used \$48,074 for financing activities for the year ended December 31, 2008 to repurchase 32,729 shares of common stock compared to the \$16,756 used for financing activities for the year ended December 31, 2007 to repurchase 7,770 shares of common stock. Kent International also used \$20,764 and \$5,343 to repurchase their stock in the years ended December 31, 2008 and 2007, respectively.

Other Disclosures – Related Party Transactions

The Company receives a monthly management fee of \$21,000 from Kent International for management services. These services include, among other things, preparation of periodic and other filings with the Securities and Exchange Commission, evaluating merger and acquisition proposals, providing internal accounting services and shareholder relations. Additionally, Kent International's executive offices are located in the premises provided by the Company; however, no separate payment is made for use of the premises. This arrangement may be terminated at will by either party. The monthly management fee revenue and offsetting expense is eliminated during consolidation. The Company is the beneficial owner of approximately 53.44% of Kent International's outstanding Common Stock at December 31, 2008. Paul O. Koether, Chairman of the Company is also the Chairman of Kent International and the beneficial owner of approximately 59.11% of the Company's outstanding common stock. Bryan P. Healey, Chief Financial Officer and Director of the Company is also the Chief Financial Officer and Director of Kent International and the son-in-law of Paul O. Koether.

The Company and its consolidated subsidiaries reimburse an affiliate, Bedminster Management Corp., for the allocated direct cost of group health insurance and office supplies. These reimbursements were approximately \$60,802 and \$83,481 in the years ended December 31, 2008 and 2007, respectively. Bedminster Management Corp. facilitates the allocation of certain central administrative costs on a cost reimbursement basis and is owned equally by Kent, Kent International and T.R. Winston & Company, LLC.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Contractual Commitments

The Company has no contractual commitments.

Critical Accounting Estimates

The preparation 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. In our preparation of the financial statements for 2008, there were no estimates made which were (a) subject to a high degree of uncertainty or (b) material to our results.

We made no material changes to our critical accounting policies in connection with the preparation of financial statements for 2008.

New Accounting Pronouncements

FASB issued SFAS No. 157 ("SFAS 157") "*Fair Value Measurements*" on September 15, 2006. SFAS 157 enhances existing guidance for measuring assets and liabilities using fair value. Previously,

guidance for applying fair value was incorporated in several accounting pronouncements. The new statement provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities. While the statement does not add any new fair value measurements, it does change current practice. One such change is a requirement to adjust the value of nonvested stock for the effect of the restriction even if the restriction lapses within one year. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The adoption of SFAS 157 is not expected to have a material impact on the financial statements of the Company.

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 141 (R), *Business Combinations*, and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*. SFAS No. 141 (R) requires an acquirer to measure the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. SFAS No.160 clarifies that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. SFAS No. 141 (R) and SFAS No. 160 are effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption is prohibited. We have not yet determined the effect on our consolidated financial statements, if any, upon adoption of SFAS No. 141 (R) or SFAS No. 160. SFAS 141 (R) will significantly affect the accounting for future business combinations and we will determine the accounting as new combinations are determined.

Item 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements filed herein are listed below:

Report of Independent Registered Public Accounting Firm

Financial Statements:

Consolidated Balance Sheets as of December 31, 2008 and 2007

Consolidated Statements of Operations and Other Comprehensive Income for the
Years ended December 31, 2008 and 2007

Consolidated Statements of Cash Flows for the
Years ended December 31, 2008 and 2007

Consolidated Statements of Stockholders' Equity for the
Years ended December 31, 2008 and 2007

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Stockholders' and Board of Directors of Kent Financial Services, Inc.

We have audited the accompanying consolidated balance sheets of Kent Financial Services, Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended December 31, 2008 and 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 provided a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kent Financial Services, Inc. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and other comprehensive income and their cash flows for the years ended December 31, 2008 and 2007, in conformity with accounting principles generally accepted in the United States of America.

/s/ Paritz & Company, P.A.

March 17, 2008
Hackensack, New Jersey

KENT FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2008 and 2007

	December 31,	
	2008	2007
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,990,753	\$ 134,927
Short-term investments	10,090,292	12,269,763
Marketable securities	70,450	116,665
Accounts receivable	55,895	97,668
Prepaid expenses and other current assets	14,769	18,393
Total current assets	12,222,159	12,637,416
Property and equipment, net of accumulated depreciation of \$10,728 and \$1,474	21,618	5,917
Other assets	16,000	62,335
Total assets	\$ 12,259,777	\$ 12,705,668
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 227,497	\$ 268,604
Deferred revenue	64,817	
Total current liabilities	292,314	268,604
Noncurrent liabilities:		
Accrued post employment obligations	720,000	684,529
Total liabilities	1,012,314	953,133
Minority interest in subsidiaries	4,965,816	5,083,384
Stockholders' equity:		
Preferred stock without par value; 500,000 shares authorized; none outstanding	-	-
Common stock, \$.10 par value; 8,000,000 shares authorized; 2,759,293 and 2,792,022 shares issued and outstanding	275,929	279,202
Additional paid-in capital	12,344,949	12,389,750
Accumulated deficit	(6,293,407)	(5,997,126)
Accumulated other comprehensive loss	(45,824)	(2,675)
Total stockholders' equity	6,281,647	6,669,151
Total liabilities and stockholders' equity	\$ 12,259,777	\$ 12,705,668

See accompanying notes to consolidated financial statements.

KENT FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME

	Year Ended December 31,	
	2008	2007
Revenues:		
Seminar fees	\$ 285,643	\$ 480,612
Interest revenue	300,274	612,858
Investing gains	36,180	6,574
DVD sales	3,273	922
Other income	88,022	138,102
	713,392	1,239,068
Expenses:		
General and administrative	1,104,337	1,804,717
Write off capitalized software costs		37,764
Write off goodwill		90,055
	1,104,337	1,932,536
Loss before income taxes, minority interest and extraordinary gain	(390,945)	(693,468)
Provision for income taxes	(2,140)	(1,883)
Loss before minority interest and extraordinary gain	(393,085)	(695,351)
Minority interest in subsidiaries losses	87,966	143,710
	(305,119)	(551,641)
Loss before extraordinary gain	(305,119)	(551,641)
Extraordinary gain due to purchase of subsidiary stock	8,838	
	(296,281)	(551,641)
Net loss	(296,281)	(551,641)
Other comprehensive income (loss):		
Unrealized loss on available for sale securities	(43,149)	(2,675)
Comprehensive loss	\$ (339,430)	\$ (554,316)
Basic and diluted net loss per common share:		
Loss per share before extraordinary gain	\$ (0.11)	\$ (0.20)
Extraordinary gain	-	
Net loss per share	\$ (0.11)	\$ (0.20)
Weighted average number of common shares outstanding	2,784,235	2,794,146

See accompanying notes to consolidated financial statements.

KENT FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2008	2007
Cash flows from operating activities:		
Net loss	\$ (296,281)	\$ (551,641)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	9,254	5,466
Write off goodwill		90,055
Write off capitalized software costs		37,764
Gain on sale of marketable securities	(36,180)	(6,574)
Extraordinary gain on purchase of stock of subsidiary	(8,838)	
Minority interest in subsidiaries losses	(87,966)	(143,710)
Changes to operating assets and liabilities:		
Interest receivable on short-term investments	41,549	6,136
Change in accounts receivable and other current assets	45,397	(7,798)
Change in other assets	46,335	(5,872)
Change in accounts payable and accrued expenses	(5,636)	(55,978)
Change in deferred revenue	64,817	(22,992)
	(227,549)	(655,144)
Cash flows from investing activities:		
Sales of marketable securities	1,549,388	36,419
Purchases of marketable securities	(1,510,143)	
Purchase of short-term investments	(21,638,410)	(24,958,609)
Maturity and sales of short-term investments	23,776,332	25,582,071
Acquisition of property and equipment	(24,954)	(14,266)
	2,152,213	645,615
Cash flows from financing activities:		
Repurchase of common stock by subsidiary	(20,764)	(5,343)
Repurchase of common stock	(48,074)	(16,756)
	(68,838)	(22,099)
Net decrease in cash and cash equivalents	1,855,826	(31,628)
Cash and cash equivalents at beginning of period	134,927	166,555
Cash and cash equivalents at end of period	\$ 1,990,753	\$ 134,927
Supplemental disclosure of cash flow information:		
Cash paid for:		
Taxes	\$ 2,140	\$ 7,996

See accompanying notes to consolidated financial statements.

KENT FINANCIAL SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	<u>Common Stock</u>		<u>Additional Paid in Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
Balance December 31, 2006	2,799,792	\$ 279,979	\$ 12,405,729	\$ (5,445,485)		\$ 7,240,223
Repurchase of common stock	(7,770)	(777)	(15,979)			(16,756)
Unrealized loss on available for sale securities					\$ (2,675)	(2,675)
Net loss				(551,641)		(551,641)
Balance December 31, 2007	2,792,022	279,202	12,389,750	(5,997,126)	(2,675)	6,669,151
Repurchase of common stock	(32,729)	(3,273)	(44,801)			(48,074)
Unrealized loss on available for sale securities					(43,149)	(43,149)
Net loss				(296,281)		(296,281)
Balance December 31, 2008	<u>2,759,293</u>	<u>\$ 275,929</u>	<u>\$ 12,344,949</u>	<u>\$ (6,293,407)</u>	<u>\$ (45,824)</u>	<u>\$ 6,281,647</u>

See accompanying notes to consolidated financial statements.

KENT FINANCIAL SERVICES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Kent Financial Services, Inc. (the "Company" or "Kent") and its wholly owned subsidiary, Kent Educational Services, Inc. ("Kent Educational") and Kent's majority owned subsidiary, Kent International Holdings, Inc., ("Kent International") and Kent Educational's majority owned subsidiary, The Academy of Teaching and Leadership, Inc. ("The Academy"). Intercompany balances and transactions between the Company and its subsidiaries have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles that are 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 revenues and expenses during the reporting period. Actual results could differ from those estimates and the differences could be material.

Cash Equivalents

The Company considers as cash equivalents all short-term investments that are highly liquid and readily exchangeable for cash at amounts equal to their stated value. Cash equivalents consist of U. S. Treasury Bills with an original maturity of 90 days. The Company also maintains interest bearing balances in its brokerage accounts. All cash and cash equivalents are on deposit either with a major money center bank or with a securities broker dealer.

Short-Term Investments

Short-term investments consist of U.S. Treasury Bills purchased with an original maturity of six months and are valued at cost plus accrued interest, which approximates the fair market value. The Company currently intends to hold these investments until maturity.

Marketable Securities

Marketable securities, consisting of equity securities, are stated at fair value and are considered available for sale securities, with the corresponding unrealized gain (loss) recorded as a component of other comprehensive income in stockholders' equity.

Property and Equipment

Property and equipment are stated at cost. Depreciation, which is calculated using the straight-line method, is provided by periodic charges to expense over the estimated useful lives of the assets ranging from 3 to 5 years.

Income Taxes

The Company recognizes deferred tax assets and liabilities related to the expected future tax consequences of events that have been recognized in the Company's financial statements and tax returns. However, if it is more likely than not that some portion or all of the net deferred tax assets will not be realized, a valuation allowance is established and the tax benefit is not recognized in the statements of operations.

Revenue Recognition

Revenue consists primarily of interest revenue on invested balances and educational services provided by the Academy. Interest revenue is recognized on an accrual basis. The Academy recognizes revenue when services are provided to customers. When the Academy collects payments from customers before services are rendered, the advance payments are recorded as deferred revenue and realized after services are rendered.

Basic and Diluted Net Loss Per Share

Basic loss per common share is computed by dividing the net loss by the weighted-average number of common shares outstanding. Diluted loss per share is computed by dividing the net loss by the sum of the weighted-average number of common shares outstanding plus the dilutive effect of shares issuable through the exercise of stock options. There were no common stock options outstanding for either of the years ended December 31, 2008 and 2007; thus, there was no dilutive effect for either year.

For more information on stock options, see Note 8 of the Notes to Consolidated Financial Statements.

New Accounting Pronouncements

FASB issued SFAS No. 157 ("SFAS 157") "*Fair Value Measurements*" on September 15, 2006. SFAS 157 enhances existing guidance for measuring assets and liabilities using fair value. Previously, guidance for applying fair value was incorporated in several accounting pronouncements. The statement provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities. While the statement does not add any new fair value measurements, it does change current practice. One such change is a requirement to adjust the value of nonvested stock for the effect of the restriction even if the restriction lapses within one year. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The adoption of SFAS 157 is not expected to have a material impact on the financial statements of the Company.

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 141 (R), *Business Combinations*, and SFAS No. 160, *Noncontrolling*

Interests in Consolidated Financial Statements. SFAS No. 141 (R) requires an acquirer to measure the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. SFAS No.160 clarifies that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. SFAS No. 141 (R) and SFAS No. 160 are effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption is prohibited. We have not yet determined the effect on our consolidated financial statements, if any, upon adoption of SFAS No. 141 (R) or SFAS No. 160. SFAS 141 (R) will significantly affect the accounting for future business combinations and we will determine the accounting as new combinations are determined.

NOTE 2 – BUSINESS AND SEGMENT INFORMATION

The Company's business is comprised of the management of Kent International and Kent Educational. The Company has determined that its operations can be segregated into two principal operating segments which are business development activities and education services. We define operating segments as components of an enterprise about which separate financial information is available that is evaluated regularly by the Chairman in deciding how to allocate resources and in assessing performance.

Kent International is a publicly traded company (stock symbol "KNTH.PK") currently seeking to redeploy its assets into an operating business. The Company owned approximately 53.44% of Kent International at December 31, 2008. All of Kent International's assets, excluding its portfolio of pharmaceutical patents (which have a zero carrying value on the consolidated financial statements), are invested in cash and United States Treasury Bills. Kent International's activity is reported in the business development activities segment.

Additionally, Kent International has developed a niche social networking website, www.ChinaUSPals.com, designed to promote cultural exchange between the citizens of the United States and those of the People's Republic of China. Membership to the site is free, thus, any potential revenues will be derived from advertisements placed on the site by third parties. The site provides users with access to other users' personal profiles and enables the user to send messages to other registered users of similar interests in order to develop lasting friendships or simply attain a pen pal. ChinaUSPals.com also features user generated discussion forums and blogs as well as user submitted videos and pictures. In July, Kent International reached an agreement with Wizard Studios, LLC, a New York based web design firm, to redesign and market the site in return for a 19% equity interest in ChinaUSPals.com, Inc., the site's holding company. As a part of the agreement, Kent International will be responsible for the costs of marketing the site until revenue is generated. The redesigned site was launched on August 6, 2008. Since then, site membership has grown to over 3,100 members from the approximately 150 members prior to the redesign.

While Kent International is encouraged by the membership and traffic growth since the redesign, we cannot be certain that the growth rate will continue or that existing members will continue using the site. Kent International also faces the risk that our website will not be viewable in China or will be deliberately blocked by the government of the People's Republic of China. Internet usage and content are heavily regulated in China and compliance with these laws and regulations may cause us to change or limit our business practices in a manner adverse to our business.

The Company does not expect that these activities will generate any significant revenues for an indefinite period as these efforts are in their early stages. As a result, these programs may produce significant losses until such time as meaningful revenues are achieved.

The education services segment represents the activity of Kent Educational; which is a wholly owned subsidiary of the Company that has a 60% controlling interest in the Academy for Teaching and Leadership Inc. ("The Academy"). The Academy, headed by Dr. Saul Cooperman, a former Commissioner of Education in the State of New Jersey, provides educators various programs designed to improve themselves, their students, and their schools.

The allocation of resources for educational purposes is currently under great scrutiny in New Jersey. Funding for public schools in New Jersey comes from either State aid or local property taxes. Although property taxes have increased rapidly in New Jersey over the last eight years, this has not resulted in additional educational expenditures, because the State of New Jersey has at the same time reduced its aid allocated to public schools. It is impossible to foresee the future developments of property taxes and educational State aids. As public schools in New Jersey are currently our primary customer, our revenue growth is restricted by any limitation on these resources.

The following table summarizes the assets and operations of the Company's segments as of and for the years ended December 31, 2008 and 2007:

	Business Development Activities	Educational Services	All Other Operations	Eliminations	Consolidated Totals
<u>For the year ended December 31, 2008</u>					
Revenues from external customers		\$ 285,643	\$ 86,772		\$ 372,415
Management fees			320,100	\$ (320,100)	
Interest revenue	\$ 264,329	5,412	30,533		300,274
Investing gains		36,840	(660)		36,180
Other Income	1,250	3,273			4,523
Total revenues	265,579	331,168	436,745	(320,100)	713,392
General and administrative expenses	(456,007)	(335,419)	(633,011)	320,100	(1,104,337)
Income tax expense	(510)	(1,110)	(520)		(2,140)
Extraordinary gain			8,838		8,838
Minority interest	86,317	1,649			87,966
Net loss by segment	\$ (104,621)	\$ (3,712)	\$ (187,948)	-	\$ (296,281)
<u>As of December 31, 2008</u>					
Total assets by segment	\$ 10,391,442	\$ 430,317	\$ 1,438,018	-	\$ 12,259,777

	Business Development Activities	Educational Services	All Other Operations	Eliminations	Consolidated Totals
<u>For the year ended December 31, 2007</u>					
Revenues from external customers		\$ 480,612	\$ 122,706		\$ 603,318
Management fees			296,400	\$ (296,400)	
Interest revenue	\$ 517,843	11,234	83,781		612,858
Investing gains			6,574		6,574
Other Income	15,000	922	396		16,318
Total revenues	532,843	492,768	509,857	(296,400)	1,239,068
General and administrative expenses	(795,306)	(499,981)	(805,830)	296,400	(1,804,717)
Write off capitalized software costs	(37,764)				(37,764)
Write off goodwill		(90,055)			(90,055)
Income tax expense	(1,134)	(438)	(311)		(1,883)
Minority interest	140,907	2,803			143,710
Net loss by segment	\$ (160,454)	\$ (94,903)	\$ (296,284)	-	\$ (551,641)
<u>As of December 31, 2007</u>					
Total assets by segment	\$ 10,597,675	\$ 372,012	\$ 1,735,981	-	\$ 12,705,668

Note 3 – MARKETABLE SECURITIES

Marketable securities owned as of December 31, 2008 and 2007, comprised mainly of portfolio positions (equity securities) held for capital appreciation consisted of the following:

		December 31, 2008		December 31, 2007		
	Percent Owned	Estimated Fair Value	Losses in Accumulated Other Comprehensive Income	Estimated Fair Value	Gains in Accumulated Other Comprehensive Income	Losses in Accumulated Other Comprehensive Income
GolfRounds.com, Inc.	4.35%	\$ 66,000	\$ 36,000	\$ 92,400		\$ 9,600
All other equity securities	N/A	4,450	9,824	24,265	\$ 6,925	
		<u>\$ 70,450</u>	<u>\$ 45,824</u>	<u>\$ 116,665</u>	<u>\$ 6,925</u>	<u>\$ 9,600</u>

During the first quarter of 2007, the Company reclassified its marketable securities from trading securities to available for sale securities. The Company's securities are valued at fair value. Fair value is ordinarily the listed market price of the stock. If listed market prices are not indicative of fair value or if liquidating the Company's position would reasonably be expected to impact market prices, fair value is determined based on other relevant factors. Among the factors considered by management in determining fair value of the portfolio positions are the financial condition, asset composition and operating results of the issuer, the long-term business potential of the issuer and other factors generally pertinent to the valuation of investments, including the analysis of the valuation of comparable companies.

NOTE 4 – PROPERTY, PLANT & EQUIPMENT

Net property, plant and equipment as December 31 consisted of:

	<u>2008</u>	<u>2007</u>
Office Furniture and Equipment	\$ 7,391	\$ 7,391
Vehicles	24,954	
Less: Accumulated Depreciation	<u>(10,728)</u>	<u>(1,474)</u>
	<u>\$ 21,618</u>	<u>\$ 5,917</u>

NOTE 5 – KENT INTERNATIONAL HOLDINGS, INC.

In 2008, Kent International repurchased 12,468 shares of common stock in open market transactions for \$20,764. The Company recorded an extraordinary gain of approximately \$8,838, as the amount paid for the shares was less than the fair value of the net assets recorded. At December 31, 2008, the Company owned 1,900,000 shares or 53.44% of Kent International's issued shares.

Kent International Stock Option Plans

Kent International has issued certain common stock options to its employees, directors and consultants. At December 31, 2008, Kent International had 200,000 common stock options outstanding.

Kent International's 1986 Stock Option Plan ("1986 Plan") authorizes the grant of stock options to officers and employees of Kent International to purchase an aggregate of 300,000 shares of common stock. On May 8, 2008, the Kent International's Board awarded a non-qualified stock option to Bryan P. Healey to purchase 100,000 shares of Kent International's common stock under the 1986 Plan. The option has an exercise price of \$3.20 and shall become exercisable at a rate of 20,000 shares on each of the first five anniversaries of the date of grant, provided that Mr. Healey remain in the continuous employ of Kent International. The option shall expire on May 8, 2018, unless earlier terminated.

The stock options granted under the plan may be incentive stock options ("ISO") or nonstatutory stock options ("NSO"). Kent International's Board of Directors may set the rate at which the options expire, subject to limitations discussed below. However, no options shall be exercisable after the tenth anniversary of the date of grant or, in the case of ISOs, three months following termination of employment, except in cases of death or disability, for which the time or exercisability is extended. In the event of dissolution, liquidation or other corporate reorganization, all stock options outstanding under the 1986 Plan would become exercisable in full.

ISOs may not be granted at an exercise price of less than the fair market value of the common stock at the date of grant. If an ISO is granted to an employee who owns more than 10% of the Kent International's total voting stock, such exercise price shall be at least 110% of fair market value of the common stock, and the ISO shall not be exercisable until after five years from the date of grant. The exercise price of each NSO may not be less than 85% of the fair market value of the common stock at the date of grant.

The plan also provides for stock appreciation rights, which may be granted with respect to any stock option. No stock appreciation rights have been granted through December 31, 2008.

A summary of the status of Kent International's 1986 Plan as of December 31, 2008 and 2007 and changes during the years ended on those dates is presented below:

	2008			2007		
	Shares	Weighted-Average Exercise Price	Range of Exercise Price	Shares	Weighted-Average Exercise Price	Range of Exercise Price
Options outstanding at the beginning of the year	120,000	\$ 3.50	\$ 3.50	290,850	\$ 3.52	\$3.50 - \$7.34
Awarded	100,000	\$ 3.20	\$ 3.20			
Expired	<u>(20,000)</u>	\$ 3.50	\$ 3.50	<u>(170,850)</u>	\$ 3.54	\$3.50 - \$7.34
Options outstanding at the end of the year	<u>200,000</u>	\$ 3.35	\$3.20-\$3.50	<u>120,000</u>	\$ 3.50	\$ 3.50
Options exercisable at the end of the year	<u>100,000</u>	\$ 3.50	\$ 3.50	<u>120,000</u>	\$ 3.50	\$ 3.50

During the year ended December 31, 2007, 300 common stock options with an exercise price of \$7.34 awarded to certain directors and consultants outside of the 1986 plan expired.

For all Kent International options outstanding and exercisable at December 31, 2008, the exercise price ranges are:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding at December 31, 2008	Weighted Average Remaining Life (in Years)	Weighted Average Exercise Price	Number Outstanding at December 31, 2008	Average Remaining Life (in Years)	Weighted Average Exercise Price
\$3.20-\$3.50	200,000	5.45	\$ 3.35	100,000	1.54	\$ 3.50

NOTE 6 - INCOME TAXES

Income tax expense was made up entirely of income taxes due to the State of New Jersey in 2008 and 2007. As a result, the income tax expense for the years ended December 31, 2008 and 2007 is different from the amount computed by multiplying earnings before income taxes by the statutory Federal income tax rate of 35%. The reasons for this difference and the related tax effect are as follows:

	<u>2008</u>	<u>2007</u>
Expected tax benefit based on income before taxes	\$ (103,698)	\$ (193,074)
Increase (decrease) in tax from:		
State income taxes	2,140	1,883
Post employment benefit obligations	12,415	14,284
Stock based compensation		12,421
Change in valuation allowance	91,283	166,369
	<u> </u>	<u> </u>
Provision for income tax	<u>\$ 2,140</u>	<u>\$ 1,883</u>

Temporary differences and carryforwards that result in the Company's net deferred tax asset at December 31, 2008 are as follows:

	<u>Company</u>	<u>Kent International</u>	<u>Total</u>
Net operating loss carryforwards	\$ 2,559,335	\$ 63,368,181	\$ 65,927,516
Mark-to-market valuation adjustments	188,408		188,408
Post employment benefit obligations	720,000		720,000
Stock based compensation deductions	(35,488)	(5,858)	(41,346)
	<u>3,432,255</u>	<u>63,362,323</u>	<u>66,794,578</u>
Statutory federal income tax rate	35%	35%	35%
Expected income tax benefit	1,201,289	22,176,813	23,378,102
Research and development and other credits		1,848,114	1,848,114
	<u>1,201,289</u>	<u>24,024,927</u>	<u>25,226,216</u>
Valuation Allowance	(1,201,289)	(24,024,927)	(25,226,216)
Net deferred tax asset December 31, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Temporary differences and carryforwards that result in the Company's net deferred tax asset at December 31, 2007 were as follows:

	<u>Company</u>	<u>Kent International</u>	<u>Total</u>
Net operating loss carryforwards	\$ 2,559,335	\$ 77,603,669	\$ 80,163,004
Mark-to-market valuation adjustments	187,318		187,318
Post employment benefit obligations	684,529		684,529
Stock based compensation deductions	(35,488)		(35,488)
	<u>3,395,694</u>	<u>77,603,669</u>	<u>80,999,363</u>
Statutory federal income tax rate	35%	35%	35%
Expected income tax benefit	1,188,493	27,161,284	28,349,777
Research and development and other credits		2,233,972	2,233,972
	<u>1,188,493</u>	<u>29,395,256</u>	<u>30,583,749</u>
Valuation Allowance	(1,188,493)	(29,395,256)	(30,583,749)
Net deferred tax asset December 31, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Deferred tax assets reflect the net effects of operating loss and tax credit carryforwards and the temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and the amounts used for income tax purposes. Based upon Kent International's and the Company's operating history, which includes continuous operating losses (excluding extraordinary gains) in each of the last five years and the Company's assessment of Kent International's and the Company's ability to achieve future taxable income, a 100% valuation allowance has been established for Kent International's and the Company's deferred tax assets. Approximately \$61.3 million of the \$67 million operating loss carryforward expires between 2009 and 2014.

The Tax Reform Act of 1986 contained provisions that may limit the NOL and credit carryforwards available to be used in any given year upon the occurrence of certain events, including significant changes in ownership of a company of greater than 50% within a three year period which results in an annual limitation on the Company's ability to utilize its NOLs and tax credit carryforwards from tax periods prior to the ownership change.

NOTE 7 – COMPENSATION CONTRACTS AND POST-EMPLOYMENT BENEFITS

Paul O. Koether's employment agreement ("Agreement") pursuant to which Mr. Koether serves as the Company's Chairman is for a three year term at an annual salary of \$240,000 ("Base Salary"); this term is automatically extended one day for each day elapsed after May 12, 2008. Mr. Koether may terminate his employment after a change of control for good reason in accordance with certain provisions of the Agreement, at which time he would be paid the greater of the (i) Base Salary payable under the Agreement through the expiration date of the Agreement or (ii) an amount equal to three times the average annual Base Salary paid to him during the preceding five years. In the event of Mr. Koether's death during the term of the Agreement, his beneficiary shall be paid a death benefit equal to three years Base Salary, payable in 36 equal monthly installments. Should Mr. Koether become "disabled" (as such term is defined in the Agreement) during the term of the Agreement and either long-term disability insurance is not provided by the Company or such policy does not provide an annual benefit to age 80 equal to 80% or more of Mr. Koether's Base Salary, he shall be paid an annual disability payment equal

to 80% of his Base Salary in effect at the time of the disability. Such payments shall continue until Mr. Koether attains the age of 80.

Bryan P. Healey's employment agreement (the "Healey Agreement") pursuant to which Mr. Healey serves as the Company's Chief Financial Officer is for a two year term at an annual salary of \$140,000 ("Healey Base Salary"), this term is automatically extended one day for each day elapsed after May 15, 2007. The Healey Base Salary was increased to \$156,000 annually effective January 1, 2008. In the event of Mr. Healey's death during the term of the Healey Agreement, his beneficiary shall be paid a death benefit equal to his then current annual salary in equal monthly installments for the remainder of the term of the Healey Agreement. Should Mr. Healey become disabled during the term of the Healey Agreement, Mr. Healey shall be paid such benefits to which he is entitled under the terms of such long-term insurance as the Company has provided him or 80% of his salary for the remainder of the two year term of the Healey Agreement, whichever is greater, in accordance with his regular payment schedule.

The Company has accrued approximately \$720,000 and \$684,529 as of December 31, 2008 and 2007, respectively, for post employment benefits related to Mr. Koether's contract. The Company charged approximately \$35,471 and \$40,812 to operations for post employment benefit accruals in 2008 and 2007, respectively.

NOTE 8 – STOCKHOLDERS' EQUITY

Preferred Stock

The Company is authorized to issue 500,000 shares of preferred stock without par value, which may be issued with various terms in one or more series, as the Board of Directors may determine. No preferred stock has been issued as of December 31, 2008.

Common Stock Repurchases

In August 2004, the Board of Directors approved a plan to repurchase up to 200,000 shares of the Company's common stock at prices deemed favorable in the open market or in privately negotiated transactions subject to market conditions, the Company's financial position and other considerations. As of December 31, 2008, 135,081 shares under this plan had been repurchased, canceled and returned to the status of authorized but unissued shares.

Stock Options

On November 25, 2005, shareholders of the Company approved the 2005 Stock Option Plan making a total of 400,000 common stock options available for issuance. Subsequently, 300,000 options were awarded to Dr. Qun Yi Zheng, the former President of Kent, on the same date. 33,000 of these options were immediately exercisable with an additional 33,000 becoming exercisable on the first eight anniversaries of the grant date. On August 31, 2007, the effective date of Dr. Zheng's resignation, the 66,000 common stock options that had become exercisable were forfeited as were the 234,000 options that were still unexercisable. At December 31, 2008 and 2007, the Company had no common stock options outstanding.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Company receives a monthly management fee of \$21,000 from Kent International for management services. These services include, among other things, preparation of periodic and other filings with the Securities and Exchange Commission, evaluating merger and acquisition proposals, providing internal accounting services and shareholder relations. Additionally, Kent International's executive offices are located in the premises provided by the Company; however, no separate payment is made for use of the premises. This arrangement may be terminated at will by either party. The monthly management fee revenue and offsetting expense is eliminated during consolidation. The Company is the beneficial owner of approximately 53.44% of Kent International's outstanding Common Stock at December 31, 2008. Paul O. Koether, Chairman of the Company is also the Chairman of Kent International and the beneficial owner of approximately 59.11% of the Company's outstanding common stock. Bryan P. Healey, Chief Financial Officer and Director of the Company is also the Chief Financial Officer and Director of Kent International and the son-in-law of Paul O. Koether.

The Company and its consolidated subsidiaries reimburse an affiliate, Bedminster Management Corp., for the allocated direct cost of group health insurance and office supplies. These reimbursements were approximately \$60,802 and \$83,481 in the years ended December 31, 2008 and 2007, respectively. Bedminster Management Corp. facilitates the allocation of certain central administrative costs on a cost reimbursement basis and is owned equally by Kent, Kent International and T.R. Winston & Company, LLC.

NOTE 10 - LEGAL PROCEEDINGS

Texas American Petrochemicals, Inc. ("TAPI")

By letter dated May 24, 2005, the Texas Commission on Environmental Quality ("TCEQ") advised Texas American Petrochemicals, Inc. ("TAPI"), that it was a person responsible for solid waste at a hazardous waste site in Texas. TAPI is an inactive subsidiary of the Company with no assets. The TCEQ determined that the amount owed to the State of Texas for remediation is \$2,459,594 and that failure to pay that amount would result in the matter being referred to the TCEQ Litigation Division. The Company has been advised by its environmental counsel that it has good legal arguments to support its position that it should not be subject to liability for the remediation costs of the site, however no assurances can be made as to the outcome of this matter.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company carried out, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) in ensuring that information required to be disclosed by the Company in its reports is recorded, processed, summarized and reported within the required time periods. In carrying out that evaluation, management identified a material weakness (as defined in Public Company Accounting Oversight Board Standard No. 2) in our internal control over financial reporting regarding a lack of adequate segregation of duties. Accordingly, based on their evaluation of our disclosure controls and procedures as of December 31, 2008, the Company's Chief Executive Officer and its Chief Financial Officer have concluded that, as of that date, the Company's controls and procedures were not effective for the purposes described above.

There was no change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the quarter ended December 31, 2008 that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. We have assessed the effectiveness of those internal controls as of December 31, 2008, using the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") *Internal Control – Integrated Framework* as a basis for our assessment.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

A material weakness in internal controls is a deficiency in internal control, or combination of control deficiencies, that adversely affects the Company's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a material misstatement of the Company's annual or interim financial statements that is more than inconsequential will not be prevented or detected. In the course of making our assessment of the effectiveness of internal controls over

financial reporting, we identified a material weakness in our internal control over financial reporting. This material weakness consisted of inadequate staffing and supervision within the bookkeeping and accounting operations of our company. The relatively small number of employees who have bookkeeping and accounting functions prevents us from segregating duties within our internal control system. The inadequate segregation of duties is a weakness because it could lead to the untimely identification and resolution of accounting and disclosure matters or could lead to a failure to perform timely and effective reviews.

As we are not aware of any instance in which the company failed to identify or resolve a disclosure matter or failed to perform a timely and effective review, we determined that the addition of personnel to our bookkeeping and accounting operations is not an efficient use of our resources at this time and not in the interest of shareholders.

Because of the above condition, the Company's internal controls over financial reporting were not effective as of December 31, 2008.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

M. Michael Witte resigned as Director of the Company effective September 30, 2008. Mr. Witte had served as a Director of the Company since 1986. On October 6, 2008, Dr. James L. Bicksler was elected a Director of the Company to fill the vacancy created by Mr. Witte's resignation.

The current members of the Board of Directors were elected at the 2008 Annual Meeting and will serve until the next Annual Meeting or until their successors have been duly elected and qualified. The Company's officers are elected by and serve at the leave of the Board. The directors and executive officers of the Company at February 29, 2008 were as follows:

<u>Name</u>	<u>Age</u>	<u>Position Held</u>
Paul O. Koether	72	Chairman, Chief Executive Officer and Director
William Mahomes, Jr.	62	Director
Casey K. Tjang	70	Director
James L. Bicksler	71	Director
Bryan P. Healey	38	Chief Financial Officer and Director

Paul O. Koether has been Chairman, Director and Chief Executive Officer of the Company since July 1987 and President of the Company from October 1990 until November 2005, and until December 31, 2003 when it was dissolved, the general partner of Shamrock Associates, an investment partnership which was the principal stockholder of the Company. Mr. Koether was Chairman from April 1988 to July 2005, President from April 1989 to February 1997 and director from March 1988 to July 2005 of Pure World, Inc., ("Pure World") and from December 1994 until July 2005 a director and from January 1995 to July 2005 Chairman of Pure World's wholly owned subsidiary, Pure World Botanicals, Inc., a manufacturer and distributor of natural products. Mr. Koether was Chairman and a Director of Sun Equities Corporation, ("Sun") a private company until Sun was merged into Pure World in December 2004. Mr. Koether was Chairman from 1990 until August 2003 and a registered representative since 1989 of T. R. Winston & Company, LLC. ("Winston"). Since September 1998, Mr. Koether has been a director, Chairman and Chief Executive Officer as well as President from October 2003 until November 2005, of Kent International Holdings, Inc., a biopharmaceutical company formerly known as Cortech, Inc. that is seeking to redeploy its assets. Bryan P. Healey, Chief Financial Officer and Director of the Company is the son-in-law of Paul O. Koether.

William Mahomes, Jr. currently is a senior shareholder in Simmons Mahomes P.C., a law firm emphasizing commercial real estate transactions, public finance, business transactions and mediation. From 1997 to May 2001, Mr. Mahomes was in the private practice of law emphasizing mediation, real estate and commercial transactions. From 1994 to March 1997, Mr. Mahomes was a senior shareholder with a major Texas law firm. From 1989 to 1994, he was an international partner in the Dallas office of a major international law firm. From 1993 to July 2005, Mr. Mahomes was a director of Pure World. Mr. Mahomes currently serves on the Board of Directors of a variety of organizations, including the Center for New Ventures and Entrepreneurship (Texas A&M University), The Association of Former Students at Texas A&M University and the Texas Affiliate Board of Healthcare Service Corporation (HCSC), also known as Blue Cross and Blue Shield of Texas.

Casey K. Tjang. has been a Director of the Company since 1992. Since January 2004, he has been chairman and chief executive officer of First Merchant Bankers, Inc., a private merchant bank dealing with Asia-Pacific businesses. From September 2001 to February 2002, he has been President and Chief Executive Officer and from August 2000 to September 2001 was Chief Financial Officer of Knowledgewindow, Inc., an e-learning provider of Internet training. Since February 2002, Mr. Tjang has been President and Chief Executive Officer of Princeton Accredited Services, Inc. and Erudite Internet Systems, Inc. an e-learning custom courseware developer and provider of an Internet based distance education system. Since 2005, he has been chairman and chief executive officer of Princeton Business School, a provider of an online education towards Entrepreneurial Master of Business Administration degree program.

James L. Bicksler, Ph.D., Director of the Company since October 2008 has been a Professor of Finance and Economics, Rutgers Business School, Rutgers, the State University of New Jersey, since 1969 as well as a Director of Kent International Holdings, Inc. from 1998 through September 30, 2008.

Bryan P. Healey, a certified public accountant, has been Vice-President, Secretary and Chief Financial Officer of the Company since May 2006 and a Director since November 2007. Mr. Healey has also been Vice-President, Secretary and Chief Financial Officer since May 2006 and a Director since November 2007 of Kent International Holdings, Inc. Since July 2006, Mr. Healey has been a registered

representative of T. R. Winston & Company, LLC. From September 1995 to April 2006, Mr. Healey was with Bowman & Company, L.L.P., the largest CPA firm in Southern New Jersey, in various positions including audit manager from July 2001 to April 2006.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act requires the Company's officers and directors and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the Securities and Exchange Commission ("SEC"). Officers and directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Forms 3, 4 and 5 which they file.

Based solely on the Company's review of the copies of such forms it has received, the Company believes that all its officers, directors and greater than ten percent beneficial owners complied with all filing requirements applicable to them with respect to transactions during fiscal 2008.

Audit Committee

The Board of Directors of the Company has determined that Casey K. Tjang is an audit committee financial expert, as that term is defined under SEC rules and that Mr. Tjang is independent, as the term is used in Item 7(d)(3)(iv) of Schedule 14A under the Exchange Act. The Company has a separately designated standing Audit Committee whose members are William Mahomes, Jr. Esq., Casey K. Tjang and James L. Bicksler.

Nominating Committee; Compensation Committee

The Board of Directors has neither a nominating committee nor a compensation committee. The Board believes that its numbers are sufficiently small that nominations and determinations of compensation can be addressed by the entirety of the Board.

Code of Ethics

The Company has adopted a Code of Ethics that applies to its principal executive officer and principal financial officer. Stockholders may write to Bryan P. Healey, the Secretary of the Company, at the Company's principal executive office: 211 Pennbrook Road, P.O. Box 97, Far Hills, New Jersey 07931, to request a copy of the Code of Ethics, and the Company will provide it to any person without charge upon such request.

Item 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The table shown below includes information concerning the annual compensation for services in all capacities to the Company for the fiscal years ended December 31, 2008 and 2007, for those persons who were, at December 31, 2008 and 2007, the chief executive officer, the principal financial officer and the most highly paid executive officer other than the chief executive officer and principal financial officer

(the "Named Officers"). The Company did not compensate any officers over \$100,000 other than the Named Officers.

Name and Principal Position	Year	Salary	Bonus	Option Awards	All Other Compensation (2)	Total
Paul O. Koether	2008	\$240,000			\$ 44,604 (3)	\$ 284,604
Chief Executive Officer and	2007	240,000			50,942 (3)	290,942
Chairman of the Board	2006	240,000			51,653 (3)	291,653
Qun Yi Zheng (4)	2008				1,541	1,541
President	2007	133,333			163,854 (4) (5)	297,187
	2006	200,000		\$ 35,488	33,495 (5)	268,983
Bryan P. Healey	2008	156,000	\$ 10,000	5,858 (6)		171,858
Chief Financial Officer,	2007	140,000	10,000			150,000
Principal Financial and	2006	93,333			3,990 (6)	97,323
Accounting Officer						

(1) The Company has no bonus or deferred compensation plans and pays bonuses at the discretion of the Board based on performance.

(2) Omitted from this table are amounts paid for group life, health and hospitalization insurance provided to the Named Officers. These benefits do not discriminate in scope, terms or operation in favor of executive officers or directors and are generally available to all salaried employees.

(3) Amounts include \$35,471, \$40,812, and \$38,142 accrued in 2008, 2007 and 2006, respectively, for post employment benefit obligations including change in control and death benefit provisions pursuant to Mr. Koether's employment contract. All Other Compensation also includes \$9,133, \$10,130, and \$19,511 paid in 2008, 2007, and 2006, respectively, to lease an automobile used for business purposes.

(4) The salary and perquisites of Dr. Zheng were paid by Kent International, a subsidiary of the Company. Dr. Zheng resigned effective August 31, 2007.

(5) Amount includes \$13,518 and \$13,159 paid by Kent International in 2007 and 2006, respectively for Dr. Zheng's country club membership, \$1,846 paid in 2007 and 2006 for Dr. Zheng's life insurance premiums and \$1,541, \$18,490, and \$18,490 paid in 2008, 2007 and 2006, respectively, to lease an automobile used for business purposes. All Other Compensation also includes \$130,000 paid in accordance with the separation agreement with Dr. Zheng dated August 24, 2007.

(6) Represents stock-based compensation expense imputed to Mr. Healey by Kent International in 2008. Amounts in 2006 include relocation expenses in the amount of \$3,990 paid to Mr. Healey.

Outstanding Equity Awards at Fiscal Year End

There were no outstanding equity awards at December 31, 2008.

Director Compensation Table

Directors who are not employees of the Company receive a monthly fee of \$1,000 plus \$200 for each day of attendance at board and committee meetings. During 2008, the Company paid directors' fees in the aggregate amount of \$38,800. The table below includes information about compensation paid to our non-employee directors:

Name	Fees Earned or Paid in Cash	Total
William Mahomes, Jr.	\$ 12,800	\$ 12,800
Casey K. Tjang	13,000	13,000
M. Michael Witte	9,600	9,600
James. L. Bicksler	3,400	3,400
	\$ 38,800	\$ 38,800

Employment Agreements

Paul O. Koether

On May 12, 2008 ("Effective Date") the Company and Paul O. Koether entered into an employment agreement ("Koether Agreement") pursuant to which Mr. Koether serves as the Company's Chairman for an initial three year term at an annual salary of \$240,000 ("Base Salary"), which may be increased but not decreased at the discretion of the Board of Directors. The term is to be automatically extended one day for each day elapsed after the Effective Date.

Mr. Koether may terminate his employment under the Koether Agreement at any time for "good reason" (defined below) within 36 months after the date of a Change in Control (defined below) of the Company. Upon his termination, he shall be paid the greater of the (i) Base Salary payable under the Koether Agreement through the expiration date of the Koether Agreement or (ii) an amount equal to three times the average annual Base Salary paid to him during the preceding five years.

A Change in Control is deemed to have occurred if (i) any individual or entity, other than individuals beneficially owning, directly or indirectly, common stock of the Company representing 30% or more of the Company's stock outstanding as of May 12, 2008, is or becomes the beneficial owner, directly or indirectly, of 30% or more of the Company's outstanding stock or (ii) individuals constituting the Board of Directors on May 12, 2008 ("Incumbent Board"), including any person subsequently elected to the Board whose election or nomination for election was approved by a vote of at least a majority of the Directors comprising the Incumbent Board, cease to constitute at least a majority of the Board. "Good reason" means a determination made solely by Mr. Koether, in good faith, that as a result of a Change in Control

he may be adversely affected (i) in carrying out his duties and powers in the fashion he previously enjoyed or (ii) in his future prospects with the Company.

Mr. Koether may also terminate his employment if the Company fails to perform its obligations under the Koether Agreement (including any material change in Mr. Koether's duties, responsibilities and powers or the removal of his office to a location more than five miles from its current location) which failure is not cured within specified time periods.

The Company may terminate Mr. Koether's employment under the Koether Agreement for "cause" which is defined as (i) Mr. Koether's continued failure to substantially perform his duties under the Koether Agreement (other than by reason of his mental or physical incapacity or the removal of his office to a location more than five miles from its current location) which is not cured within specified time periods, or (ii) Mr. Koether's conviction of any criminal act or fraud with respect to the Company. The Company may not terminate Mr. Koether's employment except by a vote of not less than 80 percent of the entire Board of Directors at a meeting at which Mr. Koether is given the opportunity to be heard.

In the event of Mr. Koether's death during the term of the Koether Agreement, his beneficiary shall be paid a death benefit equal to \$240,000 per year for three years payable in equal monthly installments. Should Mr. Koether become "disabled" (as such term is defined in the Koether Agreement) during the term of the Koether Agreement and either long-term disability insurance is not provided by the Company or such policy does not provide an annual benefit to age 80 equal to 80% or more of Mr. Koether's base salary, he shall be paid an annual disability payment equal to 80% of his base salary in effect at the time of the disability. Such payments shall continue until Mr. Koether attains the age of 80.

Bryan P. Healey

Effective May 15, 2006 the Company and Bryan P. Healey, CPA entered into an employment agreement ("Healey Agreement") pursuant to which Mr. Healey serves as the Company's Chief Financial Officer for an initial two year term at an annual salary of \$140,000 ("Healey Base Salary"), which may be increased but not decreased at the discretion of the Board of Directors. The Healey Base Salary increased to \$156,000 annually effective January 1, 2008. The Healey Agreement was automatically extended for one day for each day elapsed after May 15, 2007, converting the term of the Healey Agreement to a contract with a two year 'evergreen' term, commencing on May 15, 2007.

Mr. Healey may terminate his employment under the Healey Agreement at any time for "good reason" (defined below) within 36 months after the date of a "Change in Control" (defined below). Upon his termination, Mr. Healey shall be paid the Healey Base Salary payable under the Healey Agreement through the expiration date of the Healey Agreement.

A Change in Control is deemed to have occurred if (i) any individual or entity, other than individuals beneficially owning, directly or indirectly, common stock of the Company representing 50.1% or more of the Company's stock outstanding as of May 15, 2006, is or becomes the beneficial owner, directly or indirectly, of 50.1% or more of the Company's outstanding stock or (ii) individuals constituting the Board of Directors on May 15, 2006 ("Incumbent Board"), including any person subsequently elected to the Board whose election or nomination for election was approved by a vote of at least a majority of the Directors comprising the Incumbent Board, cease to constitute at least a majority of the Board. "Good reason" means a determination made solely by Mr. Healey, in good faith, that as a result of a Change in

Control he may be adversely affected (i) in carrying out his duties and powers in the fashion he previously enjoyed or (ii) in his future prospects with the Company.

Mr. Healey may also terminate his employment if the Company fails to make the payments specified in the Healey Agreement, or if the Company fails to make such payments for a period of five days after Mr. Healey has given notice of such failure.

The Company may terminate Mr. Healey's employment under the Healey Agreement for "cause" which is defined as (i) Mr. Healey's continued failure to substantially perform his duties under the Healey Agreement (other than by reason of his incapacity due to physical or mental illness) which is not cured within specified time frames or (ii) Mr. Healey's conviction of any criminal act of fraud. The Company may not terminate Mr. Healey's employment except by a vote of not less than 75% of the entire Board of Directors at a meeting at which Mr. Healey is given the opportunity to be heard.

In the event of Mr. Healey's death during the term of the Agreement, his beneficiary shall be paid a death benefit equal to his then current annual salary in equal monthly installments for the remainder of the term of the Healey Agreement. Should Mr. Healey become disabled during the term of the Healey Agreement, Mr. Healey shall be paid such benefits to which he is entitled under the terms of such long-term insurance as the Company has provided him or 80% of his salary for the remainder of the two year term of the Healey Agreement, whichever is greater, in accordance with his regular payment schedule.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table provides information with respect to the Company's common stock beneficially owned as of February 27, 2009 by each director and executive officer of the Company, by each person having beneficial ownership of five percent or more of the Company's common stock and by all directors and officers of the Company as a group.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership ⁽¹⁾</u>	<u>Percent of Class</u>
Paul O. Koether 211 Pennbrook Road Far Hills, NJ 07931	1,630,915 ⁽²⁾	59.11%
William Mahomes, Jr. 900 Jackson Street Suite 540 Dallas, TX 75202	-	-
Casey K. Tjang 510 Tallwood Lane Greenbrook, NJ 08812	-	-
James L. Bicksler 96 Inwood Avenue Upper Montclair, NJ 07043	-	-
Jennifer S. Healey c/o 211 Pennbrook Road Far Hills, NJ 07931	809,444 ⁽³⁾	29.34%
Bryan P. Healey c/o 211 Pennbrook Road Far Hills, NJ 07931	830,044 ⁽⁴⁾	30.08%
Marital Trust u/w/o Natalie I. Koether 211 Pennbrook Road Far Hills, NJ 07931	491,987	17.83%
All Directors and Executive Officers as a Group (6 persons)	1,710,959	62.01%

(1) The beneficial owner has both sole voting and sole investment powers with respect to these shares except as set forth in other footnotes below. Included in such number of shares beneficially owned are

shares subject to options currently exercisable or becoming exercisable within 60 days for all directors and executive officers as a group.

- (2) Includes 75,287 shares held in Mr. Koether's IRA and 491,987 shares beneficially owned by the Marital Trust u/w/o Natalie I. Koether. As trustee, Mr. Koether may be deemed to own these shares beneficially. Also includes 750,000 shares owned by Ms. Healey that Paul O. Koether has been granted sole voting power over as proxy agent.
- (3) Includes 25,800 shares owned in custodial accounts for the benefit of family members. Also includes 750,000 shares owned by Ms. Healey that Paul O. Koether has been granted sole voting power over as proxy agent.
- (4) Includes 12,000 shares held in Mr. Healey's IRA, 783,644 shares beneficially owned by Mr. Healey's spouse and 25,800 shares owned in custodial accounts for the benefit of family members.

Stock Option and Stock Appreciation Rights; Grants and Exercises

In 2005, stockholders holding approximately 54.69% of the outstanding common stock of the Company approved the Kent Financial Services, Inc. 2005 Stock Option Plan ("2005 Stock Option Plan"), by written consent. The Board of Directors also approved the 2005 Stock Option Plan. Under the 2005 Stock Option Plan, a total of 400,000 shares of Common Stock were available for issuance to key employees, including officers of the Company or any of its subsidiaries. At December 31, 2008, the Company had no common stock options outstanding.

Long-Term Incentive Plan Awards Table and Defined Benefit or Actuarial Plan Table

The Company does not maintain any long-term incentive plans or defined benefit or actuarial plans.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Certain Relationships and Related Transactions

The Company receives a monthly management fee of \$21,000 from Kent International for management services. These services include, among other things, preparation of periodic and other filings with the Securities and Exchange Commission, evaluating merger and acquisition proposals, providing internal accounting services and shareholder relations. This arrangement may be terminated at will by either party. The monthly management fee revenue and offsetting expense is eliminated during consolidation. The Company is the beneficial owner of approximately 53.44% of Kent International's outstanding Common Stock at December 31, 2008. Paul O. Koether, Chairman of the Company is also the Chairman of Kent International and the beneficial owner of approximately 59.11% of the Company's outstanding common stock. Bryan P. Healey, Chief Financial Officer and Director of the Company is also the Chief Financial Officer and Director of Kent International and the son-in-law of Paul O. Koether.

The Company and its consolidated subsidiaries reimburse an affiliate, Bedminster Management Corp., for the allocated direct cost of group health insurance and office supplies. These reimbursements were approximately \$60,802 and \$83,481 in the years ended December 31, 2008 and 2007, respectively. Bedminster Management Corp. facilitates the allocation of certain central administrative costs on a cost reimbursement basis and is owned equally by Kent, Kent International and T.R. Winston & Company, LLC.

Director Independence

The following members of our Board of Directors are independent, as “independent” is defined in the rules of the NASDAQ Stock Market: William Mahomes, Jr., Casey K. Tjang and James L. Bicksler.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Company’s Principal Accountant for 2008 and 2007 was Paritz and Company, P.A. (“Paritz”).

Year ended December 31, 2008

Audit Fees: The aggregate fees, including expenses, expected to be billed by Paritz in connection with the audit of the Company’s consolidated financial statements and for the review of the Company’s financial information included in the Company’s Annual Report on Form 10-K for the fiscal year ending December 31, 2008 are \$21,500. The aggregate fees, including expenses, billed by Paritz in connection with the review of the Company’s financial information included in the Company’s quarterly reports on Form 10-Q filed during the fiscal year ending December 31, 2008 were \$6,000.

Audit Related Fees: No audit related fees were billed to the Company by Paritz in 2008.

Tax Fees: The aggregate fees, including expenses, billed by Paritz in connection with the preparation of income tax returns for the Company during fiscal year ended December 31, 2008 were \$2,500.

All Other Fees: There were no other fees billed to the Company by Paritz during 2008.

Year ended December 31, 2007

Audit Fees: The aggregate fees, including expenses, expected to be billed by Paritz in connection with the audit of the Company’s consolidated financial statements and for the review of the Company’s financial information included in the Company’s Annual Report on Form 10-KSB for the fiscal year ending December 31, 2007 are \$21,500. The aggregate fees, including expenses, billed by Paritz in connection with the review of the Company’s financial information included in the Company’s quarterly reports on Form 10-QSB filed during the fiscal year ending December 31, 2007 were \$6,000.

Audit Related Fees: The aggregate fees, including expenses, billed by Amper, Politziner and Mattia, LLP (“APM”) in 2007, related to issuing a consent opinion for the year ended December 31, 2005 included in the Company’s Annual Report on Form 10-KSB for the fiscal year ending December 31, 2006 were \$5,000.

Tax Fees: The aggregate fees, including expenses, billed by Paritz in connection with the preparation of income tax returns for the Company during fiscal year ended December 31, 2007 were \$2,500.

All Other Fees: There were no other fees billed to the Company by either APM or Paritz during 2007.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee pre-approved all non-audit work performed by the Company's principal accountant, specifically, the preparation of income tax returns for the Company.

Item 15. EXHIBITS

The following exhibits are filed as part of this report:

(a) Exhibits

- 3.1 Articles of Incorporation of Kent Financial Services, Inc. ⁽¹⁾
- 3.2 Bylaws of Kent Financial Services, Inc. ⁽¹⁾
- 9 Irrevocable proxy agreement between Jennifer S. Healey and Paul O. Koether. ⁽²⁾
- 10.1 Employment Agreement, dated May 12, 2008 by and between Kent Financial Services, Inc. and Paul O. Koether. ^{(3)**}
- 10.2 Employment Agreement, dated May 15, 2006 by and between Kent Financial Services, Inc. and Bryan P. Healey. ^{(4)**}
- 10.3 Kent Financial Services 2005 Stock Option Plan, Form of Incentive Stock Option and Form of Non-Qualified Stock Option. ⁽⁵⁾
- 21 Subsidiaries*
- 31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
- 31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
- 32 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

* Filed herewith.

** Compensatory Plan

- (1) Filed as an exhibit to the Company's Form 8-K filed on December 20, 2006, and incorporated herein by reference.
- (2) Filed as an exhibit to the Company's Form 8-K filed on March 2, 2009, and incorporated herein by reference.
- (3) Incorporated by reference to Kent Financial Services, Inc. Form 10-Q for the period ended June 30, 2008.
- (4) Filed as an exhibit to the Company's Form 8-K filed on May 1, 2006, and incorporated herein by reference.
- (5) Filed as an exhibit to the Company's Form 8-K filed on December 2, 2005, and incorporated herein by reference.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KENT FINANCIAL SERVICES, INC.

Dated: March 26, 2009

BY /s/ Paul O. Koether
Paul O. Koether
Chairman of the Board and Director
(Principal Executive Officer)

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Dated: March 26, 2009

/s/ Paul O. Koether
Paul O. Koether
Chairman of the Board and Director
(Principal Executive Officer)

Dated: March 26, 2009

/s/ Bryan P. Healey
Bryan P. Healey
Chief Financial Officer, Secretary
and Director
(Principal Financial and
Accounting Officer)

Dated: March 26, 2009

/s/ William Mahomes, Jr.
William Mahomes, Jr.
Director

Dated: March 26, 2009

/s/ Casey K. Tjang
Casey K. Tjang
Director

Dated: March 26, 2009

/s/ James L. Bicksler
James L. Bicksler
Director

KENT FINANCIAL SERVICES, INC.

Subsidiaries

<u>Name of Subsidiary</u>	<u>State of Incorporation</u>
Kent International Holdings, Inc.	Nevada
Kent Educational Services, Inc.	Delaware
The Academy for Teaching and Leadership, Inc.	Delaware
Texas American Petrochemicals, Inc. (inactive)	Texas

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Paul O. Koether, certify that:

1. I have reviewed this Annual Report on Form 10-K of Kent Financial Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 26, 2009

/s/ PAUL O. KOETHER
Paul O. Koether
Chairman and Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Bryan P. Healey, certify that:

1. I have reviewed this Annual Report on Form 10-K of Kent Financial Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 26, 2009

/s/ BRYAN P. HEALEY
Bryan P. Healey
Chief Financial Officer
and Secretary

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Public Company Accounting Reform and Investor Protection Act of 2002 (18 U.S.C. 1350, as adopted), Paul O. Koether, the Chief Executive Officer of Kent Financial Services, Inc., (the "Company"), and Bryan P. Healey, the Chief Financial Officer of the Company each hereby certifies that, to the best of his knowledge:

1. The Annual Report on Form 10-K of the Company for the period ended December 31, 2008, (the "Annual Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended;

and

2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 26, 2009

/s/ Paul O. Koether
Paul O. Koether
Chief Executive Officer

/s/ Bryan P. Healey
Bryan P. Healey
Chief Financial Officer