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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING October 1, 2007 AND ENDING September 30, 2008
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Grigsby & Associates, Inc.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
311 California Street Suite 320
(No. and Street)
San Francisco California 94104
(City) (State) (Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
William Chin (415) 392-4800
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Breard & Associates Inc., Certified Public Accountants

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

9221 Corbin Avenue, Suite 170 Northridge CA 91324
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

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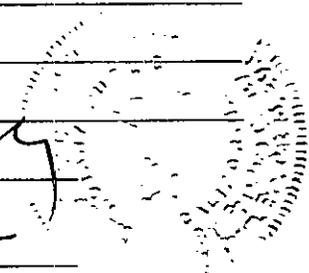
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

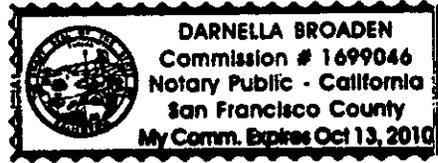
I, Calvin B. Grigsby, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Grigsby & Associates, Inc. of September 30, 2008, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

State of California
County of San Francisco
Subscribed and sworn (or affirmed) to before me this 16th day of November, 2008 by Calvin B. Grigsby on the basis of satisfactory evidence to be the person(s) who appeared before me.

Cal B. Grigsby
Signature
PRESIDENT
Title



Darnella Broaden
Notary Public



This report ** contains (check all applicable boxes):

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss)
(d) Statement of Changes in Cash Flows
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

Grigsby & Associates, Inc. and Subsidiary

Report Pursuant to Rule 17a-5 (d)

Consolidated Financial Statements

For the Year Ended September 30, 2008

BREARD & ASSOCIATES, INC.
Certified Public Accountants

Independent Auditor's Report

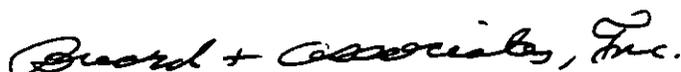
Board of Directors
Grigsby & Associates, Inc. and Subsidiary:

We have audited the accompanying consolidated statement of financial condition of Grigsby & Associates, Inc. and Subsidiary (the Company) as of September 30, 2008, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Grigsby & Associates, Inc. and Subsidiary as of September 30, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Breard & Associates, Inc.
Certified Public Accountants

Oakland, California
November 26, 2008

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Grigsby & Associates, Inc. and Subsidiary
Consolidated Statement of Financial Condition
September 30, 2008

Assets

Cash and cash equivalents	\$ 146,438
Deposits with clearing organization	100,357
Marketable securities, at market	198,705
Municipal bonds owned, at market value	18,579
Accounts receivable	180,733
Receivable from related party	2,367,003
Receivable, other	81,280
Equipment & furniture, net	27,826
Deposits	21,412
Other assets	<u>58,877</u>
Total assets	<u>\$ 3,201,210</u>

Liabilities & Stockholders' Equity

Liabilities

Accounts payable and accrued expenses	\$ 277,936
Income tax payable	24,342
Liabilities subordinated to the claims of general creditors	<u>90,114</u>
Total liabilities	392,392

Commitments and contingencies

-

Stockholders' equity

Common stock, no par value, 100,000 shares authorized, 1,000 shares issued and outstanding	30,000
Additional paid-in capital	3,763,522
Accumulated deficit	<u>(984,704)</u>
Total stockholders' equity	<u>2,808,818</u>
Total liabilities & stockholders' equity	<u>\$ 3,201,210</u>

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

Grigsby & Associates, Inc. and Subsidiary
Consolidated Statement of Income
For the Year Ended September 30, 2008

Revenues

Commissions	\$ 2,041,961
Underwriting fees	882,395
Interest income and dividends	101,285
Net dealer inventory and investment gains (losses)	(47,760)
Other income	<u>20,035</u>
Total revenues	2,997,916

Expenses

Employee compensation and benefits	1,259,215
Underwriting	329,610
Communications	50,368
Interest	106,944
Occupancy and equipment rental	116,446
Taxes, licenses, & fees, other than income taxes	31,803
Other operating expenses	<u>632,163</u>
Total expenses	<u>2,526,549</u>

Net income (loss) before income tax provision 471,367

Income tax provision 32,315

Net income (loss) \$ 439,052

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

Grigsby & Associates, Inc. and Subsidiary
Consolidated Statement of Changes in Stockholders' Equity
For the Year Ended September 30, 2008

	<u>Common Stock</u>	<u>Additional Paid - In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance at September 30, 2007	\$ 30,000	\$ 3,838,522	\$ (1,423,756)	\$ 2,444,766
Return of additional paid-in capital	—	(75,000)	—	(75,000)
Net income (loss)	<u>—</u>	<u>—</u>	<u>439,052</u>	<u>439,052</u>
Balance at September 30, 2008	<u>\$ 30,000</u>	<u>\$ 3,763,522</u>	<u>\$ (984,704)</u>	<u>\$ 2,808,818</u>

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

Grigsby & Associates, Inc. and Subsidiary
Consolidated Statement of Changes in Liabilities Subordinated
to the Claims of General Creditors
For the Year Ended September 30, 2008

Subordinated borrowings at September 30, 2007	\$ 90,114
Increases:	
Issuance of subordinated notes	90,114
Decreases:	
Retirement of subordinated notes	<u>(90,114)</u>
Subordinated borrowings at September 30, 2008	<u>\$ 90,114</u>

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

Grigsby & Associates, Inc. and Subsidiary
Consolidated Statement of Changes in Cash Flows
For the Year Ended September 30, 2008

Cash flows from operating activities:

Net income (loss)		\$ 439,052
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	\$ 4,527	
(Increase) decrease in:		
Deposit with clearing organization	70,385	
Marketable securities, at market	91,431	
Accounts receivable	(95,852)	
Receivable, other	(76,260)	
Deposits	(5,475)	
Other assets	(642)	
(Decrease) increase in:		
Accounts payable and accrued expenses	(17,557)	
Income tax payable	<u>24,342</u>	
Total adjustments		<u>(5,101)</u>
Net cash and cash equivalents provided by (used in) operating activities		433,951

Cash flows from investing activities:

Purchase of equipment	<u>(34,063)</u>	
Net cash and cash equivalents provided by (used in) investing activities		(34,838)

Cash flows from financing activities:

Loans made to related parties	(465,797)	
Return of additional paid-in capital	<u>(75,000)</u>	
Net cash and cash equivalents provided by (used in) financing activities		<u>(540,797)</u>

Net increase (decrease) in cash and cash equivalents (141,684)

Cash and cash equivalents at beginning of year 288,122

Cash and cash equivalents at end of year \$ 146,438

Supplemental disclosure of cash flow information:

Cash paid during the year for the period ended September 30, 2008

Interest	\$ 98,544	
Income taxes	\$ 7,973	

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

Grigsby & Associates, Inc. and Subsidiary
Consolidated Notes to Financial Statements
September 30, 2008

Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of Grigsby & Associates, Inc. (the "Parent"), and Grigsby Brandford Capital Partners (the "Subsidiary"), a wholly-owned subsidiary. All significant inter-company accounts and transactions have been eliminated in consolidation.

General

Grigsby & Associates, Inc. and Subsidiary was incorporated in 1981, and registered as a broker-dealer under the Securities and Exchange Act of 1934 in April, 1983. Grigsby & Associates, Inc. and Subsidiary (the "Company") is a fully disclosed broker/dealer whereby it does not hold customer funds or securities. The Company is a member of the Financial Industry Regulatory Authority ("FINRA"), the Municipal Rule Making Board ("MSRB"), and the Securities Investor Protection Corporation ("SIPC").

The Company earns revenues from underwriting fees, financial advisory fees, remarketing agents, and secondary trading.

Summary of Significant Accounting Policies

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flows

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company also considers money market funds to be cash equivalents.

Mutual funds and annuities income are recognized when earned.

Securities Owned

Investments in marketable securities, at market value are shown at fair market value. The change in unrealized gains and losses on investments in marketable securities, at market value are reflected in the statements of operations. Securities transactions are recorded on a trade date basis.

Grigsby & Associates, Inc. and Subsidiary
Consolidated Notes to Financial Statements
September 30, 2008

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

Accounts receivable are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

Furniture, equipment, and leasehold improvements are stated at cost. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized. Furniture, equipment, and leasehold improvements are depreciated over their estimated useful lives ranging from five (5) to (7) years by the straight-line and declining balance method.

Income Taxes

Income taxes are provided for the tax effects of transactions reported on the financial statements and consist of taxes currently due or refundable plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to investments in partnerships and closely held corporations (use of different methods of accounting for financial statement and income tax purposes), depreciable assets (use of different depreciation methods and lives for financial statement and income tax purposes), and contributions (limitations on amount of deduction based upon income for income tax purposes and for financial statement purposes).

Related Party Transactions

The receivable of \$2,367,003 from related party is unsecured and non-interest bearing. If interest would have been charged at the current U.S. bank rates, approximately 2.00%, then the results of operations would increase by \$42,600.

The majority shareholder and president of the Company is also the sole stockholder and president of Fiscal Funding Co., Inc.. The Company shares office space with Fiscal Funding. Fiscal Funding has paid half of the lease expenses associated with the Company's office rent. These statements do not reflect any adjustment for these amounts.

Grigsby & Associates, Inc. and Subsidiary
Consolidated Notes to Financial Statements
September 30, 2008

Note 2: DEPOSITS WITH CLEARING ORGANIZATION

The Company has deposited \$100,000 with Southwest Securities Corporation as security for its transactions with them. The \$100,357 includes interest earned and exceeds the minimum deposit required by \$357. Interest is paid monthly on the deposit at the average overnight repurchase agreement rate.

Note 3: MARKETABLE SECURITIES, AT MARKET

The Company's securities investments are held principally for the purpose of selling in the near term and are classified as trading securities. Trading securities are recorded at fair value on the balance sheet in current assets, with the change in fair value during the period in earnings. The market value of these investments at September 30, 2008, was \$198,705.

Note 4: MUNICIPAL BONDS OWNED, AT MARKET VALUE

Municipal bonds owned, at market value consist of municipal bonds the company has taken positions in. These positions are often short-term and subsidized by the clearing firm, often clearing in a few days. At September 30, 2008, the Company had municipal bond positions of \$18,579.

Note 5: RECEIVABLE FROM RELATED PARTY

The majority shareholder and president of the Company is also the sole stockholder and president of Fiscal Funding Co., Inc. ("Fiscal"). On September 30, 2008, Fiscal owed the Company \$2,367,003, included in receivable from related party.

Note 6: RECEIVABLE, OTHER

Receivable, other consists of advances made to employees. These advances are unsecured, non-interest bearing and due on demand.

Grigsby & Associates, Inc. and Subsidiary
Consolidated Notes to Financial Statements
September 30, 2008

Note 7: EQUIPMENT AND FURNITURE, NET

The equipment and furniture are recorded at cost as follows:

Equipment and furniture	\$ 239,056
Accumulated depreciation and amortization	<u>(211,230)</u>
Equipment and furniture, net	<u>\$ 27,826</u>

Depreciation expense for the year ended September 30, 2008, was \$4,527.

Note 8: LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

Liabilities under subordination agreements are as follows:

Subordinated note, to the Company's president and majority stockholder at 8%, due August 31, 2009	\$ <u>90,114</u>
Total	\$ <u>90,114</u>

The interest expense for the year was \$4,807.

The subordinated borrowings are covered by agreements approved by FINRA (formerly the National Association of Securities Dealers, Inc. ("NASD")) and are thus available in computing net capital under the Securities and Exchange Commission's uniform net capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

Note 9: PENSION PLAN

The Company maintains a defined contribution pension plan covering substantially all of the Company's employees. The Company contributes an amount equal to 10% of participant's compensation subject to a maximum contribution of \$15,000, per employee. For the year ended September 30, 2008, the Company contributed \$45,040 to the plan, which is included in employee compensation and benefits in the statement of operations.

Grigsby & Associates, Inc. and Subsidiary
Consolidated Notes to Financial Statements
September 30, 2008

Note 10: INCOME TAXES

The current provision of \$ 32,315 for income taxes consists of the Federal, California Franchise tax, New York tax and Louisiana tax for Grigsby & Associates, Inc.

The provision for income taxes consists of the following components:

Federal	\$ 4,756
State	<u>27,559</u>
Total provision (benefit)	<u>\$ 32,315</u>

The Company has available at September 30, 2008, unused operating loss carry-forwards, which may be applied against future taxable income, resulting in a deferred tax asset of approximately \$460,342, that expire as follows:

Amount of unused operating loss carry-forwards	Expiration during year ended September 30,
\$ 246,839	2018
920,226	2019
317,975	2020
516,527	2021
141,443	2022
399,388	2023
370,639	2024
<u>155,910</u>	2026
<u>\$ 3,068,947</u>	

A 100% valuation allowance has been established against this asset since management cannot determine if it is more likely than not that the asset will be realized.

Note 11: COMMITMENTS AND CONTINGENCIES

Underwriting Commitments

In the normal course of business, the Company enters into underwriting commitments. Transactions relating to such underwriting commitments that were open at September 30, 2008, were subsequently settled and had no material effect on the financial statements as of that date.

Grigsby & Associates, Inc. and Subsidiary
Consolidated Notes to Financial Statements
September 30, 2008

Note 11: COMMITMENTS AND CONTINGENCIES
(Continued)

Litigation

The Company owned a 50% interest in two closely-held corporations (G.B. Derivative Products Corporation and GBDP Corporation). These two corporations own general partnership interests in three partnerships (1% - GB Derivative Products, L.P., 1% - GBDP Holdings, L.P., and 1% - GBDP, L.P.). The Company also owns a limited partnership interest in two of these partnerships (49.5% - GB Derivative Products Co., L.P. and 49.5% - GBDP Holdings, L.P.). GBDP Holdings, L.P. in addition, owns a 99% limited partnership interest in GBDP, L.P.. The unconsolidated affiliates are collectively referred to as GBR Financial Products Companies (GBR).

In August of 2007, the Company was ordered into arbitration alleging breach of contract from an engagement involving GBR Finance Products Companies (GBR), from September 1996. Claimant was seeking \$250,000 from the Company in addition to interest and costs of other relief associated with the claim. A settlement was reached for \$ 100,000 and was accrued in the previous year.

Taxes

The Company made certain payments to individuals and did not withhold payroll taxes from the amounts paid. The IRS may challenge this classification and require the company to remit the requisite employer payroll taxes and possibly employee taxes as well. In addition, the California Employment Development Department would follow any such finding by the IRS, exposing the Company to California payroll taxes as well.

Concentrations of Credit Risk

The Company invests in marketable securities, the value of which is subject to market conditions at any given time.

The Company's receivables are predominately from other broker/dealers.

The Company maintains several bank accounts at financial institutions. These accounts are insured either by the Federal Deposit Insurance Commission ("FDIC"), up to \$100,000, or the Securities Investor Protection Corporation ("SIPC"), up to \$500,000. At times during the year ended September 30, 2008, cash balances held in financial institutions were in excess of the FDIC and SIPC's insured limits. The Company has not experienced any losses in such accounts and management believes that it has placed its cash on deposit with financial institutions which are financially stable.

Grigsby & Associates, Inc. and Subsidiary
Consolidated Notes to Financial Statements
September 30, 2008

Note 11: COMMITMENTS AND CONTINGENCIES

(Continued)

Operating Lease

In February 2002, the Company entered into a five (5) year lease for its San Francisco office space and was extended two additional years on December 12, 2007.

In January 2005, the Company entered into a six (6) year lease for its New York office space. On March 3, 2008, the company entered into a three year lease for office space in Chicago.

On April 15, 2008 the company entered into a lease agreement for office space in Louisiana. The lease expires April 14, 2011. These leases contain provisions for rent escalation based on increases in certain costs incurred by the lease.

Under these agreements total rent expense for the year ended September 30, 2008, was \$103,027, which is included in occupancy and equipment rental, in the statement of income.

The future minimum lease expenses in the aggregate and for each of the five succeeding years are:

	<u>September 30,</u>
2009	\$ 127,170
2010	64,984
2011	22,501
2012 and thereafter	<u>—</u>
Total	<u>\$ 214,655</u>

Note 12: RECENTLY ISSUED ACCOUNTING STANDARDS

Accounting for Certain Hybrid Financial Instruments

In February 2006, the FASB issued Statement of Financial Accounting Standards No. 155 (“SFAS 155”), “Accounting for Certain Hybrid Financial Instruments, an amendment of FASB statements No. 133 and 140.” The statement allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) as long as the entire instrument is valued on a fair value basis. SFAS 155 also resolves and clarifies other specific issues contained in SFAS 133 and 140. The statement is effective for all financial instruments acquired or issued after the beginning of an entity’s first fiscal year that begins after December 15, 2006. The adoption of SFAS 155 has not had a material impact upon the Company’s financial statements.

Grigsby & Associates, Inc. and Subsidiary
Consolidated Notes to Financial Statements
September 30, 2008

Note 12: RECENTLY ISSUED ACCOUNTING STANDARDS
(Continued)

Accounting for Uncertainty in Income Taxes

In June 2006 the FASB issued Financial Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109." which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 requires that the Company recognize in its financial statements the impact of a tax position if it is more likely than not that such position will be sustained on audit based on its technical merits. This interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The effective date of the provisions of FIN 48 for all nonpublic companies has been postponed to fiscal years beginning after December 15, 2007. The Company is currently evaluating the impact of this statement, but does not expect that it will have a material impact upon the Company's financial statements.

Fair Value Measurements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 ("SFAS 157"), "Fair Value Measurements". The statement defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those pronouncements that fair value is a relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of this statement, but does not expect the pronouncement will have a material impact upon the Company's financial statements.

Retirement Plans

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements Nos. 87, 106, and 132(R)" ("SFAS 158"). SFAS 158 requires companies to recognize on a prospective basis the funded status of their defined benefit pension and postretirement plans as an asset or liability and to recognize changes in that funded status in the year in which the changes occur as a component of other comprehensive income, net of tax. The effective date of the pronouncement is a function of whether the Company's equity securities are traded publicly. If the entity has publicly traded securities, the effective date is for fiscal years ending after December 15, 2006. Entities without publicly traded securities must adopt the standard for fiscal years ending after June 15, 2007. Adoption of the new standard has not had a material effect on the Company's financial statements.

Grigsby & Associates, Inc. and Subsidiary
Consolidated Notes to Financial Statements
September 30, 2008

Note 12: RECENTLY ISSUED ACCOUNTING STANDARDS
(Continued)

Fair Value Option

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 ("SFAS 159"), "Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of FASB Statement No. 115". SFAS 159 is expected to expand the use of fair value accounting but does not affect existing standards which require certain assets or liabilities to be carried at fair value. The objective of this pronouncement is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Under SFAS 159, a company may choose at specified election dates, to measure eligible items at fair value and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of this statement, but does not expect that it will have a material impact upon the Company's financial statements.

Note 13: NET CAPITAL

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and aggregate indebtedness change day to day, but on September 30, 2008, the Company had net capital of \$270,858, which was \$170,858 in excess of its required net capital of \$100,000; and the Company's ratio of aggregate indebtedness (\$297,735) to net capital was 1.10:1, which is well within the 15 to 1 maximum ratio allowed of a Broker/Dealer.

Note 14: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS

There is a \$8,752 difference between the computation of net capital under net capital SEC. Rule 15c3-1 and the corresponding unaudited FOCUS part IIA.

Net capital per unaudited schedule	\$	279,610
Adjustments:		
Accumulated deficit	\$	15,857
Non-allowable assets		(23,828)
Haircuts and undue concentration		(781)
Total adjustments		<u>(8,752)</u>
Net capital per audited statements	\$	<u>270,858</u>

Grigsby & Associates, Inc. and Subsidiary
Schedule I - Computation of Net Capital Requirements
Pursuant to Rule 15c3-1
As of September 30, 2008

Computation of net capital

Stockholders' equity

Common stock	\$ 30,000	
Additional paid-in capital	3,763,522	
Accumulated deficit	<u>(984,704)</u>	
Total stockholders' equity		\$ 2,808,818

Add: Additions to capital

Subordinated liabilities	<u>90,114</u>	
Total allowable subordinated liabilities		<u>90,114</u>
Total stockholder's equity and allowable subordinated liabilities		2,898,932

Less: Non-allowable assets

Investment in subsidiary	(434)	
Receivable from related parties	(2,367,003)	
Receivable-other	(81,280)	
Furniture & equipment, net	(27,826)	
Deposits	(21,412)	
Other assets	<u>(58,878)</u>	
Total adjustments		<u>(2,556,833)</u>

Net capital before haircuts 342,099

Less: Haircuts and undue concentration

Haircuts on securities

Money market	(2077)	
Municipal bonds	(1,022)	
Corporate stocks	(29,806)	
Other - Fidelity Bond deductible	<u>(13,000)</u>	
Total haircuts on securities	<u>(45,905)</u>	
Undue concentration	<u>(25,336)</u>	
Total haircuts and undue concentration		<u>(71,241)</u>

Net capital 270,858

Computation of net capital requirements

Minimum net capital requirements		
6 2/3 percent of net aggregate indebtedness	\$ 19,899	
Minimum dollar net capital required	\$ 100,000	
Net capital required (greater of above)		<u>(100,000)</u>
Excess net capital		<u><u>\$ 170,858</u></u>

Ratio of aggregate indebtedness to net capital 1.10: 1

There is a \$8,752 difference in net capital computed above and that which was reported by the Company in Part II of Form X-17A-5. See Note 14.

See independent auditor's report.

Grigsby & Associates, Inc. and Subsidiary
Schedule II - Computation for Determination of Reserve
Requirements Pursuant to Rule 15c3-3
As of September 30, 2008

A computation of reserve requirement is not applicable to Grigsby & Associates, Inc. and Subsidiary as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

See independent auditor's report.

Grigsby & Associates, Inc. and Subsidiary
Schedule III - Information Relating to Possession or Control
Requirements Under Rule 15c3-3
As of September 30, 2008

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

See independent auditor's report.

Grigsby & Associates, Inc. and Subsidiary

Supplementary Accountant's Report

on Internal Accounting Control

Report Pursuant to 17a-5

For the Year Ended September 30, 2008

BREARD & ASSOCIATES, INC.
Certified Public Accountants

Board of Directors

Grigsby & Associates, Inc. and Subsidiary:

In planning and performing our audit of the financial statements of Grigsby & Associates, Inc. and Subsidiary (the Company), as of and for the year ended September 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

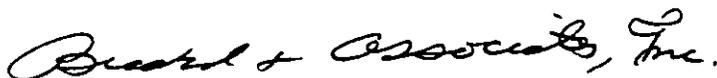
A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than that inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at September 30, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, Financial Industry Regulatory Authority, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



Breard & Associates, Inc.
Certified Public Accountants

Oakland, California
November 26, 2008

END