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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 01/01/08 AND ENDING 12/31/08  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Heritage Capital Group, Inc.

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

4811 Beach Boulevard, Suite 300

(No. and Street)

Jacksonville

Florida

32207

(City)

(State)

(Zip Code)

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

C. Donald Wiggins

904-354-9600

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Harbeson, Beckerleg & Fletcher

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

637 Park Street

Jacksonville

Florida

32204

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

**FOR OFFICIAL USE ONLY**

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

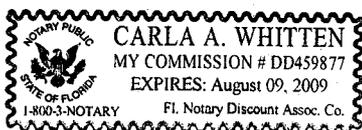
SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, C. Donald Wiggins, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Heritage Capital Group, Inc., as of December 31, 20 08, 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:



C. Donald Wiggins  
Signature

President

Title

Notary Public

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent auditor's report on internal control.

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

**HARBESON, BECKERLEG & FLETCHER**  
CERTIFIED PUBLIC ACCOUNTANTS  
637 PARK STREET  
JACKSONVILLE, FLORIDA 32204  
(904) 356-6023  
TELECOPIER (904) 353-5836

MEMBERS OF  
THE AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
THE FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

E. COBB HARBESON  
JOHN C. FLETCHER, JR.  
RAYMOND Z. BATEH  
M. RONALD HARGRAVES, JR.

**INDEPENDENT AUDITOR'S REPORT**

February 18, 2009

To the Board of Directors and Stockholder of  
Heritage Capital Group, Inc.

We have audited the accompanying statement of financial condition of Heritage Capital Group, Inc. (an S corporation) as of December 31, 2008, and the related statements of income (loss), changes in stockholder's equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heritage Capital Group, Inc. as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Schedules I, II, III and IV 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.

*Harbeson, Beckerleg, Fletcher*

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

BROKER OR DEALER HERITAGE CAPITAL GROUP, INC.

**N 3**

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**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND  
CERTAIN OTHER BROKERS OR DEALERS**

as of (MM/DD/YY) 12/31/08 **99**  
SEC FILE NO. 50519 **98**  
Consolidated  **198**  
Unconsolidated  **199**

**ASSETS**

	<u>Allowable</u>	<u>Non-Allowable</u>	<u>Total</u>
1. Cash .....	\$ 137,536		\$ 137,536
2. Receivables from brokers or dealers:			
A. Clearance account .....	295		
B. Other .....	300	550	810
3. Receivables from non-customers .....	355	18,850	18,850
4. Securities and spot commodities owned, at market value:			
A. Exempted securities .....	418		
B. Debt securities .....	419		
C. Options .....	420		
D. Other securities .....	79,837		79,837
E. Spot commodities .....	430		430
5. Securities and/or other investments not readily marketable:			
A. At cost \$ .....	130		
B. At estimated fair value .....	440	610	860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:			
A. Exempted securities \$ .....	150		
B. Other securities \$ .....	160		
7. Secured demand notes: .....	470	640	890
market value of collateral:			
A. Exempted securities \$ .....	170		
B. Other securities \$ .....	180		
8. Memberships in exchanges:			
A. Owned, at market \$ .....	190		
B. Owned, at cost .....		650	
C. Contributed for use of the company, at market value .....		660	900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships .....	480	670	910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization .....	490	14,754	14,754
11. Other assets .....	535	59,108	59,108
12. TOTAL ASSETS .....	\$ 217,373	\$ 92,712	\$ 310,085

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See Independent Auditor's Report and Notes to Financial Statements.

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

BROKER OR DEALER **HERITAGE CAPITAL GROUP, INC.**

as of 12/31/08

**STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING  
AND CERTAIN OTHER BROKERS OR DEALERS**

**LIABILITIES AND OWNERSHIP EQUITY**

<u>Liabilities</u>	<u>A.I. Liabilities</u>	<u>Non-A.I. Liabilities</u>	<u>Total</u>
13. Bank loans payable .....	\$ 1045	\$ 1255	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account .....	1114	1315	1560
B. Other .....	1,252	1305	1,252 1540
15. Payable to non-customers .....	1155	1355	1610
16. Securities sold not yet purchased, at market value .....		1360	1620
17. Accounts payable, accrued liabilities, expenses and other .....	51,447 1205	1385	51,447 1685
18. Notes and mortgages payable:			
A. Unsecured .....	1210		1690
B. Secured .....	1211	1390	1700
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:			
1. from outsiders \$ .....	970		
2. Includes equity subordination (15c3-1 (d)) of .... \$ .....	980		
B. Securities borrowings, at market value: ... from outsiders \$ .....	990		
C. Pursuant to secured demand note collateral agreements: .....			
1. from outsider: \$ .....	1000		
2. Includes equity subordination (15c3-1 (d)) of .... \$ .....	1010		
D. Exchange memberships contributed for use of company, at market value .....			
E. Accounts and other borrowings not qualified for net capital purposes .....	1220		
20. TOTAL LIABILITIES .....	\$ 52,699 1230	\$ 1450	\$ 52,699 1760

**Ownership Equity**

21. Sole proprietorship .....		\$ 1770
22. Partnership (limited partners) .....	\$ 1020	\$ 1780
23. Corporation:		
A. Preferred stock .....		1791
B. Common stock .....		100 1792
C. Additional paid-in capital .....		75,250 1793
D. Retained earnings .....		182,036 1794
E. Total .....		257,386 1795
F. Less capital stock in treasury .....		1796
24. TOTAL OWNERSHIP EQUITY .....		\$ 257,386 1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY .....		\$ 310,085 1810

See Independent Auditor's Report and Notes to Financial Statements.

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**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER**    HERITAGE CAPITAL GROUP, INC.

For the period (MMDDYY) from 01/01/08 3932 to 12/31/08 3933  
 Number of months included in this statement 12 3931

**STATEMENT OF INCOME (LOSS)**

**REVENUE**

1. Commissions:			
a. Commissions on transactions in exchange listed equity securities executed on an exchange .....	\$		3935
b. Commissions on listed option transactions .....	▼		3938
c. All other securities commissions .....			3939
d. Total securities commissions .....			3940
2. Gains or losses on firm securities trading accounts			
a. From market making in options on a national securities exchange .....			3945
b. From all other trading .....			3949
c. Total gain (loss) .....			3950
3. Gains or losses on firm securities investment accounts .....		(17,639)	3952
4. Profit (loss) from underwriting and selling groups .....	▼		3955
5. Revenue from sale of investment company shares .....			3970
6. Commodities revenue .....			3990
7. Fees for account supervision, investment advisory and administrative services .....			3975
8. Other revenue .....		1,622,657	3995
9. Total revenue .....	\$	1,605,018	4030

**EXPENSES**

10. Salaries and other employment costs for general partners and voting stockholder officers .....	\$		4120
11. Other employee compensation and benefits .....	▼		4115
12. Commissions paid to other broker-dealers .....			4140
13. Interest expense .....			4075
a. Includes interest on accounts subject to subordination agreements .....		4070	
14. Regulatory fees and expenses .....		945	4195
15. Other expenses .....		1,521,330	4100
16. Total expenses .....	\$	1,522,275	4200

**NET INCOME**

17. Net income (loss) before Federal income taxes and Items below (Item 9 less Item 16) .....	\$	82,743	4210
18. Provision for Federal income taxes (for parent only) .....	▼		4220
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above .....			4222
a. After Federal income taxes of .....		4238	
20. Extraordinary gains (losses) .....			4224
a. After Federal income taxes of .....		4239	
21. Cumulative effect of changes in accounting principles .....			4225
22. Net income (loss) after Federal income taxes and extraordinary items .....	\$	82,743	4230

**MONTHLY INCOME**

23. Income (current month only) before provision for Federal income taxes and extraordinary items .....	\$	N/A	4211
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**HERITAGE CAPITAL GROUP, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**Year Ended December 31, 2008**

	<b><u>Common Stock</u></b>	<b><u>Additional Paid-in Capital</u></b>	<b><u>Retained Earnings</u></b>	<b><u>Total</u></b>
Balance at December 31, 2007	\$100	\$75,250	\$104,822	\$180,172
Net income	-	-	82,743	82,743
Distributions	<u>-</u>	<u>-</u>	<u>(5,529)</u>	<u>(5,529)</u>
Balance at December 31, 2008	<u>\$100</u>	<u>\$75,250</u>	<u>\$182,036</u>	<u>\$257,386</u>

See Independent Auditor's Report and Notes to Financial Statements.

**HERITAGE CAPITAL GROUP, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2008**

Cash flows from operating activities:	
Net income	\$ 82,743
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	3,856
Unrealized losses on marketable securities	17,639
Decrease in receivables	28,919
Increase in other assets	(38,246)
Decrease in accounts payable and accrued expenses	(349)
Decrease in other liabilities	<u>(11,786)</u>
Net cash provided by operating activities	<u>82,776</u>
Cash flows from investing activities:	
Purchase of property and equipment	(15,237)
Purchase of marketable securities	<u>(3,496)</u>
Net cash used for investing activities	<u>(18,733)</u>
Cash flows from financing activities:	
Distributions to stockholder	<u>(5,529)</u>
Net cash used for financing activities	<u>(5,529)</u>
Net increase in cash and cash equivalents	58,514
Cash and cash equivalents, beginning of year	<u>79,022</u>
Cash and cash equivalents, end of year	<u>\$137,536</u>

See Independent Auditor's Report and Notes to Financial Statements.

SCHEDULE I

**FINANCIAL AND OPERATION COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER** HERITAGE CAPITAL GROUP, INC.

as of 12/31/08

**COMPUTATION OF NET CAPITAL**

1. Total ownership equity from Statement of Financial Condition.....	\$	257,386	3480
2. Deduct ownership equity not allowable for Net Capital.....	▼ <sup>19</sup> (		3490
3. Total ownership equity qualified for Net Capital.....		257,386	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital.....			3520
B. Other (deductions) or allowable credits (List).....			3525
5. Total capital and allowable subordinated liabilities.....	\$	257,386	3530
6. Deductions and/or charges:			
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C).....	▼ <sup>17</sup> \$	92,712	3540
B. Secured demand note deficiency.....			3590
C. Commodity futures contracts and spot commodities- proprietary capital charges.....			3600
D. Other deductions and/or charges.....			3610
7. Other additions and/or allowable credits (List).....			3630
8. Net capital before haircuts on securities positions.....	▼ <sup>20</sup> \$	164,674	3640
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1 (f)):			
A. Contractual securities commitments.....	\$		3660
B. Subordinated securities borrowings.....			3670
C. Trading and investment securities:			
1. Exempted securities.....	▼ <sup>18</sup>		3735
2. Debt securities.....			3733
3. Options.....			3730
4. Other securities.....		8,161	3734
D. Undue Concentration.....			3650
E. Other (List).....			3736
10. Net Capital.....	\$	*156,513	3750

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*Reconciliation of Company's computation of net capital to auditor's computation of net capital:		
Net capital, as reported in Company's Part IIA FOCUS report (unaudited)		\$203,245
Audit adjustments:		
To record additional accrued expenses		<u>(46,732)</u>
Net capital above		<u>\$156,513</u>

SCHEDULE II

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

BROKER OR DEALER **HERITAGE CAPITAL GROUP, INC.**

as of 12/31/08

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

**Part A**

11. Minimum net capital required (6-2/3% of line 19) .....	\$	3,513	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	5,000	3758
13. Net capital requirement (greater of line 11 or 12) .....	\$	5,000	3760
14. Excess net capital (line 10 less 13) .....	\$	151,513	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19) .....	▼ \$	151,243	3780

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

16. Total A.I. liabilities from Statement of Financial Condition .....	\$	52,699	3790
17. Add:			
A. Drafts for immediate credit .....	▼ \$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited .....	\$	3810	
C. Other unrecorded amounts (List) .....	\$	3820	3830
19. Total aggregate indebtedness .....	\$	52,699	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10) .....	%	33.7	3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d) .....	%	20.5	3860

**COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT**

**Part B**

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits .....	\$	N/A	3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	▼ \$		3880
24. Net capital requirement (greater of line 22 or 23) .....	\$		3760
25. Excess net capital (line 10 less 24) .....	\$		3910
26. Net capital in excess of:			
5% of combined aggregate debit items or \$120,000 .....	\$	N/A	3920

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**NOTES:**

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
  2. 6-2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

See Independent Auditor's Report and Notes to Financial Statements.

SCHEDULE III

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER** HERITAGE CAPITAL GROUP, INC.

For the period (MMDDYY) from 01/01/08 to 12/31/08

**STATEMENT OF CHANGES IN OWNERSHIP EQUITY  
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)**

1. Balance, beginning of period .....	\$	180,172	4240
A. Net income (loss) .....		82,743	4250
B. Additions (Includes non-conforming capital of .....	\$	4262	4260
C. Deductions (Includes non-conforming capital of .....	\$	(5,529)	4270
2. Balance, end of period (From item 1800) .....	\$	257,386	4290

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED  
TO CLAIMS OF GENERAL CREDITORS**

3. Balance, beginning of period .....	\$	N/A	4300
A. Increases .....			4310
B. Decreases .....			4320
4. Balance, end of period (From item 3520) .....	\$	N/A	4330

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SCHEDULE IV

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

**BROKER OR DEALER**    HERITAGE CAPITAL GROUP, INC.

as of 12/31/08

**Exemptive Provision Under Rule 15c3-3**

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon

which such exemption is based (check one only)

- |   |             |
|---|-------------|
| A. (k) (1)—\$2,500 capital category as per Rule 15c3-1 .....  | 4550        |
| B. (k) (2)(A)—"Special Account for the Exclusive Benefit of customers" maintained .....   | X      4560 |
| C. (k) (2)(B)—All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm <input type="checkbox"/> 31 <u>4335</u> ..... | 4570        |
| D. (k) (3)—Exempted by order of the Commission .....  | 4580        |

**Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.**

Type of Proposed withdrawal or Accrual See below for code to enter	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be With- drawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (yes or no)	
<input type="checkbox"/> 37      4600		<input type="checkbox"/> 4601	<input type="checkbox"/> 4602	<input type="checkbox"/> 4603	<input type="checkbox"/> 4604	<input type="checkbox"/> 4605
<input type="checkbox"/> 33      4610		<input type="checkbox"/> 4611	<input type="checkbox"/> 4612	<input type="checkbox"/> 4613	<input type="checkbox"/> 4614	<input type="checkbox"/> 4615
<input type="checkbox"/> 34      4620		<input type="checkbox"/> 4621	<input type="checkbox"/> 4622	<input type="checkbox"/> 4623	<input type="checkbox"/> 4624	<input type="checkbox"/> 4625
<input type="checkbox"/> 35      4630		<input type="checkbox"/> 4631	<input type="checkbox"/> 4632	<input type="checkbox"/> 4633	<input type="checkbox"/> 4634	<input type="checkbox"/> 4635
<input type="checkbox"/> 36      4640		<input type="checkbox"/> 4641	<input type="checkbox"/> 4642	<input type="checkbox"/> 4643	<input type="checkbox"/> 4644	<input type="checkbox"/> 4645
<input type="checkbox"/> 37      4650		<input type="checkbox"/> 4651	<input type="checkbox"/> 4652	<input type="checkbox"/> 4653	<input type="checkbox"/> 4654	<input type="checkbox"/> 4655
<input type="checkbox"/> 38      4660		<input type="checkbox"/> 4661	<input type="checkbox"/> 4662	<input type="checkbox"/> 4663	<input type="checkbox"/> 4664	<input type="checkbox"/> 4665
<input type="checkbox"/> 39      4670		<input type="checkbox"/> 4671	<input type="checkbox"/> 4672	<input type="checkbox"/> 4673	<input type="checkbox"/> 4674	<input type="checkbox"/> 4675
<input type="checkbox"/> 40      4680		<input type="checkbox"/> 4681	<input type="checkbox"/> 4682	<input type="checkbox"/> 4683	<input type="checkbox"/> 4684	<input type="checkbox"/> 4685
<input type="checkbox"/> 41      4690		<input type="checkbox"/> 4691	<input type="checkbox"/> 4692	<input type="checkbox"/> 4693	<input type="checkbox"/> 4694	<input type="checkbox"/> 4695

TOTAL \$  N/A       4699

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Instructions: Detail listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

- WITHDRAWAL CODE:    DESCRIPTION
1.            Equity Capital
  2.            Subordinated Liabilities
  3.            Accruals
  4.            15c3-1(c)(2)(iv) Liabilities

See Independent Auditor's Report and Notes to Financial Statements.

**HERITAGE CAPITAL GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008**

**Note 1 - Nature of Operations**

Heritage Capital Group, Inc. (the Company) is a licensed broker-dealer engaged in providing consulting and advisory services related to buying and selling commercial businesses, mergers and acquisitions, equity and debt financing and other financial and strategic planning.

**Note 2 - Summary of Significant Accounting Policies**

**Revenue Recognition**

Consulting and advisory income is recorded as earned when the services are rendered. Commission income related to mergers and acquisitions is recorded upon the closing of the transaction.

**Accounts Receivable**

The Company considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

**Marketable Securities**

The Company's investments in marketable securities are reported at fair value, and unrealized gains and losses are included in net earnings.

**Property and Depreciation**

Office equipment, computer equipment, and furniture and fixtures are recorded at cost. Depreciation is provided using accelerated methods over the estimated useful lives of the assets.

**Income Taxes**

Effective January 1, 1999, the Company elected S corporation status under the Internal Revenue Code. Accordingly, the Company incurs no income tax obligations and the financial statements do not include a provision for income taxes. Corporate earnings and losses are included in the personal income tax return of the stockholder and are taxed depending on his personal tax strategies. The Company uses the cash basis of accounting for income tax purposes and the accrual basis for financial statement purposes.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

See Independent Auditor's Report.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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.

**Note 3 - Net Capital Requirements**

Pursuant to the Securities Exchange Act of 1934, the Company, as a registered broker-dealer, is required to maintain a minimum net capital, as defined under such provisions. Regulatory agencies are empowered to restrict the Company's business activities should its net capital ratio, as defined, exceed 15 to 1. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2008, the Company had net capital of \$156,513 and a net capital requirement of \$5,000. The Company's net capital ratio was .34 to 1 at December 31, 2008. Accordingly, the Company was in compliance with its net capital requirements at December 31, 2008.

**Note 4 - Property and Equipment**

Property and equipment are summarized as follows:

	<u>Use Life</u>	
Office and computer equipment	5-7	\$15,899
Furniture and fixtures	5-7	<u>9,497</u>
		25,396
Less accumulated depreciation		<u>(10,642)</u>
		<u>\$14,754</u>

Depreciation totaled \$3,856 for the year ended December 31, 2008.

**Note 5 - Lease Obligation**

Effective November 2008, the Company entered into a new lease for its office facilities under a non-cancellable operating lease expiring October 31, 2013. The lease agreement contains an annual escalation clause increasing the rent by \$.50 per rentable square foot annually. Under the terms of the lease, current monthly rentals are \$7,237.

In connection with the lease, the Company charges Business Valuation, Inc. (Note 6) and other related entities in which the Company's sole stockholder has ownership interest in for their share of the occupied leased area. For the year ended December 31, 2008, amounts billed to the related entities totaled \$7,898 and is recorded as a reduction against rent expense.

See Independent Auditor's Report.

Future estimated minimum lease payments under the non-cancellable operating lease as of December 31, 2008, are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2009	\$ 87,356
2010	90,453
2011	93,550
2012	96,647
2013	<u>82,690</u>
	<u>\$450,696</u>

Rent expense, net of amounts billed to related entities, totaled \$5,831 for the year ended December 31, 2008.

#### **Note 6 - Related Party Transactions**

The Company has an agreement with Business Valuation, Inc. (BVI), a corporation wholly owned by the Company's stockholder, in which each company shares rent and certain other occupancy costs related to its common office space. The Company also, at times, incurs certain expenses related to certain BVI analysts providing subcontractor services. Under the agreement, however, the Company is relieved of its share of these costs if such payment would result in the Company's net capital falling below 120% of its minimum requirement under SEC Rule 15c3-1 (See Note 3).

Rent expense incurred under the agreement with BVI totaled \$33,669 for the year ended December 31, 2008. None of the rent or other shared office expenses were forgiven under its agreement with BVI for the year ended December 31, 2008. At December 31, 2008, the Company owed BVI \$44,910 for shared office costs and analysts' subcontractor expenses not yet reimbursed, which is included in accounts payable and accrued expenses.

#### **Note 7 - Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. The Company places its cash with high quality financial institutions. Generally, the Company does not require collateral on its customer receivables since it does not anticipate future nonperformance by any of its customers.

For the year ended December 31, 2008, commissions related to a merger and acquisition transaction from one of the Company's clients accounted for approximately 59% of total revenues. In addition, commissions income from another client accounted for 12% of total revenues.

See Independent Auditor's Report.

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**REPORT ON INTERNAL CONTROL**  
**REQUIRED BY SEC RULE 17a-5**

February 18, 2009

To the Board of Directors and Stockholder of  
Heritage Capital Group, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Heritage Capital Group, Inc. (the Company), as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting, including consideration of control activities for safeguarding securities, 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 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 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 making the quarterly securities examinations, counts, verifications and comparisons, recordation of differences required by Rule 17a-13 and 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 judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or

To the Board of Directors and Stockholder of  
Heritage Capital Group, Inc.  
February 18, 2009  
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disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. 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 accounting principles such that there is a more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the 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. However, we identified the following deficiency in internal control that we consider to be a material weakness, as defined above:

The size of the business and limited number of employees imposes practical limitations on the effectiveness of those internal control procedures that depend on the segregation of duties. Since this condition is inherent in the size of the Company, the specific weaknesses are not described herein and no corrective action has been taken or proposed by the Company.

The foregoing condition was considered in determining the nature, timing and extent of the procedures performed in our audit of the financial statements of Heritage Capital Group, Inc. as of and for the year ended December 31, 2008, and this report does not affect our report thereon dated February 18, 2009.

To the Board of Directors and Stockholder of  
Heritage Capital Group, Inc.  
February 18, 2009  
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We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2008, to meet the SEC's objectives.

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

*Harbeson, Beckerleg & Fletcher*