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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended September 30, 2008

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____

Commission File Number 000-22996

GILMAN CIOCIA, INC.
(Exact name of registrant as specified in its charter)

DELAWARE 11-2587324
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

11 RAYMOND AVENUE
POUGHKEEPSIE, NEW YORK 12603
(Address of principal executive offices)(Zip code)

(845) 486-0900
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

As of November 3, 2008, 95,618,611 shares of the issuer's common stock, \$0.01 par value, were outstanding.

GILMAN CIOCIA, INC.
QUARTERLY REPORT ON FORM 10-Q
For the Period Ending September 30, 2008

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FORWARD LOOKING STATEMENTS

The information contained in this Form 10-Q and the exhibits hereto may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). Such statements, including statements regarding our expectations about our ability to raise capital, our strategy to achieve our corporate objectives, including our strategy to pursue growth through acquisitions, to increase revenues through our registered representative recruiting program and expand our brand awareness and business presence, our ability to be profitable, the cyclical nature of our business, our liquidity, our expectations regarding no notice of default from Wachovia Bank, National Association ("Wachovia"), revenues, the payment of legacy accounts payable, the outcome or effect of litigation, arbitration and regulatory investigations, the impact of certain accounting pronouncements, and others, are based upon current information, expectations, estimates and projections regarding us, the industries and markets in which we operate, and management's assumptions and beliefs relating thereto. Words such as "will," "plan," "expect," "remain," "intend," "estimate," "approximate," and variations thereof and similar expressions are intended to identify such forward-looking statements. These statements speak only as of the date on which they are made, are not guarantees of future performance, and involve certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results could materially differ from what is expressed, implied or forecasted in such forward-looking statements. Such differences could be caused by a number of factors including, but not limited to, the uncertainty of laws, legislation, regulations, supervision and licensing by federal, state and local authorities and their impact on the lines of business in which we and our subsidiaries are involved; unforeseen compliance costs; changes in economic, political or regulatory environments; the impact of the financial market turmoil and the potential for an ongoing recession; changes in competition and the effects of such changes; the inability to implement our strategies; changes in management and management strategies; our inability to successfully design, create, modify and operate our computer systems and networks; and litigation and regulatory actions involving us. Readers should take these factors into account in evaluating any such forward-looking statements. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. The reader should, however, consult further disclosures we may make in future filings of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

**PART I
FINANCIAL INFORMATION**

Item 1. FINANCIAL STATEMENTS

**GILMAN CIOCIA, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)**

	Unaudited September 30, 2008	June 30, 2008 ⁽¹⁾
Assets		
Cash & Cash Equivalents	\$ 618	\$ 1,373
Marketable Securities	32	35
Trade Accounts Receivable, Net	2,614	2,739
Receivables from Employees, Net	754	690
Prepaid Expenses	628	766
Other Current Assets	189	278
Total Current Assets	4,835	5,881
Property and Equipment (less accumulated depreciation of \$5,749 at September 30, 2008 and \$5,638 at June 30, 2008)	1,556	1,555
Goodwill	3,957	3,954
Intangible Assets (less accumulated amortization of \$6,393 at September 30, 2008 and \$6,229 at June 30, 2008)	4,702	4,751
Other Assets	509	536
Total Assets	\$ 15,559	\$ 16,677
Liabilities and Shareholders' Equity		
Accounts Payable	\$ 2,155	\$ 1,669
Accrued Expenses	1,557	1,757
Commission Payable	2,702	3,061
Current Portion of Notes Payable and Capital Leases	657	943
Deferred Income	15	16
Due to Related Parties	1,159	1,155
Total Current Liabilities	8,245	8,601
Long Term Portion of Capital Leases and Other	433	468
Long Term Portion of Related Party Notes	144	186
Total Liabilities	8,822	9,255
Shareholders' Equity		
Preferred Stock, \$0.001 par value; 100 shares authorized; none issued	-	-
Common Stock, \$0.01 par value 500,000 shares authorized; 94,069 and 93,819 shares issued at September 30, 2008 and June 30, 2008, respectively	941	938
Additional Paid in Capital	36,295	36,286
Accumulated Deficit	(30,499)	(29,802)
Total Shareholders' Equity	6,737	7,422
Total Liabilities and Shareholders' Equity	\$ 15,559	\$ 16,677

(1) Derived from audited financial statements.

See Notes to Unaudited Consolidated Financial Statements

GILMAN CIOCIA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except per share data)

	For the Three Months Ended September 30,	
	2008	2007
Revenues		
Financial Planning Services	\$ 9,761	\$11,839
Tax Preparation and Accounting Fees	648	441
Total Revenues	10,409	12,280
Operating Expenses		
Commissions	6,202	7,585
Salaries and Benefits	2,141	2,222
General & Administrative	1,005	1,545
Advertising	369	354
Brokerage Fees & Licenses	418	329
Rent	642	677
Depreciation & Amortization	277	245
Total Operating Expenses	11,054	12,957
Loss from Operations		
Before Other Income and Expenses	(645)	(677)
Other Income/(Expense)		
Interest and Investment Income	6	9
Interest Expense	(70)	(111)
Other Income, Net	13	4,662
Total Other Income/(Expense)	(51)	4,560
Income/(Loss) from Operations		
Before Income Taxes	(696)	3,883
Income Taxes	-	-
Net Income/(Loss)	\$ (696)	\$ 3,883
Weighted Average Number of Common Shares Outstanding:		
Basic and Diluted Shares	93,832	46,226
Basic and Diluted Net Income/(Loss) Per Share:		
Net Income/(Loss)	\$ (0.01)	\$ 0.08

See Notes to Unaudited Consolidated Financial Statements

GILMAN CIOCIA, INC.
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 (unaudited)
 (in thousands)

	For the Three Months Ended September 30,	
	2008	2007
Cash Flows from Operating Activities:		
Net income/(loss)	\$ (696)	\$ 3,883
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:		
Depreciation and amortization	277	245
Issuance of common stock for debt default penalties, interest and other	8	11
Allowance for doubtful accounts	10	95
Gain on debt extinguishment and other	-	(4,599)
Gain on fair value recognition on accounts payable	(13)	(331)
Changes in assets and liabilities:		
Accounts receivable	154	(401)
Prepaid and other current assets	299	239
Change in marketable securities	3	57
Other assets	19	44
Accounts payable and accrued expenses	(44)	(664)
Deferred income	(1)	(214)
Net cash provided by/(used in) operating activities:	16	(1,635)
Cash Flows from Investing Activities:		
Capital expenditures	(113)	(114)
Cash paid for acquisitions, net of cash acquired and debt incurred	(135)	(1)
Receivables from employees	(165)	140
Due from office sales	6	6
Net cash provided by/(used in) investing activities:	(407)	31
Cash Flows from Financing Activities:		
Proceeds from bank and other loans	30	40
Proceeds from capital stock issuance	20	5,668
Payments to related parties	(37)	-
Payments of bank loans and other loans	(361)	(2,820)
Payments related to offering costs	(16)	(228)
Net cash provided by/(used in) financing activities:	(364)	2,660
Net change in cash and cash equivalents	(755)	1,056
Cash and cash equivalents at beginning of period	1,373	1,369
Cash and cash equivalents at end of period	\$ 618	\$ 2,425

See Notes to the Unaudited Consolidated Financial Statements and Supplemental Disclosures to Consolidated Statements of Cash Flows

GILMAN CIOCIA, INC.
 Supplemental Disclosures to Consolidated Statements of Cash Flows
 (unaudited)
 (in thousands)

	For the Three Months Ended September 30,	
	2008	2007
Cash Flow Information		
Cash payments during the year for:		
Interest	\$ 70	\$ 256
 Supplemental Disclosure of Non-Cash Transactions		
Issuance of common stock for services, interest and other	\$ 8	\$ 11
Payment of debt by issuance of shares	\$ -	\$ 2,309
Equipment acquired under capital leases	\$ -	\$ 21
Fair value recognition on legacy accounts payable	\$ (13)	\$ (331)

See Notes to the Unaudited Consolidated Financial Statements

GILMAN CIOCIA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. ORGANIZATION AND NATURE OF BUSINESS

Description of the Company

Gilman Ciocia, Inc. (together with its wholly owned subsidiaries, “we”, “us”, “our” or the “Company”) was founded in 1981 and is incorporated under the laws of the State of Delaware. We provide federal, state and local tax preparation services to individuals, predominantly in the middle and upper income tax brackets, accounting services to small and midsize companies and financial planning services, including securities brokerage, investment management services, insurance and financing services. As of September 30, 2008, we had 25 company-owned offices operating in three states (New York, New Jersey, and Florida) and 49 independently operated offices providing financial planning services in twelve states.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) have been omitted pursuant to such rules and regulations. However, we believe that the disclosures are adequate to make the information presented not misleading. The Consolidated Balance Sheet as of September 30, 2008, the Consolidated Statements of Operations for the three months ended September 30, 2008 and 2007 and the Consolidated Statements of Cash Flows for the three months ended September 30, 2008 and 2007 are unaudited. The Consolidated Financial Statements reflect all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of our financial position and results of operations. The operating results for the three months ended September 30, 2008 are not necessarily indicative of the results to be expected for any other interim period or any future year. These Consolidated Financial Statements should be read in conjunction with the audited financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2008.

Fiscal years are denominated by the year in which they end. Accordingly, fiscal 2008 refers to the year ended June 30, 2008.

The Consolidated Financial Statements include the accounts of the Company and all majority owned subsidiaries from their respective dates of acquisition. All significant inter-company transactions and balances have been eliminated. Where appropriate, prior years financial statements reflect reclassifications to conform to the current year presentation.

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 these estimates. Furthermore, we, including our wholly owned subsidiary Prime Capital Services, Inc. ("PCS"), have been named as a defendant in various customer arbitrations. These claims result from the actions of brokers affiliated with PCS. In addition, under the PCS registered representatives contract, each registered representative has indemnified us for these claims. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 5 "Accounting for Contingencies," we have established liabilities for potential losses from such complaints, legal actions, investigations and proceedings. In establishing these liabilities, our management uses its judgment to determine the probability that losses have been incurred and a reasonable estimate of the amount of losses. In making these decisions, we base our judgments on our knowledge of the situations, consultations with legal counsel and our historical experience in resolving similar matters. In many lawsuits, arbitrations and regulatory proceedings, it is not possible to determine whether a liability has been incurred or to estimate the amount of that liability until the matter is close to resolution. However, accruals are reviewed regularly and are adjusted to reflect our estimates of the impact of developments, rulings, advice of counsel and any other information pertinent to a particular matter. Because of the inherent difficulty in predicting the ultimate outcome of legal and regulatory actions, we cannot predict with certainty the eventual loss or range of loss related to such matters. If our judgments prove to be incorrect, our liability for losses and contingencies may not accurately reflect actual losses that result from these actions, which could materially affect results in the period other expenses are ultimately determined. A majority of these claims are covered by our errors and omissions insurance policy. While we will vigorously defend these matters, and will assert insurance coverage and indemnification to the maximum extent possible, there can be no assurance that these lawsuits and arbitrations will not have a material adverse impact on our financial position.

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents include investments in money market funds and are stated at cost, which approximates market value. Cash at times may exceed FDIC insurable limits.

Impairment of Intangible Assets

Impairment of intangible assets results in a charge to operations whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We test goodwill for impairment annually or more frequently whenever events occur or circumstances change, which would more likely than not reduce the fair value of a reporting unit below its carrying amount.

Revenue Recognition

We recognize all revenues associated with income tax preparation, accounting services and asset management fees upon completion of the services. Financial planning services include securities and other transactions. The related commission revenue and expenses are recognized on a trade-date basis. Marketing revenue associated with product sales is recognized

quarterly based on production levels. Marketing event revenues are recognized at the commencement of the event offset by its cost.

Net Income/(Loss) Per Share

In accordance with SFAS No. 128, "Earnings Per Share", basic net income/(loss) per share is computed using the weighted average number of common shares outstanding during each period. The computation for the three months ended September 30, 2008 and September 30, 2007 did not include outstanding options and warrants because to do so would have an anti-dilutive effect for the periods.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents, marketable securities, accounts receivable, notes receivable, accounts payable and debt, approximated fair value as of September 30, 2008 because of the relatively short-term maturity of these instruments and their market interest rates.

Contingent Consideration

We entered into several asset purchase agreements during fiscal 2008, which include contingent consideration based upon gross revenue generated in future periods. In accordance with SFAS No. 141 "Business Combinations" no liability will be recorded until the contingency is determined beyond a reasonable doubt.

Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist of trade receivables. The majority of our trade receivables are commissions earned from providing financial planning services that include securities brokerage services, insurance and financing services. As a result of the diversity of services, markets and the wide variety of customers, we do not consider ourselves to have any significant concentration of credit risk.

Segment Disclosure

Management believes the Company operates as one segment.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in 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 accounting pronouncements that fair value is a relevant measurement attribute. Accordingly, this statement does not require any new fair value measurements. We adopted SFAS No. 157 effective September 30, 2007 and have recorded a \$0.1 million allowance against our accounts payable balance as of September 30, 2008 representing our fair value assessment of that account. See also Note 6 of the Notes to the Consolidated Financial Statements describing fair value measurements.

In October 2008, the FASB issued FASB Staff Position (“FSP”) FAS 157-3, “Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active” (“FSP FAS 157-3”). This FSP clarifies the application of FASB SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. This FSP is effective upon issuance, including prior periods for which financial statements have not been issued. The adoption of FSP FAS 157-3 had no impact on our consolidated financial position, cash flows or results of operations.

In April 2008, the FASB issued FSP FAS 142-3, “Determination of the Useful Life of Intangible Assets” (“FSP FAS 142-3”). This position amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, “Goodwill and Other Intangible Assets.” This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The guidance contained in this FSP for determining the useful life of a recognized intangible asset shall be applied prospectively to intangible assets acquired after the effective date. We are currently assessing the effects of FSP FAS 142-3 and have not yet determined its impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141R, “Business Combinations” (“SFAS No. 141R”). SFAS No. 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. This statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statement to evaluate the nature and financial effects of the business combination. SFAS No. 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, any business combinations we engage in will be recorded and disclosed following existing GAAP until July 1, 2009. We expect SFAS No. 141R will have an impact on our consolidated financial statements when effective, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions we consummate after the effective date. We are still assessing the impact of this standard on our future consolidated financial statements.

All other new accounting pronouncements issued but not yet effective or adopted have been deemed not to be relevant to us, hence are not expected to have any impact once adopted.

4. COMMITMENTS AND CONTINGENCIES

Litigation

On February 4, 2004, we were served with a Summons and a Shareholder’s Class Action and Derivative Complaint in the Court of Chancery of the State of Delaware (the “Court of Chancery”) alleging that members of our board of directors in 2002 breached their fiduciary duty of loyalty in connection with the sale of certain of our offices. On February 15, 2008, a written Settlement Agreement was executed settling the lawsuit, subject to approval by the Court of Chancery. At a hearing on September 22, 2008, the Court of Chancery approved the Settlement Agreement and reserved decision on setting an award of attorney’s fees and expenses for plaintiff’s counsel. On October 31, 2008, Master in Chancery Sam Glasscock III issued a Master’s Final Report awarding the plaintiff’s attorneys fees in the amount of \$1.2 million together

with out-of-pocket costs in the amount of \$0.1 million. We have filed an exception contesting the Master's Final Report with the Court of Chancery. The award of attorney fees and out-of-pocket costs will be paid by our Executive Liability and Organization Reimbursement Policy with National Union Fire Insurance Company of Pittsburgh, PA.

On September 6, 2005, the Company received an informal inquiry from the SEC regarding variable annuity sales by our registered representatives during the period January 1, 2002 through August 1, 2005. On June 22, 2006, the SEC entered a formal order of investigation. Pursuant to SEC subpoenas, we have supplied documents to the SEC and several officers, employees and former employees have testified before the SEC. We cannot predict whether or not the investigation will result in an enforcement action. Further, if there were an enforcement action, we cannot predict whether or not our operating results would be affected.

The Company and PCS are defendants and respondents in lawsuits and Financial Industry Regulatory Authority ("FINRA") arbitrations in the ordinary course of business. PCS has errors & omissions coverage that will cover a portion of such matters. In addition, under the PCS registered representatives contract, each registered representative is responsible for covering awards, settlements and costs in connection with these claims. While we will vigorously defend these matters, and will assert insurance coverage and indemnification to the maximum extent possible, there can be no assurance that these lawsuits and arbitrations will not have a material adverse impact on our financial position. At September 30, 2008 we accrued \$0.2 million for potential settlements, judgments and awards.

5. EQUITY TRANSACTION

On April 14, 2008, the SEC declared effective our registration statement, which included a prospectus filed with the SEC on April 14, 2008 for a public stock offering (the "Public Stock Offering"). Pursuant to the Public Stock Offering, we distributed, for no consideration to our holders of common stock, non-transferable subscription rights to purchase shares of our common stock. Each eligible shareholder received one subscription right for each share of common stock owned at the close of business on April 14, 2008, the record date. We distributed subscription rights exercisable for up to an aggregate of 20.0 million shares of our common stock.

Each subscription right entitled an eligible shareholder to purchase up to four shares of common stock, subject to adjustment, at a subscription price of \$0.10 per share. This is the same price at which we sold 80.0 million shares of common stock in two private placements (the "Investment Purchase Closing" and "Private Placement Closing" each of which closed on August 20, 2007). Shareholders who exercised their basic subscription rights in full could over-subscribe for additional shares to the extent additional shares were available. The Public Stock Offering expired on June 20, 2008. A total of 3.9 million shares of the common stock were issued pursuant to the Public Stock Offering.

The purchasers in the Investment Purchasers Closing and the Private Placement Closing (collectively, the "2007 Investors") did not receive subscription rights, but had the right until September 15, 2008 to purchase at \$0.10 per share the shares that remained unsold on June 20, 2008. On September 12, 2008, we filed a supplement to our prospectus extending until December 31, 2008 the period during which the 2007 Investors have a right to purchase up to the 16.1 million shares of common stock offered under the prospectus that remained unsold at the expiration of the Public Stock Offering.

Accordingly, until December 31, 2008 the 2007 Investors have the right, on a “first come, first served” basis, to purchase these shares at the \$0.10 per share subscription price. As of November 3, 2008, 0.7 million shares have been purchased by the 2007 Investors.

6. FAIR VALUE MEASUREMENTS

We elected early adoption of SFAS No. 157, beginning July 1, 2007, the first day of our fiscal year 2008. SFAS No. 157 defines fair value, establishes a framework for measuring fair value under 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 FASB having previously concluded in those accounting pronouncements that fair value is a relevant measurement attribute.

The following table sets forth the liabilities we have elected to fair value under SFAS No. 157 as of September 30, 2008:

(in thousands)	Fair Value Measurements at September 30, 2008
Description	Using Significant Unobservable Inputs (Level 3)
Accounts Payable:	
Beginning Balance	\$2,285
Allowance	(130)
Ending Balance	\$2,155

We have significant legacy accounts payable balances that are at least four years old and that we believe will never require a financial payment for a variety of reasons. Accordingly, under SFAS No. 157, we have established an estimate of fifteen cents on the dollar on these legacy balances that we would potentially pay out against these balances based on our historical pay out on these legacy balances. The income recorded during the three months ended September 30, 2008 and September 30, 2007 was \$13.2 thousand and \$0.3 million, respectively and is recorded in other income, net on our Consolidated Statement of Operations.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

A reconciliation of the change in the carrying value of goodwill for the three month period ended September 30, 2008 is as follows (in thousands):

Balance at June 30, 2008	\$3,954
Adjustment to purchase accounting (1)	3
Balance at September 30, 2008	\$3,957

(1) During fiscal 2008, we purchased four tax preparation and accounting practices. Initial purchase prices are adjusted based on contingency payments made subsequent to the original purchase date.

Other intangible assets subject to amortization are comprised of the following at September 30, 2008 (in thousands):

Customer Lists	\$ 6,109
Broker-Dealer Registration	100
Non-Compete Contracts	686
House Accounts	600
Administrative Infrastructure	500
Independent Contractor Agreements	3,100
Intangible Costs at Cost	<u>11,095</u>
Less: Accumulated Amortization and Impairment	(6,393)
Intangible Assets, Net	<u>\$ 4,702</u>

Amortization expense for the three months ended September 30, 2008 and September 30, 2007 was \$0.2 million and \$0.1 million, respectively.

8. DEBT

As of September 30, 2008, our outstanding principal balance with Wachovia Bank, National Association (“Wachovia”) was \$0.2 million. As of September 30, 2008 we were in default of certain covenants under our term loan/revolving letter of credit financing with Wachovia. Our debt forbearance agreement with Wachovia was last amended on April 1, 2006. We do not believe that Wachovia will issue a notice of default for any of these defaults.

9. STOCK BASED COMPENSATION

On July 1, 2005 we adopted SFAS No. 123-R, “Share-Based Payment” using a modified prospective application, as permitted under SFAS No. 123-R. Accordingly, prior period amounts have not been restated. Under this application, we are required to record compensation expense using a fair-value-based measurement method for all awards granted after the date of adoption and for the unvested portion of previously granted awards that remain outstanding at the date of adoption. Pursuant to the provisions of SFAS No. 123-R, we have adopted the policy to recognize compensation expense on a straight-line attribution method.

Changes in our stock option activity during the three months ended September 30, 2008 were as follows:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding, June 30, 2008	80,000	1.04
Granted	-	-
Exercised	-	-
Expired	-	-
Canceled	-	-
Outstanding, September 30, 2008	<u>80,000</u>	<u>1.04</u>
Exercisable, September 30, 2008	80,000	1.04

The range of exercise prices for the outstanding options at September 30, 2008 is between \$0.33 and \$6.00.

10. ACCRUED EXPENSES

Accrued expenses consist of the following:

(in thousands)	September 30, 2008	June 30, 2008
Accrued compensation	\$ 258	\$ 237
Accrued bonus	96	96
Accrued related party compensation and bonus	166	196
Accrued vacation	134	128
Accrued settlement fees	139	122
Accrued audit fees & tax fees	121	160
Accrued interest	14	18
Accrued other	413	558
Accrued acquisitions short term	216	242
Total Accrued Expenses	\$1,557	\$1,757

11. RELATED PARTY TRANSACTIONS

A \$1.0 million note to Prime Partners, Inc. (“Prime Partners”) dated as of January 31, 2008 was due on June 30, 2008 (the “\$1.0 Million Note”). Michael Ryan is a director, an officer and a significant shareholder of Prime Partners, Inc.

As of June 30, 2008, Prime Partners owed a trust, of which Ted Finkelstein, our Vice President and General Counsel, is the trustee (“the Trust”) \$0.5 million in principal pursuant to a promissory note dated January 31, 2008 (the “Old Note”).

As of September 1, 2008, Prime Partners assigned \$0.5 million from the \$1.0 Million Note to the Trust in payment of the Old Note. As of September 1, 2008, we entered into a new \$0.5 million promissory note with Prime Partners at 10% interest to be paid in arrears through the end of the previous month on the 15th day of each month commencing on October 15, 2008 with the principal due on or before July 1, 2009 (the “New Prime Partners Note”).

As of September 1, 2008, we entered into a new \$0.5 million promissory note with the Trust (the “New Trust Note”). The New Trust Note provides for 10% interest to be paid in arrears through the end of the previous month on the 15th day of each month commencing on October 15, 2008. The principal of the New Trust Note will be paid to the Trust as follows: \$55.0 thousand on January 31, 2009 and February 28, 2009; \$90.0 thousand on March 31, 2009, April 30, 2009, May 31, 2009 and June 30, 2009. We gave the Trust a collateral security interest in all of our assets, including the stock of PCS, subordinate only to the outstanding security interest of Wachovia Bank. We agreed that the only loan debt principal that we are permitted to pay until the New Trust Note is paid in full is: the existing Wachovia debt, the scheduled principal payments on certain executive notes with de minimis balances and the scheduled principal payments to Prime Partners for a \$0.3 million Promissory Note dated December 26, 2007. No payments of loan principal can be paid to any other existing or future lenders, including to Prime Partners on the New Prime Partners Note. Prime Partners and Ted Finkelstein guaranteed the New Trust Note. The guarantee of Prime Partners is secured by a collateral assignment of the promissory note dated January 23, 2004 between Daniel R. Levy and the Company in the original amount of \$0.9 million which was assigned to Prime Partners, Inc. on June 26, 2006.

At September 30, 2008 the aggregate amount we owed to the related parties was \$1.3 million.

On October 30, 2008 Michael Ryan, our President and a Director, and Carole Enisman, our Executive Vice President of Operations, each purchased 250,000 restricted shares of our common stock at \$0.10 per share in reliance upon the exemption from securities registration afforded by Section 4(2) of the Securities Act and Rule 506 of Regulation D.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Item 2 contains forward-looking statements. Forward-looking statements in this Quarterly Report on Form 10-Q are subject to a number of risks and uncertainties, some of which are beyond our control. Our actual results, performance, prospects, or opportunities could differ materially from those expressed in or implied by the forward-looking statements. Additional risks of which we are not currently aware or which we currently deem immaterial could also cause our actual results to differ, including those discussed in the sections entitled "Forward-Looking Statements" and "Risk Factors" included elsewhere in this Quarterly Report as well as those risk factors discussed in the section entitled "Risk Factors" in our annual report on Form 10-K.

Overview

We provide federal, state and local income tax return preparation for individuals predominantly in middle and upper income brackets and accounting services to small and midsize companies and financial planning services, including securities brokerage, investment management services, insurance and financing services. Clients often consider other aspects of their financial needs such as investments, insurance, pension and estate planning, while having their tax returns prepared by us. We believe that our tax return preparation and accounting services are inextricably intertwined with our financial planning activities. Neither channel would operate as profitably by itself, and the two channels leverage off each other, improving profitability and client retention. The financial planners who provide such services are our employees or independent contractors and are registered representatives of Prime Capital Services, Inc. ("PCS"), a wholly owned subsidiary. PCS conducts a securities brokerage business providing regulatory oversight and products and sales support to its registered representatives, who sell investment products and provide services to their clients. PCS earns a share of commissions from the services that the financial planners provide to their clients in transactions for securities, insurance and related products. PCS is a registered securities broker-dealer with the Securities and Exchange Commission ("SEC") and a member of Financial Industry Regulatory Authority ("FINRA"). We also have a wholly owned subsidiary, Asset & Financial Planning, Ltd. ("AFP"), which is registered with the SEC as an investment advisor. Almost all of our financial planners are also authorized agents of insurance underwriters. We have the capability of processing insurance business through PCS and Prime Financial Services, Inc. ("PFS"), a wholly owned subsidiary, which are licensed insurance brokers, as well as through other licensed insurance brokers. We are a licensed mortgage broker in the states of New York and Pennsylvania. GC Capital Corporation, a wholly owned subsidiary of the Company is a licensed mortgage broker in the State of Florida. PCS also earns revenues ("PCS Marketing") from its strategic marketing relationships with certain product sponsors which enables PCS to efficiently utilize its training, marketing and sales support resources.

The Company office financial planning clients generally are introduced to us through our tax return preparation services, accounting services and educational workshops. We believe that our tax return preparation and accounting services are inextricably intertwined with our financial planning activities in our Company offices and that overall profitability will depend, in part, on the two channels leveraging off each other since many of the same processes, procedures and systems support sales from both channels. Accordingly, management views and evaluates the Company as one segment.

We also provide financial planning services through approximately 49 independently owned and operated offices in twelve states. We benefit from economies of scale associated with the aggregate production of both Company offices and independently owned offices. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K can be obtained, free of charge, on our web site at www.gtax.com.

For the quarter ended September 30, 2008, approximately 6.2% of our revenues were earned from tax preparation and accounting services and 93.8% were earned from all financial planning and related services of which approximately 70.5% were earned from brokerage commissions, 23.6% from asset management, 3.9% from insurance, 1.2% from lending services and 0.8% from PCS Marketing.

Although recurring revenue is down year over year, the decrease is less than other financial planning products as evidenced by advisory fees and trails representing 43.5% of the financial planning revenue, up from 39.3% for the three months ended September 30, 2007. Additionally, we are attempting to increase revenue by, among other things, continuing to put forth a strong financial representative recruiting effort. The financial impact of new recruits could take several months for revenue on new accounts to become recognizable. If this program is not successful in generating additional revenue, the result will be continued downward pressure on total revenues in future quarters until we start to more significantly benefit from the effect of the greater sale of products that generate recurring income. We expect that we will continue to control overall operating expenses, while continuing to spend on marketing efforts to build brand awareness and attract new clients. We cannot predict whether our marketing efforts will have the desired effects.

The tax preparation business is a highly seasonal business. The first and second quarters of our fiscal year are typically our weakest quarters and the third quarter of our fiscal year is typically our strongest.

During the three months ended September 30, 2008, we had a net loss of \$0.7 million compared to net income of \$3.9 million during the three months ended September 30, 2007. This decrease in net income is mostly attributable to having recognized a gain from the extinguishment of debt during the first quarter of fiscal 2007, resulting from the sale of our shares of common stock in two private placements (the "Investment Purchase Closing" and the "Private Placement Closing") on August 20, 2007.

We believe that the significant turmoil in the financial markets during 2008, and related erosion of investor confidence, will negatively impact our operating results for fiscal 2009. To help mitigate the negative impact on our operating results, we implemented cost cutting strategies in the fourth quarter of our fiscal year ending June 30, 2008, including staff reductions. We remain committed, however, to investing in the continuing development of our network of financial representatives and to acquire tax preparation and accounting firms to increase our client base and accounting business as part of our long-term strategy for growing our revenues and earnings.

Managed Assets

As indicated in the following table, as of September 30, 2008, assets under AFP management decreased \$36.3 million, to \$560.1 million, from \$596.4 million as of June 30, 2008. This decrease can be mostly attributed to market declines. As of September 30, 2008, total Company assets under custody were \$3.8 billion, down \$435.0 million from June 30, 2008.

The following table presents the market values of assets under AFP management:

(in thousands)			Total Assets Under Management
<u>Market Value as of</u>	<u>Annuities</u>	<u>Brokerage</u>	
9/30/2008	\$331,492	\$228,581	\$560,073
6/30/2008	\$330,503	\$265,850	\$596,353

The following table presents the market values of total Company assets under custody:

(in thousands)	Total Company Assets Under Custody
<u>Market Value as of</u>	
9/30/2008	\$3,796,835
6/30/2008	\$4,231,803

RESULTS OF OPERATIONS – THREE MONTHS ENDED SEPTEMBER 30, 2008 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2007

Revenue

The following table presents revenue by product line and brokerage revenue by product type:

(in thousands)	<u>For the Three Months Ended September 30,</u>				
	<u>2008</u>	<u>2007</u>	<u>% Change 08-07</u>	<u>% of Total Revenue 2008</u>	<u>% of Total Revenue 2007</u>
<u>Consolidated Revenue Detail</u>					
Revenue by Product Line					
Brokerage Commissions Revenue	\$ 6,884	\$ 8,533	-19.3%	66.1%	69.5%
Insurance Commissions Revenue	381	343	11.1%	3.7%	2.8%
Advisory Fees	2,305	2,551	-9.6%	22.2%	20.8%
Tax Preparation and Accounting Fees	648	441	46.9%	6.2%	3.6%
Lending Services	115	51	125.5%	1.1%	0.4%
Marketing Revenue	76	361	-78.9%	0.7%	2.9%
Total Revenue	<u>\$10,409</u>	<u>\$12,280</u>	<u>-15.2%</u>	<u>100.0%</u>	<u>100.0%</u>
Brokerage Commissions Revenue by Product Type					
Mutual Funds	\$ 864	\$ 1,065	-18.9%	8.3%	8.7%
Equities, Bonds & UIT	271	307	-11.7%	2.6%	2.5%
Annuities	3,428	4,735	-27.6%	32.9%	38.6%
Trails	1,945	2,106	-7.6%	18.7%	17.1%
All other products	376	320	17.5%	3.6%	2.6%

Brokerage Commissions Revenue	\$ 6,884	\$ 8,533	-19.3%	66.1%	69.5%
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The following table sets forth a breakdown of our consolidated financial planning revenue by company-owned offices and independent offices for the three months ended September 30, 2008 and 2007:

(in thousands)	<u>For Three Months Ended September 30,</u>			
	<u>2008</u>	<u>% of Total</u>	<u>2007</u>	<u>% of Total</u>
Company-Owned Offices	\$ 4,792	49.1%	\$ 5,181	43.8%
Independent Offices	4,969	50.9%	6,658	56.2%
Total	<u>\$ 9,761</u>		<u>\$ 11,839</u>	

Our total revenues for the three months ended September 30, 2008 were \$10.4 million compared to \$12.3 million for the three months ended September 30, 2007, a decrease of \$1.9 million or 15.2%. Our total revenues for the three months ended September 30, 2008 consisted of \$9.8 million for financial planning services and \$0.6 million for tax preparation and accounting services. Financial planning services represented 93.8% and tax preparation and accounting services represented 6.2% of our total revenues during the three months ended September 30, 2008. Our total revenues for the three months ended September 30, 2007 consisted of \$11.8 million for financial planning services and \$0.4 million for tax preparation and accounting services. Financial planning services represented 96.4% and tax preparation fees represented 3.6% of our total revenues during the three months ended September 30, 2007.

For the three months ended September 30, 2008, financial planning revenue was \$9.8 million compared to \$11.8 million for the same period last year. This decrease in financial planning revenue is mostly the result of financial planner attrition mostly from our independent channel and decreased production mostly from the independent channel resulting from market declines during the three months ended September 30, 2008. In addition, we had a decrease of \$0.3 million in PCS Marketing revenue due to the timing of our annual awards conference which was held in May 2008, whereas the prior year's annual awards conference was held in July 2007. This decrease in PCS Marketing revenue of \$0.3 million was offset by a savings in general and administrative expense of \$0.4 million as we recognize the marketing event revenues at the commencement of the event.

Tax preparation and accounting services revenue was \$0.6 million for the three months ended September 30, 2008 compared to \$0.4 million for the same period last year. Approximately 74.0% of this increase in tax preparation and accounting services revenue is attributable to the additional revenue generated from four tax preparation and accounting businesses that we acquired in the second and third quarters of our prior fiscal year, and the remaining increase came from organic growth resulting from our strong advertising campaign, increases in average client fees and client retention, offset slightly by client attrition.

For the three months ended September 30, 2008, revenues from commissions paid to PCS as the broker dealer each year a client's money remains in a mutual fund or in a variable annuity account, as compensation for services rendered to the

client (“trails”) and advisory fees decreased to \$4.3 million, down \$0.4 million from \$4.7 million for the three months ended September 30, 2007, representing a 8.7% decrease in recurring revenue (advisory and trails). The decrease in recurring revenues is mostly attributable to lower assets under management and assets under custody at June 30, 2008, at which time fees are determined and revenue is recognized during the three months ended September 30, 2008, compared with the same period last year. The lower assets under management and custody can be mostly attributed to the overall market declines realized during 2008.

Expenses

Our total operating expenses for the three months ended September 30, 2008 were \$11.1 million, down \$1.9 million or 14.7%, compared to \$13.0 million for the three months ended September 30, 2007. This decrease is primarily due to decreased commission expense resulting from the revenue declines, decreased salaries and benefits, decreased general and administrative expenses as we moved our annual awards conference into May 2008 of our prior fiscal year, as well as our efforts to continue to control expenses. These savings were offset slightly by increased brokerage fees and licenses and depreciation and amortization.

Commission expense was \$6.2 million for the three months ended September 30, 2008, compared with \$7.6 million for the same period last year. Commission expense decreased \$1.4 million mostly due to the declines in revenue as well as due to the mix of financial planning revenue generated on the employee channel compared with the independent channel. Financial planning commission expense as a percentage of financial planning revenue was 62.9% and 65.6% for the three months ended September 30, 2008 and September 30, 2007, respectively. This decrease as a percentage of revenue is attributable to financial planning revenue generated through our employee channel representing 49.1% of the total financial planning revenue where commission pay out rates are lower than on the independent channel compared with the same period last year when our employee channel generated 43.8% of the total financial planning revenue.

Salaries, which consist primarily of salaries, related payroll taxes and employee benefit costs, decreased by \$0.1 million, or 3.6% in the three months ended September 30, 2008 compared with the same period last year. This decrease is mostly attributable to our efforts in March 2008 to reduce overhead costs to help mitigate the impact of the downturn in the market which negatively affects our revenues. Such cost reductions included the restructuring of departments, eliminating open positions and layoffs.

General and administrative expenses decreased \$0.5 million or 34.9% in the three months ended September 30, 2008 compared with the same period last year. This decrease is primarily attributable to the timing of our annual awards conference which was held in May 2008 whereas the prior year’s annual awards conference was held in July 2007. This cost savings of \$0.4 million has an offsetting revenue decline in PCS Marketing revenues of \$0.3 million as we recognize the marketing event revenues at the commencement of the event. Additional cost savings of \$0.1 million in legal and professional expenses and claim settlements resulted from our effort to control expenses by processing more customer claims in-house as well as a reduced number of claims versus the same period last year. The remaining \$0.1 million reduction in expenses resulted mostly from our continued efforts to closely manage outstanding customer receivables, resulting in lower bad debt expense.

Advertising expense increased by 4.2% for the three months ended September 30, 2008 compared with the same period last year. This is mostly the result of increased seminar workshops due to the higher number of new representatives resulting from our recruiting efforts.

Brokerage fees and licenses increased \$0.1 million for the three months ended September 30, 2008 compared with the same period last year. This increase is due to more accounts under management with third party money managers in AFP, and more trades going through brokerage accounts versus direct applications.

Rent was approximately 5.2% lower for the three months ended September 30, 2008 compared with the same period last year. This is mostly the result of occupying less office space and the consolidation of some of our Company-owned offices.

Depreciation and amortization expense was 13.1% higher for the three months ended September 30, 2008 compared with the same period last year. This is mostly attributable to increased amortization expense related to the amortization of intangible assets related to our acquisitions.

Typically we report a loss in the first quarter of our fiscal year. Our loss from operations before other income and expense decreased 4.6% for the three months ended September 30, 2008 compared to the three months ended September 30, 2007. This decrease was primarily attributable to increased tax preparation and accounting services revenue and by our efforts to reduce operating expenses, partially offset by decreased financial planning revenue due to declines in market conditions and attrition.

Total other income/(expense) for the three months ended September 30, 2008 was an expense of \$0.1 million compared to income of \$4.6 million for the three months ended September 30, 2007. This decrease in other income/(expense) was primarily due to the extinguishment of debt owed to Met Life and the conversion of a portion of related party debt to the Company's common stock resulting from Investment and Private Placement Closings on August 20, 2007.

Our net loss for the three months ended September 30, 2008 was \$0.7 million, or \$(0.01) per diluted share, compared with net income of \$3.9 million, or \$0.08 per diluted share for the three months ended September 30, 2007. This decline was primarily attributable to decreased financial planning revenue due to declines in market conditions and attrition (\$2.1 million), and reduced one-time other income realized in fiscal 2007 related to the extinguishment of Company debt owed to Met Life and related parties (\$4.6 million), partially offset by increased tax preparation and accounting services revenue (\$0.2 million), decreased commission expense due to declines in revenues (\$1.4 million) and by controlling expenses (\$0.5 million).

LIQUIDITY AND CAPITAL RESOURCES

During the three months ended September 30, 2008, we realized a net loss of \$0.7 million and at September 30, 2008 we had a working capital deficit of \$3.4 million. At September 30, 2008 we had \$0.6 million of cash and cash equivalents, \$32 thousand in marketable securities and \$2.6 million of trade account receivables, net, to fund short-term working capital requirements. PCS is subject to the SEC's Uniform Net Capital Rule 15c3-1, which requires that PCS maintain minimum

regulatory net capital of \$100,000 and, in addition, that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to one. At September 30, 2008 we were in compliance with this regulation.

On April 14, 2008, the SEC declared effective our registration statement, which included a prospectus filed with the SEC on April 14, 2008 for the Public Stock Offering. Pursuant to the Public Stock Offering, we distributed, for no consideration to our holders of common stock, non-transferable subscription rights to purchase shares of our common stock. Each eligible shareholder received one subscription right for each share of common stock owned at the close of business on April 14, 2008, the record date. We distributed subscription rights exercisable for up to an aggregate of 20.0 million shares of our common stock.

Each subscription right entitled an eligible shareholder to purchase up to four shares of common stock, subject to adjustment, at a subscription price of \$0.10 per share. This is the same price at which we sold 80.0 million shares of common stock in the Investment Purchase Closing and the Private Placement Closing. Shareholders who exercised their basic subscription rights in full could over-subscribe for additional shares to the extent additional shares were available. The Public Stock Offering expired on June 20, 2008. A total of 3.9 million shares of the common stock were issued pursuant to the Public Stock Offering.

The purchasers in the Investment Purchasers Closing and the Private Placement Closing (collectively, the “2007 Investors”) did not receive subscription rights, but had the right until September 15, 2008 to purchase at \$0.10 per share the shares that remained unsold on June 20, 2008. On September 12, 2008, we filed a supplement to our prospectus extending until December 31, 2008 the period during which the 2007 Investors have a right to purchase up to the 16.1 million shares of common stock offered under the prospectus that remained unsold at the expiration of the Public Stock Offering. Accordingly, until December 31, 2008 the 2007 Investors have the right, on a “first come, first served” basis, to purchase these shares at the \$0.10 per share subscription price. As of November 3, 2008, 0.7 million shares have been purchased by the 2007 Investors.

Our ability to satisfy our obligations depends on our future performance, which will be subject to prevailing economic, financial, and business conditions. Capital requirements, at least in the near term, are expected to be provided by cash flows from operating activities and cash on hand at September 30, 2008 or a combination thereof. To the extent future capital requirements exceed cash on hand plus cash flows from operating activities, we anticipate that working capital will be financed by the sale of the remaining unsold shares from the Public Stock Offering to the 2007 Investors (as described above) and by pursuing financing from third parties. We are also controlling operating expenses and continue to focus on implementing our acquisition strategy to increase earnings and cash flow.

While we believe that payments to tax preparation and accounting practices which we have acquired have been and will continue to be funded through cash flow generated from those acquisitions, we need additional capital to fund initial payments on future acquisitions. If we do not have adequate capital to fund those future acquisitions, we may not be able to acquire all of the acquisitions available to us which could result in our not fully realizing all of the revenue which might otherwise be available to us.

Our net cash provided by operating activities was \$16.0 thousand for the three months ended September 30, 2008,

compared with net cash used in operating activities of \$1.6 million for the three months ended September 30, 2007. The increase in net cash provided by operating activities was primarily attributable to increased collection efforts on outstanding accounts receivable during the three months ended September 30, 2008 and as a result of paying down a large portion of accounts payable in the three months ended September 30, 2007 due to the cash provided by the 2007 Investors.

Net cash used in investing activities was \$0.4 million for the three months ended September 30, 2008 compared with net cash provided by investing activities of \$31.0 thousand for the three months ended September 30, 2007. This increase in cash used in investing activities was attributable to cash paid for acquisitions (contingency payments), advances made to registered representatives and capital expenditures related to new office relocations.

Net cash used in financing activities was \$0.4 million for the three months ended September 30, 2008 compared with net cash provided by financing activities of \$2.7 million for the three months ended September 30, 2007. This decrease is due primarily to proceeds from the Investment Purchasers Closing and Private Placement Closing on August 20, 2007.

MARKET FOR COMPANY'S COMMON EQUITY

On April 23, 2008, FINRA cleared the request of vFinance Investments, Inc. for a quotation on the OTC Bulletin Board for Gilman Ciocia, Inc. common stock pursuant to NASD Rule 6640 and Rule 15c2-11 under the Securities Exchange Act of 1934. We are now trading on the OTC Bulletin Board under the symbol GTAX.

CRITICAL ACCOUNTING POLICIES

Use of Estimates

The preparation of our financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to adopt accounting policies and make estimates and judgments that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates under different assumptions and judgments and uncertainties, and potentially could result in materially different results under different conditions. These critical accounting estimates are reviewed periodically by our independent auditors and the audit committee of our board of directors.

Our critical accounting estimates have not changed materially from those disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K, for the year ended June 30, 2008 as filed with the Securities and Exchange Commission ("SEC").

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in 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 accounting pronouncements that fair value is a relevant

measurement attribute. Accordingly, this statement does not require any new fair value measurements. We adopted SFAS No. 157 effective September 30, 2007 and have recorded a \$0.1 million allowance against our accounts payable balance as of September 30, 2008 representing our fair value assessment of that account. See also Note 6 of the Notes to the Consolidated Financial Statements describing fair value measurements.

In October 2008, the FASB issued FASB Staff Position (“FSP”) FAS 157-3, “Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active” (“FSP FAS 157-3”). This FSP clarifies the application of FASB SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. This FSP is effective upon issuance, including prior periods for which financial statements have not been issued. The adoption of FSP FAS 157-3 had no impact on our consolidated financial position, cash flows or results of operations.

In April 2008, the FASB issued FSP FAS 142-3, “Determination of the Useful Life of Intangible Assets” (“FSP FAS 142-3”). This position amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, “Goodwill and Other Intangible Assets.” This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The guidance contained in this FSP for determining the useful life of a recognized intangible asset shall be applied prospectively to intangible assets acquired after the effective date. We are currently assessing the effects of FSP FAS 142-3 and have not yet determined its impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141R, “Business Combinations” (“SFAS No. 141R”). SFAS No. 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. This statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statement to evaluate the nature and financial effects of the business combination. SFAS No. 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, any business combinations we engage in will be recorded and disclosed following existing GAAP until July 1, 2009. We expect SFAS No. 141R will have an impact on our consolidated financial statements when effective, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions we consummate after the effective date. We are still assessing the impact of this standard on our future consolidated financial statements.

All other new accounting pronouncements issued but not yet effective or adopted have been deemed not to be relevant to us, hence are not expected to have any impact once adopted.

ITEM 4 (T). CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our senior management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rule 13a-15 and 15d-15 under the Exchange Act) designed to ensure that information required to be disclosed

by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that we file or submit under the Exchange Act is accumulated and communicated to the issuer's management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

We have carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Financial and Chief Accounting Officer, of our disclosure controls and procedures as defined in Exchange Act Rule 13(a)-15(e). In designing and evaluating disclosure controls and procedures, we and our management recognize that any disclosure controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objective. As of September 30, 2008, management concludes that our disclosure controls and procedures are effective.

Changes in Internal Controls

During the three months ended September 30, 2008, there were no changes in our internal controls over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On February 4, 2004, we were served with a Summons and a Shareholder's Class Action and Derivative Complaint in the Court of Chancery of the State of Delaware (the "Court of Chancery") alleging that members of our board of directors in 2002 breached their fiduciary duty of loyalty in connection with the sale of certain of our offices. On February 15, 2008, a written Settlement Agreement was executed settling the lawsuit, subject to approval by the Court of Chancery. At a hearing on September 22, 2008, the Court of Chancery approved the Settlement Agreement and reserved decision on setting an award of attorney's fees and expenses for plaintiff's counsel. On October 31, 2008, Master in Chancery Sam Glasscock III issued a Master's Final Report awarding the plaintiff's attorneys fees in the amount of \$1.2 million together with out-of-pocket costs in the amount of \$0.1 million. We have filed an exception contesting the Master's Final Report with the Court of Chancery. The award of attorney fees and out-of-pocket costs will be paid by our Executive Liability and Organization Reimbursement Policy with National Union Fire Insurance Company of Pittsburgh, PA.

On September 6, 2005, the Company received an informal inquiry from the SEC regarding variable annuity sales by our registered representatives during the period January 1, 2002 through August 1, 2005. On June 22, 2006, the SEC entered a formal order of investigation. Pursuant to SEC subpoenas, we have supplied documents to the SEC and several officers, employees and former employees have testified before the SEC. We cannot predict whether or not the investigation will result in an enforcement action. Further, if there were an enforcement action, we cannot predict whether or not our operating results would be affected.

The Company and PCS are defendants and respondents in lawsuits and Financial Industry Regulatory Authority ("FINRA") arbitrations in the ordinary course of business. In accordance with SFAS No. 5 "Accounting for Contingencies," we have established liabilities for potential losses from such complaints, legal actions, investigations and proceedings. In establishing these liabilities, our management uses its judgment to determine the probability that losses have been incurred and a reasonable estimate of the amount of the losses. In making these decisions, we base our judgments on our knowledge of the situations, consultations with legal counsel and our historical experience in resolving similar matters. In many lawsuits, arbitrations and regulatory proceedings, it is not possible to determine whether a liability has been incurred or to estimate the amount of that liability until the matter is close to resolution. However, accruals are reviewed regularly and are adjusted to reflect our estimates of the impact of developments, rulings, advice of counsel and any other information pertinent to a particular matter. Because of the inherent difficulty in predicting the ultimate outcome of legal and regulatory actions, we cannot predict with certainty the eventual loss or range of loss related to such matters. If our judgments prove to be incorrect, our liability for losses and contingencies may not accurately reflect actual losses that result from these actions, which could materially affect results in the period other expenses are ultimately determined. PCS has errors & omissions coverage that will cover a portion of such matters. In addition, under the PCS registered

representatives contract, each registered representative is responsible for covering awards, settlements and costs in connection with these claims. While we will vigorously defend these matters, and will assert insurance coverage and indemnification to the maximum extent possible, there can be no assurance that these lawsuits and arbitrations will not have a material adverse impact on our financial position.

ITEM 1A. RISK FACTORS

Risk factors and uncertainties associated with our business have not changed materially from those disclosed in Part I, Item 1A of our 2008 Annual Report on Form 10-K as filed with the SEC on September 26, 2008.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

See Note 8 to Notes to Consolidated Financial Statements herein for a discussion of the Company's defaults on debt.

ITEM 6. EXHIBITS

31.1 Rule 13a-14(a) Certification of Chief Executive Officer.

31.2 Rule 13a-14(a) Certification of Principal Financial and Chief Accounting Officer.

32.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Principal Financial and Chief Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GILMAN CIOCIA, INC.

Dated: November 14, 2008

By: /s/ Michael Ryan
Chief Executive Officer

Dated: November 14, 2008

By: /s/ Karen Fisher
Principal Financial and Chief Accounting Officer

EXHIBIT 31.1

CERTIFICATION

I, Michael Ryan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Gilman Ciocia, 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(s) 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 control 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 control over financial reporting, or caused such internal control 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;

(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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) 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.

Date: November 14, 2008

/s/ Michael Ryan

Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Karen Fisher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Gilman Ciocia, 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(s) 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 control 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 control over financial reporting, or caused such internal control 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;

(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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) 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.

Date: November 14, 2008

/s/ Karen Fisher

Principal Financial and Chief Accounting Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Gilman Ciocia, Inc. (the "Company") for the three months ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael P. Ryan, certify, pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

By: /s/ Michael Ryan

Name: Michael Ryan
Chief Executive Officer

Date: November 14, 2008

EXHIBIT 32.2

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Gilman Ciocia, Inc. (the "Company"), for the three months ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Karen Fisher, certify, pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

By: /s/ Karen Fisher

Name: Karen Fisher
Principal Financial and Chief Accounting Officer

Date: November 14, 2008