

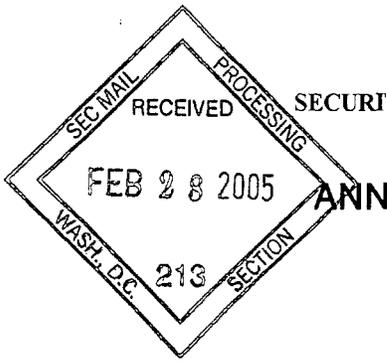
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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

OMB APPROVAL
OMB Number: 3235-0123
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8-45370

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 01/01/04 AND ENDING 12/31/04
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Gateway Investment Services, Inc.

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

OFFICIAL USE ONLY
FIRM I.D. NO.

1144 Lake Street, Suite 207
(No. and Street)

Oak Park, Illinois 60301
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Beatrice Assad, Chief Financial Officer (213)443-1697
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

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

355 South Grand Avenue, #2000, Los Angeles, CA 90071
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED
MAR 17 2005

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

TJA
3/16

OATH OR AFFIRMATION

I, Beatrice Assad, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Gateway Investment Services, Inc., as of December 31,, 20⁰⁴, 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:

None

Beatrice Assad
Signature

Chief Financial Officer
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 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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



KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Board of Directors
Gateway Investment Services, Inc.:

We have audited the accompanying consolidated statement of financial condition of Gateway Investment Services, Inc. and subsidiary (a wholly owned subsidiary of Bank Plus Corporation) as of December 31, 2004 and the related consolidated statements of operations, changes in shareholder's equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our 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, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gateway Investment Services, Inc. and subsidiary as of December 31, 2004 and the results of their operations and their 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 consolidated financial statements taken as a whole. The information contained in the schedule is presented for the purpose of additional analysis and is not a required part of the basic consolidated financial statements, but is supplemental information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

KPMG LLP

February 22, 2005

GATEWAY INVESTMENT SERVICES, INC. AND SUBSIDIARY

(A Wholly Owned Subsidiary of Bank Plus Corporation)

Consolidated Statement of Financial Condition

December 31, 2004

Assets

Cash and cash equivalents	\$	362,713
Due from Parent		<u>4,005</u>
Total	\$	<u><u>366,718</u></u>

Liabilities and Shareholder's Equity

Liabilities:

Accounts payable and accrued expenses	\$	<u>27,000</u>
Total liabilities		<u>27,000</u>

Shareholder's equity:

Common stock, \$1 par value. Authorized 50,000 shares; issued and outstanding 50 shares		50
Additional paid-in capital		49,950
Retained earnings		<u>289,718</u>
Total shareholder's equity		<u>339,718</u>
Total	\$	<u><u>366,718</u></u>

See accompanying notes to consolidated financial statements.

GATEWAY INVESTMENT SERVICES, INC. AND SUBSIDIARY
(A Wholly Owned Subsidiary of Bank Plus Corporation)

Consolidated Statement of Operations

Year ended December 31, 2004

Revenues:		
Interest income	\$	405
Commissions		<u>24,786</u>
Total revenues		<u>25,191</u>
Expenses:		
Employee compensation and benefits		36,456
General and administrative		33,530
Occupancy		12,000
Professional fees		<u>24,500</u>
Total expenses		<u>106,486</u>
Loss before income taxes		(81,295)
Income tax benefit		<u>34,181</u>
Net loss	\$	<u><u>(47,114)</u></u>

See accompanying notes to consolidated financial statements.

GATEWAY INVESTMENT SERVICES, INC. AND SUBSIDIARY
(A Wholly Owned Subsidiary of Bank Plus Corporation)

Consolidated Statement of Changes in Shareholder's Equity

Year ended December 31, 2004

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Shareholder's equity</u>
Balance, January 1, 2003	\$ 50	49,950	336,832	386,832
Net loss	—	—	(47,114)	(47,114)
Balance, December 31, 2004	<u>\$ 50</u>	<u>49,950</u>	<u>289,718</u>	<u>339,718</u>

See accompanying notes to consolidated financial statements.

GATEWAY INVESTMENT SERVICES, INC. AND SUBSIDIARY

(A Wholly Owned Subsidiary of Bank Plus Corporation)

Consolidated Statement of Cash Flows

Year ended December 31, 2004

Cash flows from operating activities:	
Net loss	\$ (47,114)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Changes in assets and liabilities:	
Commissions and fees receivable	600
Other assets	18,410
Due to affiliates	(18,364)
Accounts payable and accrued liabilities	<u>(4,426)</u>
Net cash used in operating activities	(50,894)
Cash and cash equivalents:	
Beginning of year	<u>413,607</u>
End of year	\$ <u><u>362,713</u></u>
Supplemental disclosure of cash flow information:	
Income taxes received from Parent	\$ 25,750

See accompanying notes to consolidated financial statements.

GATEWAY INVESTMENT SERVICES, INC. AND SUBSIDIARY
(A Wholly Owned Subsidiary of Bank Plus Corporation)

Notes to Consolidated Financial Statements

December 31, 2004

(1) Organization

Gateway Investment Services, Inc. (the Company) was incorporated in California in October 1989 and became a registered broker-dealer on October 14, 1993 under the Securities Exchange Act of 1934. The Company was purchased on July 31, 1994 by Fidelity Federal Bank (Fidelity Federal). In May 1996, Bank Plus Corporation (the Parent) purchased Fidelity Federal, including the Company. As a result, the Company became a wholly owned subsidiary of the Parent. On December 31, 2001, the Parent was purchased by FBOP Corporation (FBOP). The acquisition of the Parent by FBOP had no impact on the consolidated financial statements of the Company.

Effective March 1, 2003, the Company acquired Citadel Services Corporation (Citadel), an insurance services provider, from California National Bank, a subsidiary of FBOP, the purchase price represented the fair value of the net assets and liabilities of Citadel as of the acquisition date.

Prior to September 15, 2003, the Company's primary business was to provide investment counseling services and offer securities products, such as mutual funds and fixed and variable annuities. Effective September 15, 2003, the Company discontinued all of its retail business activities.

Subsequent to September 15, 2003, the Company's revenues have been limited to the receipt of trail commissions earned for products offered and sold prior to the discontinuance of such operations.

On December 22, 2004, the Company entered into a services agreement with River Capital Advisors, Inc. (River Capital), which is also a wholly owned subsidiary of FBOP. Per the terms of the agreement, the Company and River Capital plan to offer advisory services related to the restructuring of debt obligations.

(2) Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the financial statements of Gateway Investment Services, Inc. and its wholly owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Cash and Cash Equivalents

Investments in money market funds are carried at cost, which approximates fair value, and are considered cash equivalents.

(c) Revenue Recognition

Trail commissions are recognized when received.

(d) Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates

GATEWAY INVESTMENT SERVICES, INC. AND SUBSIDIARY

(A Wholly Owned Subsidiary of Bank Plus Corporation)

Notes to Consolidated Financial Statements

December 31, 2004

expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(e) *Use of Estimates*

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

(3) **Related Party Transactions**

The Company is subject to an allocation of charges from the affiliate companies for general overhead costs. During the year ended December 31, 2004, the Company paid \$36,581 to the affiliate companies for such allocated charges.

(4) **Income Taxes**

The Company's results are included in the consolidated federal income tax and the California franchise tax returns filed by the Parent. The Company is allocated income taxes based on the separate-return method. Amounts due from affiliate as of December 31, 2004 of \$4,005 relate to current income tax benefits due from the Parent.

Income taxes consist of the following components on a separate-return basis:

Current income tax benefit:		
Federal	\$	25,369
State		<u>8,812</u>
	\$	<u><u>34,181</u></u>

The provision for taxes on income differs from the amounts computed by applying the federal rate of 35% primarily because of the effect of state income taxes as follows.

Computed expected tax benefit at 35% of income before income taxes	\$	28,453
Increase in income tax benefit resulting from state and city income taxes, net of federal income tax benefit		<u>5,728</u>
Total income tax benefit	\$	<u><u>34,181</u></u>

GATEWAY INVESTMENT SERVICES, INC. AND SUBSIDIARY
(A Wholly Owned Subsidiary of Bank Plus Corporation)

Notes to Consolidated Financial Statements

December 31, 2004

(5) Concentration of Credit Risk

The Company maintains its cash and cash equivalents in various federally insured banking institutions. The account balances at each institution periodically exceed the Federal Deposit Insurance Corporation's (FDIC) insurance coverage and, as a result, there is a concentration of credit risk related to amounts in excess of FDIC insurance coverage. Management of the Company believes that this risk is not significant.

(6) Net Capital Requirements

The Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) under the Securities and Exchange Act of 1934, which requires the maintenance of minimum net capital and requires that the ratio of aggregated indebtedness to net capital, both as defined, shall not exceed 15-to-1. At December 31, 2004, the Company had net capital for regulatory purposes of \$329,826, which was \$324,826 in excess of its required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was .08 to 1.0.

(7) Reserve Requirements for Brokers or Dealers

The Company is exempt from the provisions of Rule 15c3-3 (pursuant to paragraph (k)(2)(i) of such Rule) under the Securities Exchange Act of 1934, because it carries no margin accounts, promptly transmits all customer funds, and delivers all securities received in connection with its activities as a broker-dealer, does not otherwise hold funds or securities for, or owe money or securities to, customers, and effectuates all financial transactions among the Company and its customers through one or more bank accounts, each to be designated as "Special Account for the Exclusive Benefit of Customers of Gateway Investment Services, Inc."

(8) Contingencies

The Company in the ordinary course of its business is subject to potential claims. The Company's management believes the outcome of these matters will not have a material or adverse effect on the Company's financial statements or its business.

GATEWAY INVESTMENT SERVICES, INC. AND SUBSIDIARY
(A Wholly Owned Subsidiary of Bank Plus Corporation)

Computation of Net Capital under Rule 15c3-1
of the Securities and Exchange Commission

December 31, 2004

Shareholder's equity	\$	339,718
Nonallowable assets:		
Due from Parent		(4,005)
Other		(5,887)
		<u>(9,892)</u>
Net capital	\$	<u>329,826</u>

Computation of aggregate indebtedness

Total aggregate indebtedness	\$	27,000
Minimum net capital requirement (6-2/3% of aggregate indebtedness)		1,800
Minimum capital requirement		5,000
Net capital required		5,000
Excess net capital		324,826

Note:

The computation of net capital under Rule 15c3-1 as of December 31, 2004 computed by Gateway Investments Services, Inc. in its amended Form X-17a-5, Part IIA filed with the NASD Regulation, Inc. on February 22, 2005 does not differ from the above computation which is based upon the accompanying audited consolidated financial statements.

See accompanying independent auditors' report.



KPMG LLP
Suite 2000
355 South Grand Avenue
Los Angeles, CA 90071-1568

Independent Auditors' Report on Internal Accounting Control Required by Securities and Exchange Commission Rule 17a-5

The Board of Directors and Shareholder
Gateway Investment Services, Inc.:

In planning and performing our audit of the consolidated financial statements and supplemental schedule of Gateway Investment Services, Inc. (the Company) and subsidiary for the year ended December 31, 2004, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the consolidated financial statements and not to provide assurance on 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 (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly security examinations, counts, verifications, and comparisons
2. Recordation of differences required by Rule 17a-3
3. Compliance with the requirements for prompt payment of 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 disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity 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 any internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projections 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 efficiency of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2004 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 National Association of Securities Dealers, 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.

KPMG LLP

February 22, 2005