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UNITED STATES
 SANDEXCHANGE COMMISSION
 Washington, D.C. 20549

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

FACING PAGE 213

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8-33797

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 1/1/04 AND ENDING 12/31/04
 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Carter, Terry & Company, Inc.

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

3060 Peachtree Road, Suite 1400

(No. and Street)

Atlanta

Georgia

30305

(City)

(State)

(Zip Code)

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

Timothy Terry

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

James Owens & Associates, P.C.

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

20 Perimeter Park Drive, Suite 110

Atlanta, GA

30341

(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 15 2005

FOR OFFICIAL USE ONLY

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

SEC 1410 (06-02)

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2/10/05

OATH OR AFFIRMATION

I, Timothy Terry, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Carter, Terry & Company, Inc., as of December 31,, 20 04, 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:

[Signature]
Signature
President
Title

[Signature]
Notary Public
My Commission Expires 1/22/07

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).

Carter, Terry & Company, Incorporated
(formerly Attkisson, Carter & Company, Incorporated)

Financial Statements and
Supplemental Information

Years Ended December 31, 2004 and 2003

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Carter, Terry & Company, Incorporated

We have audited the accompanying balance sheet of Carter, Terry & Company, Incorporated (formerly Attkisson, Carter, Incorporated) as of December 31, 2004, and December 31, 2003, and the related statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carter, Terry & Company, Incorporated, at December 31, 2004 and December 31, 2003, and the results of its operations and its cash flows for the year the ended in conformity with generally accepted accounting principles.

Our audits have been made primarily for the purpose of expressing an opinion on the financial statements taken as a whole. The accompanying supplementary information is presented for analysis purposes and is not necessary for a fair presentation of the financial information referred to in the preceding paragraph. It has been subjected to the tests and other auditing procedures applied in the audits of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

James Owens & Associates PC

James Owens & Associates, P.C.

February 14, 2005

Carter, Terry & Company, Incorporated
Balance Sheets
As of December 31, 2004 and 2003

Assets:	<u>2004</u>	<u>2003</u>
Cash	\$ 72,638	5,400
Clearing deposit	70,010	70,012
Receivable from clearing organization	223,549	95,623
Marketable securities at fair market value available for sale	130	52,724
Other assets	<u>35,128</u>	<u>29,423</u>
Total Assets	<u>\$ 401,455</u>	<u>253,182</u>
Liabilities and Stockholders' Equity:		
Accounts payable and accrued expenses	\$ 195,054	35,320
Deferred income taxes	20,000	34,000
Total liabilities	<u>215,054</u>	<u>69,320</u>
Stockholders' equity:		
Common stock, \$1 par value; authorized 10,000; issued and outstanding 2,753.5 shares	2,754	2,754
Additional paid-in-capital	241,855	181,855
Less treasury stock, at cost	(5,833)	(5,833)
Unrealized gain on marketable securities	0	17,812
Retained earnings(deficit)	<u>(52,375)</u>	<u>(12,726)</u>
Total stockholders' equity	<u>186,401</u>	<u>183,862</u>
Total liabilities and stockholders' equity	<u>\$ 401,455</u>	<u>253,182</u>

See accompanying notes to financials statements

Carter, Terry & Company, Incorporated
Statements of Operations
Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues		
Commissions	\$ 2,550,028	2,050,345
Interest	40,540	95,640
Investment banking fees	284,903	500,102
Principal transactions	3,433	25,528
Rental and other income	76,197	104,032
Total Revenues	<u>2,955,101</u>	<u>2,775,647</u>
Expenses		
Management Fee	360,000	0
Compensation and benefits	297,128	268,819
Commissions	1,454,492	1,111,803
Clearing costs	271,150	231,915
Occupancy and equipment rental	240,000	240,000
Communications	103,913	84,896
Other	87,493	46,555
Total Expenses	<u>2,814,176</u>	<u>1,983,988</u>
Income before income taxes	140,925	791,659
Income tax expense	<u>54,000</u>	<u>312,025</u>
Net income	<u>\$ 86,925</u>	<u>479,634</u>

The accompanying notes are an integral part of these financial statements

Carter, Terry & Company, Incorporated
Statements of Changes in Stockholders' Equity
Years Ended December 31, 2004 and 2003

	Common Stock	Additional Paid-in Capital	Treasury Stock	Unrealized Appreciation	Retained Earnings (Deficit)	Total
Balance 12/31/02	\$ 2,754	181,855	(5,833)	0	(91,293)	87,483
Net income					479,634	479,634
Dividends paid					(401,067)	(401,067)
Change in unrealized appreciation				17,812	0	17,812
Balance 12/31/03	2,754	181,855	(5,833)	17,812	(12,726)	183,862
Net income/increase		60,000			90,590	150,590
Dividends paid					(130,239)	(130,239)
Change in unrealized appreciation				(17,812)	0	(17,812)
Balance at 12/31/04	\$ <u>2,754</u>	<u>241,855</u>	<u>(5,833)</u>	<u>0</u>	<u>(52,375)</u>	<u>186,401</u>

The accompanying notes are an integral part of these financial statements

Carter, Terry & Company, Incorporated
Statements of Changes of Financial Condition
Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities		
Net income	\$ 90,590	479,634
Adjustment to reconcile net income to net cash provided by operating activities:		
Decrease (Increase) in receivables	(127,926)	27,401
Decrease (Increase) in marketable securities	(17,812)	17,812
Decrease (Increase) in other assets	(5,703)	(45,579)
(Decrease) Increase in accrued expenses	159,734	(58,086)
(Decrease) Increase in deferred income taxes	(14,000)	12,000
Net cash provided by operating activities	<u>84,883</u>	<u>433,182</u>
Cash flows from investing activities:		
Decrease (Increase) in marketable securities	<u>52,594</u>	<u>(52,724)</u>
Cash flows from financing activities:		
Addition to Paid-In Capital	60,000	
Dividends paid	<u>(130,239)</u>	<u>(401,067)</u>
Net (decrease) in cash and cash Equivalents	67,238	(20,609)
Cash and cash equivalents at beginning of year	<u>5,400</u>	<u>26,009</u>
Cash and cash equivalents at end of year	<u>\$ 72,638</u>	<u>5,400</u>

The accompanying notes are an integral part of these financial statements

Carter, Terry & Company, Incorporated
(Formerly Attkisson, Carter & Company, Incorporated)
Notes to Financial Statements
Years Ended December 31, 2004 and 2003

Note A: Summary of Significant Accounting Policies

Description of Business

Carter, Terry & Company, Incorporated (formerly Attkisson, Carter & Company, Incorporated) is a broker/dealer engaged in investment brokerage activities principally in the Atlanta area. The Company is a wholly owned subsidiary of First Atlanta Financial Service Group, Inc. (First Atlanta Financial)

Furniture Fixtures and Depreciation

Furniture and fixtures were fully depreciated as of December 31, 2004

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial abatements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for the differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to the use of the cash basis of accounting for income tax purposes.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considered all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Concentration of Risks

The company's clearing deposit and receivable from clearing organizations are located at two securities clearing houses.

Note B: Capital Requirements

The company is subject to the net capital rules of the Securities and Exchange Commission. The rules prohibit a broker/dealer from engaging in any securities transaction at a time when its aggregate indebtedness exceeds 15 times its "net capital", as those terms are defined by the rules.

Carter, Terry & Company, Incorporated
(formerly Attkisson, Carter & Akers, Incorporated)
Notes to Financial Statements
Years Ended December 31, 2004 and 2003

Note B: Capital Requirements, continued

At December 31, 2004 the Company's net capital of \$151,273 exceeded its required net capital of \$50,000 and results in a ratio of aggregate indebtedness to net capital of .70 to one.

Note C: Income Taxes

The components of income tax expense are as follows:

Current	<u>2004</u>	<u>2003</u>
Federal	\$ 45,100	255,000
State	8,900	45,025
Deferred		
Federal	11,900	10,000
State	<u>2,100</u>	<u>2,000</u>
Total	<u>\$ 68,000</u>	<u>312,025</u>

The tax effects of temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities and other items that give rise to deferred tax assets and deferred tax liabilities at December 31, 2003 and 2004 are as follows:

	<u>2004</u>	<u>2003</u>
Deferred tax assets		
Temporary differences between accounts payable and accrued expenses	\$ 80,000	14,000
Deferred tax liabilities:		
Temporary differences between commissions receivable	<u>(100,000)</u>	<u>(48,000)</u>
Net tax deferred tax liability	\$ <u>(20,000)</u>	<u>(34,000)</u>

Carter, Terry & Company, Incorporated
(formerly Attkisson, Carter & Company, Incorporated)
Notes to Financial Statements
Years Ended December 31, 2004 and 2003

Note C: Income Taxes, continued

The Company files a consolidated income tax return with its parent, First Atlanta Financial. Income taxes are allocated to the Company based on the taxes the Company would pay if it filed a separate return.

Total tax expense reflected in the accompanying statements of operations differs from amounts computed at statutory rates principally because of certain expenses which are not tax deductible.

Note D: Related Party Transactions

The Company is a wholly owned-owned subsidiary of First Atlanta Financial service Group, Inc. (First Atlanta Financial), which pays a substantial portion of the occupancy, equipment rental, communications, and other expenses, incurred directly or indirectly by the Company. The primary sources of funds available to First Atlanta Financial to pay these expenses are dividends and expense reimbursements from the Company. The company paid 130,239 and \$401,067 in dividends for the 2004 and 2003 respectively.

The Company paid \$68,000 and \$312,000 to First Atlanta Financial for income taxes allocated to the Company from the consolidated income tax returns for 2004 and 2003.

The Company paid \$240,000 in rent to First Atlanta Financial for the year 2004 and 2003.

The Company paid \$360,000 in management fees to First Atlanta Financial for the year 2004.

Carter, Terry & Company, Incorporated
Computation of Net Capital under Rule 15c3-1
December 31, 2004

Net Capital

Total stockholders' equity	\$ 186,401
Less deductions of non-allowable assets:	
Prepaid expenses	26,374
Loans to employees	8,754
Undue concentration	0
Haircuts other securities	0
Net capital	\$ <u>151,273</u>

Reconciliation with Company's Computation

Net capital computation per FOCUS Report Part IIA	\$ 137,278
Rounding	(5)
Adjustments to deferred taxes payable	<u>14,000</u>
Net capital as adjusted	\$ <u>151,273</u>

Supplementary Information

**Independent Auditors' Report on Internal Control Structure
Required by SEC Rule 17a-5**

The Board of Directors
Carter, Terry & Company, Incorporated

In planning and performing our audit of the financial statements of Carter, Terry & Company, Incorporated for the year ended December 31, 2004, we considered its internal control structure, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-(a)(11) and the procedures for determining compliance with the exemptive provisions of rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13; in complying with the requirements for prompt payment of securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System; or in obtaining and maintaining physical possession of control of all fully paid and excess margin securities of customers as required by rule 15c3-3, because the company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure 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 internal control structure policies and procedures 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 commission's above-mentioned objectives. Two of the objectives of an internal control structure 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 generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Report on Internal Control, continued

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

Of consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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 structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 the internal control structure 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 Commission 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 commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission and other regulatory agencies which may rely on Rule 17a-5(g) under the Securities and Exchange Act of 1934 and should not be used for any other purposes.

James Owens & Associates PC

James Owens & Associates, P.C.

February 14, 2005