



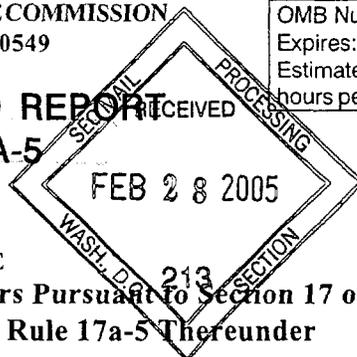
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

BB 3/10

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



SEC FILE NUMBER  
8- 51808

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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: G.L.S. & ASSOCIATES, INC.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
200 CLINTON AVENUE SUITE 707

OFFICIAL USE ONLY  
FIRM I.D. NO.

(No. and Street)

HUNTSVILLE  
(City)

ALABAMA  
(State)

35801  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
GREGORY L. SMITH (256) 539-4805  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

BYRD, SMALLEY, EVANS & ADAMS, PC

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

237 JOHNSTON STREET SE  
(Address)

DECATUR  
(City)

ALABAMA  
(State)

35601  
(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 17 2005

FOR OFFICIAL USE ONLY

THOMSON  
FINANCIAL

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

SEC 1410 (06-02)

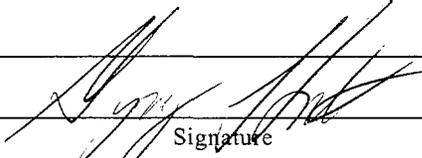
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OATH OR AFFIRMATION

I, GREGORY L. SMITH, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of G.L.S. & ASSOCIATES, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
\_\_\_\_\_  
Signature  
PRESIDENT  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Notary Public

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 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).

**G.L.S & ASSOCIATES, INC.**  
ANNUAL REPORT  
FORM X-17-A  
DECEMBER 31, 2004

**G.L.S & ASSOCIATES, INC.**  
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**Byrd, Smalley,  
Evans & Adams, P.C.**

Certified Public Accountants & Consultants

Telephone (256) 353-1611

Facsimile (256) 353-1578

237 Johnston Street S.E.

Post Office Box 2179

Decatur, AL 35602-2179

Larry O. Byrd, CPA

Timothy A. Smalley, CPA

Stan A. Evans, CPA

John R. Adams, CPA

Angie A. Harris, CPA

Laura S. Berry, CPA

Kerry A. Burroughs, CPA

Daphne L. Baker, CPA

Shannon C. Dunaway, CPA

Lisa A. Nuss, CPA

To the Board of Directors  
G.L.S & Associates, Inc.  
Huntsville, Alabama

We have audited the accompanying statements of financial condition of G.L.S & Associates, Inc. as of December 31, 2004 and 2003, and the related statements of income and changes in financial condition and the statements of 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 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 G.L.S. & Associates, Inc. as of December 31, 2004 and 2003, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Byrd, Smalley, Evans & Adams, P.C.*

January 28, 2005



The CPA. Never Underestimate The Value.

**G.L.S. & Associates, Inc.**  
**STATEMENT OF FINANCIAL CONDITION**  
December 31, 2004 and 2003

	2004	2003
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 66,337	\$ 87,483
Accounts receivable	101,379	38,764
<b>Total Current Assets</b>	<b>167,716</b>	<b>126,247</b>
<b>Fixed Assets</b>		
Equipment, net of depreciation	24,762	22,408
<b>Other Assets</b>		
Shareholder receivable	1,000	1,000
Non-marketable securities	-	1,100
<b>Total Other Assets</b>	<b>1,000</b>	<b>2,100</b>
<b>TOTAL ASSETS</b>	<b>\$ 193,478</b>	<b>\$ 150,755</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Payable to brokers	\$ 59,814	\$ 23,646
Accounts payable and accrued liabilities	69,224	32,955
Current portion of long-term debt	6,890	-
<b>Total Current Liabilities</b>	<b>135,928</b>	<b>56,601</b>
<b>Long-term debt, net of current portion</b>	<b>1,673</b>	<b>-</b>
<b>Equity</b>		
Common Stock	1,000	1,000
Retained Earnings	54,877	93,154
<b>Total Equity</b>	<b>55,877</b>	<b>94,154</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 193,478</b>	<b>\$ 150,755</b>

The accompanying notes are an integral part of these financial statements

**G.L.S. & Associates, Inc.**

**STATEMENT OF INCOME AND CHANGES IN FINANCIAL CONDITION**

For the years ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>INCOME</b>		
Commissions income	\$ 907,177	\$ 849,353
RIA income	53,075	136,794
Trails income	342,128	303,680
Securities income	23,939	-
<b>TOTAL INCOME</b>	<u>1,326,319</u>	<u>1,289,827</u>
 <b>OPERATING EXPENSES</b>		
Salaries and commissions	953,602	877,864
Payroll taxes	44,849	40,632
Employee benefits	72,722	84,333
Rent	90,684	70,819
Insurance	53,712	39,553
Office expenses	28,108	31,842
Advertising	39,263	34,046
Meals and entertainment	9,968	6,449
Fees and subscriptions	13,482	8,620
Licenses and taxes	2,388	2,411
Telephone	10,656	10,761
Sales training	21,472	21,379
Accounting	7,775	4,070
Repairs and maintenance	4,885	3,622
Depreciation	6,373	4,472
Miscellaneous	7,053	2,716
<b>TOTAL OPERATING EXPENSES</b>	<u>1,366,992</u>	<u>1,243,589</u>
 <b>INCOME FROM OPERATIONS</b>	<u>(40,673)</u>	<u>46,238</u>
 <b>OTHER INCOME (EXPENSES)</b>		
Other gains and losses	3,480	4,370
Interest expense	(1,084)	(1,969)
<b>TOTAL OTHER INCOME</b>	<u>2,396</u>	<u>2,401</u>
 <b>INCOME BEFORE INCOME TAXES</b>	<u>(38,277)</u>	<u>48,639</u>
 PROVISION FOR INCOME TAXES	<u>-</u>	<u>(6,807)</u>
 <b>NET INCOME</b>	<u>(38,277)</u>	<u>41,832</u>
 <b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<u>93,154</u>	<u>51,322</u>
 <b>RETAINED EARNINGS, END OF YEAR</b>	<u>\$ 54,877</u>	<u>\$ 93,154</u>

The accompanying notes are an integral part of these financial statements

**G.L.S. & Associates, Inc.**  
**STATEMENT OF CASH FLOWS**  
For the years ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net Income</b>	\$ (38,277)	\$ 41,832
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,373	4,472
(Increase) decrease in accounts receivable	(62,614)	7,853
Increase (decrease) in accounts payable	72,437	(18,930)
(Gain) loss on disposal of property	(3,480)	(4,370)
Total adjustments	<u>12,716</u>	<u>(10,975)</u>
<b>Net cash provided (used) by operating activities</b>	<u>(25,561)</u>	<u>30,857</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash payments for purchase of property	(9,290)	(17,223)
Cash payments for the purchase of stock	(24,000)	(60,924)
Cash proceeds from sale of stock	<u>29,142</u>	<u>80,495</u>
<b>Net cash provided (used) by investing activities</b>	<u>(4,148)</u>	<u>2,348</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	14,662	-
Principal payments on long-term debt	<u>(6,099)</u>	<u>(10,791)</u>
<b>Net cash provided (used) by financing activities</b>	<u>8,563</u>	<u>(10,791)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(21,146)	22,414
<b>Cash and cash equivalents at beginning of year</b>	<u>87,483</u>	<u>65,069</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 66,337</u>	<u>\$ 87,483</u>
<b>Supplemental disclosures of cash flow information:</b>		
<b>Cash paid during the year for:</b>		
Interest	<u>\$ 1,084</u>	<u>\$ 1,969</u>
Income taxes	<u>\$ -</u>	<u>\$ 3,575</u>

The accompanying notes are an integral part of these financial statements

**G.L.S. & Associates, Inc.**  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 1      SIGNIFICANT ACCOUNTING POLICIES**

G.L.S. & Associates, Inc. was established in 1990. In November 1999, the company became a limited broker dealer.

Basis of Accounting: The company prepares its financial statements using U.S. generally accepted accounting principles on the accrual basis.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to makes estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment: Property and equipment are stated at cost. Depreciation is provided on a straight-line basis over the estimate useful lives of the assets.

Cash: For the purposes of cash flows, the Company considers all short-term investments with a maturity of three months or less the be cash equivalents.

**NOTE 2      ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following at December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Mutual Fund Commissions	\$ 17,198	\$ 959
Registered Investment Advisor Commissions	19,920	21,999
Stock Trade Commissions	140	420
Variable Annuity Commissions	27,817	7,803
Trails Commissions	<u>36,304</u>	<u>7,583</u>
Total Accounts Receivable	<u>\$ 101,379</u>	<u>\$ 38,764</u>

All commissions are deemed collectible by management, therefore, there is no allowance for doubtful accounts.

**G.L.S. & Associates, Inc.**  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 3 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Equipment and furnishings	\$ 37,020	\$ 40,227
Less: Accumulated Depreciation	<u>(12,258)</u>	<u>(17,819)</u>
Total Property and equipment	<u>\$ 24,762</u>	<u>\$ 22,408</u>

**NOTE 4 INVESTMENTS**

At December 31, 2003, the company held 100 shares of NASD common stock. This stock was sold during the year ended December 31, 2004 for a loss of \$130.

The company invests excess funds in short-term investments and maintains an investment account to satisfy a minimum balance. These investments resulted in a gains during the years ended December 31, 2004 and 2003 of \$4,174 and \$4,370, respectively.

**NOTE 5 STOCKHOLDER'S EQUITY**

The company has authorized 1,000 shares of \$1 par value common stock. It has issued at December 31, 2004, 1,000 shares, all of which are outstanding.

**NOTE 6 RETIREMENT PLAN**

The company sponsors a retirement plan for the employees. Employees are allowed to contribute up to \$13,000 of compensation, and the company matches up to four percent. The company contributed \$50,382 and \$60,029 for the years ended December 31, 2004 and 2003, respectively.

**NOTE 7 CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable. The Company's revenues are dependent upon the fluctuations of the stock market. Consequently, the ability of the Company to collect the amounts due from its customers is affected by economic fluctuations related to this industry.

**G.L.S. & Associates, Inc.**  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 7      CONCENTRATIONS OF CREDIT RISK (Continued)**

The company maintains cash balances at a financial institution located in Huntsville, Alabama. The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$100,000 at each institution. At December 31, 2004 and 2003, the company had uninsured cash balances of \$-0- and \$108,893, respectively.

**NOTE 8      INCOME TAXES**

The Company files its income tax returns on the cash basis of accounting as allowed by the Internal Revenue Service. As a result of the difference in basis of accounting for tax purposes and book purposes, a deferred tax issue is created; however, the amounts of the deferred tax is immaterial to the financial statements.

**NOTE 9      LEASES**

The company leases its office facilities in Huntsville, Alabama. The current lease that expired February 28, 2004 has been extended an additional 36 months. The monthly lease payments from March 1, 2004 through February 28, 2005 are \$5,400. For the period beginning March 1, 2005 through February 28, 2006 the payments will be \$5,535.00. For the period beginning March 1, 2006 through February 28, 2007 the payments will be \$5,673. Rent expense for the years ended December 31, 2004 and 2003 were \$70,684 and \$79,819, respectively.

Future minimum rental payments are as follows:

2005	\$66,150
2006	67,800
2007	11,346

During the year, the company has also entered a lease for a condominium in Orange Beach, Alabama owned by the President of G.L.S and Associates. The lease is cancelable upon 30 days notice by either party. The condo is available for use by employees and business associates of G.L.S and Associates. Rent is charged at \$2,500 per month. Rent expense for the year was \$20,000.

**G.L.S. & Associates, Inc.**  
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 10 LONG-TERM DEBT**

	<u>2004</u>	<u>2003</u>
Note payable to Amsouth due March 28, 2006, with a variable interest rate. The agreement is secured by equipment.	<u>\$8,563</u>	\$ <u>    -</u>

Long-term debt maturities are as follows:

2005	\$6,890
2006	1,673

**NOTE 11 RELATED PARTY TRANSACTIONS**

The Company has entered into a lease for a condominium which is owned by the President of G.L.S. & Associates. See Note 9 for details of the lease.

**SUPPLEMENTARY INFORMATION**

**G.L.S. & Associates, Inc.**  
**COMPUTATION OF NET CAPITAL**  
December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>Total ownership equity from Statement of Financial Condition</b>	\$ 55,877	\$ 94,154
Deduct ownership equity not allowable for Net Capital	-	-
<b>Total ownership equity qualified for Net Capital</b>	<u>55,877</u>	<u>94,154</u>
<b>Deductions and/or changes:</b>		
<b>Nonallowable assets from Statement of Financial Condition</b>		
Property and equipment, net	24,762	22,408
Accounts receivable - RIA Fee	8,167	-
Accounts receivable - commissions	3,067	808
NASD common stock	-	1,100
Due from stockholder	<u>1,000</u>	<u>1,000</u>
<b>Total nonallowable assets from Statement fo Financial Condition</b>	<u>36,996</u>	<u>25,316</u>
<b>Net Capital</b>	18,881	68,838
<b>Net Capital Requirement</b>	<u>9,173</u>	<u>5,000</u>
<b>Excess Net Capital</b>	<u>\$ 9,708</u>	<u>\$ 63,838</u>

**Reconciliation of Audited Net Capital to Original FOCUS Report December 31, 2004**

Net Capital Per audited financial statements		\$ 18,881
Changes in ownership equity due to audit changes:		
Adjusting depreciation	(490)	
Adjusting accounts payable	<u>(492)</u>	(982)
Change in non-allowable assets due to depreciation change		<u>490</u>
<b>Net Capital per originally filed FOCUS Report December 31, 2004</b>		<u>\$ 18,389</u>

See accountant's report and notes to financial statements.

**G.L.S. & Associates, Inc.**  
COMPUTATION OF AGGREGATE INDEBTNESS  
December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>Total liabilities from Statement of Financial Condition</b>	\$ 137,601	\$ 56,601
Less: Non-Aggregate Indebtness	<u>-</u>	<u>-</u>
<b>Total Aggregate Indebtness</b>	<u>\$ 137,601</u>	<u>\$ 56,601</u>

See accountant's report and notes to financial statements.

**G.L.S. & Associates, Inc.**  
STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED  
TO CLAIMS OF GENERAL CREDITORS  
December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>Balance, Beginning of Period</b>	\$ -	\$ 10,791
Increases (Decreases)	<u>-</u>	<u>(10,791)</u>
<b>Balance, End of Period</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accountant's report and notes to financial statements.

**G.L.S. & Associates, Inc.**  
**STATEMENT OF CHANGES IN OWNER'S EQUITY**  
December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>Ownership Equity, Beginning of Period</b>	\$ 94,154	\$ 52,322
Net Income (Loss)	<u>(38,277)</u>	<u>41,832</u>
<b>Ownership Equity, End of Period</b>	<u>\$ 55,877</u>	<u>\$ 94,154</u>

See accountant's report and notes to financial statements.

**G.L.S. & Associates, Inc.**  
**RECONCILIATION OF NET CAPITAL**  
December 31, 2004 and 2003

Line	Description	As Originally Reported	As Audited	Difference	Explanation
<b>BALANCE SHEET</b>					
10	Property, Furniture	24,272	24,762	490	Depreciation was not calculated on some asset additions.
17	Accounts payable, accrued liabilities, expenses & other	78,279	69,224	(9,055)	Reclassification of items included in payables.
18	Notes & mortgages payable	-	8,563	8,563	Reclassification of liability from accounts payable.
<b>INCOME STATEMENT</b>					
15	Other Expenses	419,392	418,410	(982)	Net effect of the above mentioned changes.

**NET CAPITAL COMPUTATION:** As a result of the above modifications, net capital increased by \$525.

See accountant's report and notes to financial statements.

Board of Directors  
GLS & Associates, Inc.  
Huntsville, Alabama

In planning and performing our audit of the financial statements of G.L.S. & Associates, Inc. for the years ended December 31, 2004 and 2003, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(11) and the reserve required by rule 15c3-3(e)

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 the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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

performing their assigned function. 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 the Company's practices and procedures were adequate at December 31, 2004 and 2003, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, 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 those specified parties.

*Byrd, Smalley, Evans & Adams, P.C.*

Byrd, Smalley, Evans, Adams & Johnson, P.C.  
Decatur, Alabama  
January 28, 2005

**G.L.S. & Associates, Inc.**  
STATEMENT OF EXEMPTION  
December 31, 2004 and 2003

The firm of G.L.S. & Associates, Inc. is exempt from Section 15c3-3 K2II because they clear through a firm on a fully disclosed basis.

See accountants' report and notes to the financial statements