

SEC



15047263

MISSION

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	March 31, 2016
Estimated average burden hours per response.....	12.00

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

SEC
 Mail Processing
 Section
 MAR 02 2015

SEC FILE NUMBER
8- 51808

FACING PAGE

Washington DC
 104

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 01/01/14 AND ENDING 12/31/14
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: G.L.S. & Associates, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

200 Clinton Avenue; Suite 707

(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 & 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.

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)

Handwritten initials/signature

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, 20 14, 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

my commission expires 6-20-2016

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

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

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

G.L.S. & ASSOCIATES, INC.
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Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders of
G.L.S. & Associates, Inc.

We have audited the accompanying financial statements of G.L.S. & Associates, Inc. (an Alabama corporation), which comprise the statement of financial condition as of December 31, 2014, and the related statements of income, changes in shareholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements and supplemental information. G.L.S. & Associates, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included 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 financial statements referred to above present fairly, in all material respects, the financial condition of G.L.S. & Associates, Inc. as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Computation of Net Capital Under Rule 15c3-1 (Schedule I), Computation for Determination of Reserve Requirements Under Rule 15c3-3 (Schedule II), and the Information for Possession or Control Requirements Under Rule 15c3-3 (Schedule III) has been subjected to audit procedures performed in conjunction with the audit of G.L.S. & Associates, Inc.'s financial statements. The supplemental information is the responsibility of G.L.S. & Associates, Inc.'s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statement or the underlying accounting and other records, as applicable and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with Rule 17a-5 of the Securities Exchange Act of 1934. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Byrd, Smalley & Adams, P.C.

Decatur, Alabama
February 25, 2015

G.L.S. Associates, Inc.
STATEMENT OF FINANCIAL CONDITION
December 31, 2014

ASSETS

Current Assets

Cash	\$ 85,954
Accounts receivable	79,545
Other Securities Owned	108,563
Advance - Employee	780
Prepaid expenses	<u>2,942</u>
Total Current Assets	277,784

Fixed Assets

Furniture and Equipment, net of depreciation	<u>30,678</u>
----------------------------------------------	---------------

TOTAL ASSETS \$ 308,462

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Payable to brokers	\$ 17,402
Accounts payable & accrued liabilities	55,672
Income taxes payable	4,178
Deferred revenue	5,096
Deferred tax liability	<u>5,127</u>
Total Current Liabilities	87,475

Stockholders' Equity

Common Stock	1,000
Treasury Stock, at cost	(29,602)
Retained Earnings	<u>249,589</u>
Total Stockholders' Equity	<u>220,987</u>

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY \$ 308,462

The accompanying notes are an integral part of these financial statements.

G.L.S. Associates, Inc.
STATEMENT OF INCOME
For the year ended December 31, 2014

Income	
Commissions income	\$ 57,713
Seasonal Equity Program income	109,458
Investment Advisory Fee income	538,384
Trails income	562,682
Securities income	4,482
TOTAL INCOME	<u>1,272,719</u>
Operating Expenses	
Salaries and commissions	803,010
Payroll taxes	45,180
Employee Benefits	88,119
Rent	102,693
Insurance	21,062
Office expenses	34,326
Advertising	48,815
Meals and entertainment	18,633
Fees and subscriptions	29,713
Licenses and taxes	1,801
Telephone	15,677
Sales training	24,726
Accounting	17,718
Repairs and maintenance	856
Travel and transportation	7,402
Depreciation	11,992
Miscellaneous	8,691
TOTAL OPERATING EXPENSES	<u>1,280,414</u>
INCOME (LOSS) FROM OPERATIONS	<u>(7,695)</u>
Other Income (Expenses)	
Other Income	11,294
Interest expense	(4,921)
TOTAL OTHER INCOME	<u>6,373</u>
INCOME (LOSS) BEFORE INCOME TAXES	<u>(1,322)</u>
PROVISION FOR INCOME TAXES	2,092
NET INCOME	<u><u>\$ 770</u></u>

The accompanying notes are an integral part of these financial statements.

G.L.S. Associates, Inc.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the Year Ended December 31, 2014

Stockholders' Equity, Beginning of Period	\$ 220,217
Net Income	<u>770</u>
Stockholders' Equity, End of Period	<u><u>\$ 220,987</u></u>

The accompanying notes are an integral part of these financial statements.

G.L.S. Associates, Inc.
STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS
For the year ended December 31, 2014

Balance, Beginning of Period	\$ 200,000
Increases (Decreases)	<u>(200,000)</u>
Balance, End of Period	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

G.L.S. Associates, Inc.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$	770
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		11,992
(Gain) loss on temporary investments		(7,582)
(Increase) decrease in accounts receivable		24,257
(Increase) decrease in temporary investments		(100,981)
(Increase) decrease in Advance - Employee		(780)
(Increase) decrease in prepaid expenses		80,711
(Increase) decrease in note receivable		10,000
Increase (decrease) in accounts payable		(37,692)
Increase (decrease) in income taxes payable		(29,600)
Increase (decrease) in deferred revenue		(221,918)
Increase (decrease) in deferred tax liability		(6,091)
Total adjustments		<u>(277,684)</u>
Net cash provided (used) by operating activities		(276,914)

CASH FLOWS FROM INVESTING ACTIVITIES

Cash payments for purchase of equipment		<u>(3,555)</u>
Net cash provided (used) by investing activities		(3,555)

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of subordinated debt		<u>(200,000)</u>
Net cash provided (used) by financing activities		<u>(200,000)</u>

Net increase (decrease) in cash and cash equivalents		(480,469)
Cash and cash equivalents at beginning of year		<u>566,423</u>
Cash and cash equivalents at end of year	\$	<u><u>85,954</u></u>

Supplemental disclosures of cash flow information:

Cash paid during the year for:		
Interest	\$	<u>4,921</u>
Income taxes	\$	<u><u>33,778</u></u>

The accompanying notes are an integral part of the financial statements.

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

Note 1 ORGANIZATION AND NATURE OF BUSINESS

The Company is a broker-dealer firm and an investment advisory firm. The broker dealer is a member of FINRA and SIPC. The investment advisor firm is registered with the SEC. The Company is an Alabama Corporation.

Note 2 SIGNIFICANT ACCOUNTING POLICIES

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.

Revenue Recognition: The Company receives commissions from the purchase of investment products by its customers which is earned and recorded as revenue upon completion of the related transactions. It also received investment advisory fees, on an annual, quarterly, or monthly basis, for continuing management of the assets that is recorded as revenue over the period for which the services are provided. Amounts paid in advance are deferred until earned.

Compensation paid to employees attributable to deferred investment management fees received, is recorded as a prepaid expense until the related revenue has been earned.

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

Fair Value of Financial Instruments: Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, Fair Value Measurement, defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

The Company's financial instruments are cash, accounts receivable, trading securities and accounts payable. The recorded values of these accounts approximate their fair values.

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.

Advertising: The Company follows the policy of charging the costs of advertising to expense as incurred.

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

Note 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: The amount of current or deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits, if material, are recognized in the financial statements for the changes in deferred tax liabilities or assets between years.

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB ACS 740, Income Taxes. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31, 2014:

Mutual Fund Commissions	\$ 480
Investment Advisory Fees	22,520
Trails Commissions--Mutual Funds	5,430
Trails Commissions--Variable Annuities	50,695
Corporate Bonds Commissions	<u>420</u>
Total Accounts Receivable	<u>\$ 79,545</u>

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

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2014:

Furnishings and Equipment	\$ 83,031
Less: Accumulated Depreciation	<u>(52,353)</u>
Total Property & Equipment	<u>\$ 30,678</u>

NOTE 5 SECURITIES OWNED BY COMPANY

The company invests excess funds in short-term investments classified as trading securities. At December 31, 2014:

Trading Securities at cost	\$ 100,980
Unrealized gains	7,583
Unrealized losses	<u>-</u>

Trading Securities at fair value \$108,563

G.L.S. & Associates, Inc.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 STOCKHOLDERS' EQUITY

The company has authorized 100,000 shares of \$.01 par value common stock. At December 31, 2014, 98,100 shares were outstanding; treasury stock of 1,900 shares have been recorded at cost.

NOTE 7 RETIREMENT PLAN

The Company sponsors a retirement plan for the employees. Participants are allowed to defer up to \$17,500 (employees over age 50 may defer an additional \$5,500), and the company matches up to four percent of eligible compensation. Additionally, the Company may elect to make an additional discretionary contribution amount. The company contributed \$41,330 and for the year ended December 31, 2014.

NOTE 8 FINANCIAL INSTRUMENTS AND 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 customer is affected by economic fluctuations related to this industry.

The Company maintains bank balances at a financial institution located in Huntsville, Alabama. The Federal Deposit Insurance Company (FDIC) insures accounts up to \$250,000 at each institution. At December 31, 2014, the company had no uninsured deposits.

NOTE 9 INCOME TAXES

The Company uses an accelerated depreciation method for tax purposes. As a result of the difference of accounting for depreciation for tax purposes and book purposes, a net deferred tax liability is created.

The current and deferred (if material) portions of the income tax expense (benefit) included in the statement of operations as determined in accordance with FASB ACS 740 are as follows at December 31, 2014:

Current	
Federal	\$ 2,977
State	<u>1,201</u>
Total Current Income Tax	<u>\$ 4,178</u>
Deferred	
Federal	\$ 3,662
State	<u>1,465</u>

Total Deferred Income Tax

\$ 5,127

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

NOTE 9 **INCOME TAXES (CONTINUED)**

The Company's effective income tax rate is composed of a federal rate of 15% and a state rate of 6% for a total of 21%.

The Company does not have any tax positions at the end of the year for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within twelve months of the reporting date.

The Company's federal income tax returns for prior years are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

NOTE 10 **LEASES**

The company leases its office facilities in Huntsville, Alabama. The current lease has been extended to February 28, 2016. The base (minimum) monthly lease payments from March 1, 2013 through February 28, 2015 are \$8,346. For the period beginning March 1, 2015 through February 28, 2016 the minimum payments will be \$8,531. Rent expense for the years ended December 31, 2014 was \$102,693.

Future minimum rental payments are as follows:

2015	\$ 102,002
2016	\$ 17,062

Additional amounts are also due under the terms of the lease for excess building operating costs.

NOTE 11 **NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1.

At December 31, 2014, the Company had net capital of \$154,519 which was \$149,029 in excess of its required net capital of \$5,490.

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

NOTE 12 CONTINGENCIES

The Company is a defendant in litigation seeking monetary damages for actions of a former employee. The Company denies the allegations and plans a vigorous defense. The ultimate outcome of this litigation cannot presently be determined. However, in management's opinion, the likelihood of a material adverse outcome is remote.

NOTE 13 SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 25, 2015, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

G.L.S. Associates, Inc.
COMPUTATION OF NET CAPITAL
December 31, 2014

Schedule I

Total stockholders' equity from Statement of Financial Condition	\$ 220,987
Add liabilities subordinated to claims of general creditors	<u> -</u>
Total stockholders' equity qualified for Net Capital	220,987
Deductions and/or changes:	
Nonallowable assets from Statement of Financial Condition	
Property and equipment, net	30,678
Accounts receivable - Registered Investment Advisor Fee	15,764
Prepaid broker commission	2,942
Advance - Employee	780
Total nonallowable assets from Statement of Financial Condition	<u>50,164</u>
Net Capital, before haircuts on securities positions	170,823
Haircut on securities: other securities	<u>(16,304)</u>
Net Capital (Deficit)	154,519
Capital Requirement	<u>5,490</u>
Excess (Deficit) Net Capital	<u><u>\$ 149,029</u></u>

G.L.S. Associates, Inc.
COMPUTATION OF AGGREGATE INDEBTEDNESS
December 31, 2014

Schedule I, continued

Total liabilities from Statement of Financial Condition	\$ 87,475
Less: Non-Aggregate Indebtedness	
Deferred tax liability	<u>(5,127)</u>
Total Aggregate Indebtedness	<u><u>\$ 82,348</u></u>

G.L.S. Associates, Inc.
RECONCILIATION OF NET CAPITAL
December 31, 2014
Schedule I, continued

Line Description	As Originally Reported	As Audited	Difference	Explanation
State of Financial Condition				
17 Accounts Payable	77,613	70,073	(7,540)	Change in deferred tax liability
23d Retained Earnings	243,049	250,589	7,540	Change in net income
Statement of Income				
2b Gains or losses from trading	2,542	609	(1,933)	Reclass gain
8 Other revenue	181,764	183,697	1,933	Reclass revenue
15 Other expenses	135,453	136,296	843	Reclass other expenses
18 Provision for income tax	5,627	(2,758)	(8,385)	Reduction in accrual of income tax
Computation of Net Capital				
1 Total ownership equity	213,447	220,987	7,540	Change in liability

NET CAPITAL COMPUTATION: As a result of the above modifications, net capital increased by \$ 8,384.

G.L.S. Associates, Inc.
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
December 31, 2014

Schedule II

The firm of G.L.S. & Associates, Inc. is exempt from SEC Rule 15c3-3 under section K(1) due to limited business (mutual funds and /or variable annuities only).

G.L.S. Associates, Inc.
INFORMATION FOR POSSESSION OR CONTROL REQUIREMENTS
December 31, 2014

Schedule III

The firm of G.L.S. & Associates, Inc. is exempt from SEC Rule 15c3-3 under section K(1) due to limited business (mutual funds and /or variable annuities only).

**Independent Accountants' Agreed Upon Procedures Report
on Schedule of Assessment and Payments (Form SIPC-7)**

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

In accordance with Rule 17a5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments (Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2014, which were agreed to by G.L.S. & Associates, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating G.L.S. & Associates, Inc.'s compliance with the applicable instructions of Form SIPC-7. G.L.S. & Associates, Inc.'s management is responsible for the G.L.S. & Associates, Inc.'s compliance with those requirements. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2014, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2014, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

Byrd, Smalley & Adams, P.C.

Decatur, Alabama
February 25, 2015



February 25, 2015

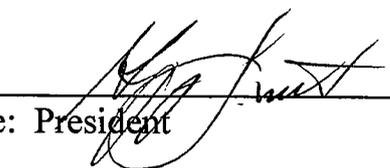
G. L. S. & Associates, Inc.'s Exemption Report

G. L. S. & Associates, Inc. (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

The Company claimed an exemption from 17 C.F.R. § 240.15c3-3 under the following provisions of 17 C.F.R. § 240.15c3-3 (k) (1): the firm conducts limited business (mutual funds and/or variable annuities only).

G.L.S. & Associates, Inc.
Name of Company

I, Gregory L. Smith, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.

By: 
Title: President

200 Clinton Avenue, Suite 707, Huntsville, AL 35801
256-539-4805 • 1-800-529-4805

Securities offered through G.L.S. & Associates, Inc. Member FINRA, SIPC