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3-8-05

SECURITIES A  
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OMB APPROVAL  
OMB Number: 3235-0123  
Expires: September 30, 1998  
Estimated average burden  
hours per response . . . 12.00

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

RECD S.E.C.  
FEB 23 2005  
1086

RECD S.E.C.  
FEB 23 2005  
1086

SEC FILE NUMBER  
8 01030

**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:**

Seltsam, Hanni & Company, Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

Bank of America, Suite 100

(No. and Street)

Topeka

Kansas

(City)

(State)

RECD S.E.C.

FEB 23 2005

66614

1086

(Zip Code)

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

James D. Seltsam

(785) 354-8588

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Greg C. Huseth, CPA, P.A.

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

5857 SW 29th Street

Topeka

Kansas

66614

(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 11 2005  
THOMSON  
FINANCIAL

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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).

SEC 1410 (3-91)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

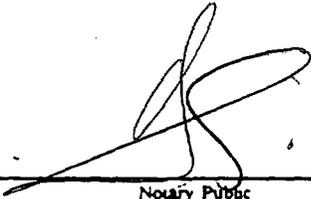
I, James D. Seltsam, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Seltsam, Hanni & Company, Inc., as of December 31, 19 2004, are true and correct. I further swear (or affirm) that neither the company 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:

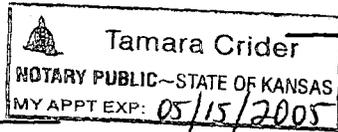
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
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 Proprietor's 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).

# Form X-17A-5

## FOCUS REPORT (Financial and Operational Combined Uniform Single Report) Schedule I

INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17a-5

Report for the Calendar Year 19 8004  
or if less than 12 months

Report for the period beginning 01 / 01 / 04 8005 and ending 12 / 31 / 04 8006  
MM DD YY MM DD YY

SEC FILE NUMBER
8- <u>8011</u>

1. NAME OF BROKER DEALER Seltsam, Hanni & Company, Inc.	<u>8020</u>	<b>N 9</b>	OFFICIAL USE ONLY	<u>8021</u>
		Firm No.	M M Y Y	

2. Name(s) of broker-dealer(s) merging with respondent during reporting period:

NAME:	<u>8053</u>	OFFICIAL USE ONLY	<u>8057</u>
NAME:	<u>8054</u>	T40	<u>8058</u>
NAME:	<u>8055</u>		<u>8059</u>
NAME:	<u>8056</u>		<u>8060</u>

3. Respondent conducts a securities business exclusively with registered broker-dealers:  
(enter applicable code: 1 = Yes 2 = No) 2 8073

4. Respondent is registered as a specialist on a national securities exchange:  
(enter applicable code: 1 = Yes 2 = No) 2 8074

5. Respondent makes markets in the following securities:

(a) equity securities . . . . . (enter applicable code: 1 = Yes 2 = No)	<u>2</u>	<u>8075</u>
(b) municipals . . . . . (enter applicable code: 1 = Yes 2 = No)	<u>2</u>	<u>8076</u>
(c) other debt instruments . . . . . (enter applicable code: 1 = Yes 2 = No)	<u>2</u>	<u>8077</u>

6. Respondent is registered solely as a municipal bond dealer:  
(enter applicable code: 1 = Yes 2 = No) 2 8078

7. Respondent is an insurance company or an affiliate of an insurance company:  
(enter applicable code: 1 = Yes 2 = No) 2 8079

8. Respondent carries its own public customer accounts:  
(enter applicable code: 1 = Yes 2 = No) 2 8084

9. Respondent's total number of public customer accounts:  
(carrying firms filing X-17A-5 Part II only)

(a) Public customer accounts . . . . .	<u>0</u>	<u>8080</u>
(b) Omnibus accounts . . . . .	<u>0</u>	<u>8081</u>

10. Respondent clears its public customer and/or proprietary accounts:  
(enter applicable code: 1 = Yes 2 = No) 1 8085

# FOCUS REPORT

## Schedule I

page 2

11. Respondent classifies public customer accounts in the following manner:

(enter a "1" in appropriate boxes)

(a) Direct Mail (New York Stock Exchange Members Only) .....		8086
(b) Self-Clearing .....	1	8087
(c) Omnibus .....		8088
(d) Introducing .....		8089
(e) Other .....		8090

If Other please describe:

(f) Not applicable .....		8091
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12. (a) Respondent maintains membership(s) on national securities exchange(s):

(enter applicable code: 1 = Yes 2 = No)

2	8100
---	------

(b) Names of national securities exchange(s) in which respondent maintains memberships:

(enter a "1" in appropriate boxes)

(1) American .....		8120
(2) Boston .....		8121
(3) CBOE .....		8122
(4) Midwest .....	1	8123
(5) New York .....		8124
(6) Philadelphia .....		8125
(7) Pacific Coast .....		8126
(8) Other .....		8129

13. Employees:

(a) Number of full-time employees .....	2	8101
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(b) Number of full-time registered representatives employed by respondent included in 13(a) .....	2	8102
---	---	------

14. Number of NASDAQ stocks respondent makes market .....	1	8103
---	---	------

15. Total number of underwriting syndicates respondent was a member .....	0	8104
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(Carrying or clearing firms filing X-17A-5 Part II)

16. Number of respondent's public customer transactions:	Actual	17	8105
	Estimate		8106

(a) equity securities transactions effected on a national securities exchange .....	17	8107
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(b) equity securities transactions effected other than on a national securities exchange .....	0	8108
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(c) commodity, bond, option, and other transactions effected on or off a national securities exchange .....		8109
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# FOCUS REPORT

## Schedule I

### page 3

17. Respondent is a member of the Securities Investor Protection Corporation  
 (enter applicable code: 1=Yes 2=No) 13 1 8111
- 
18. Number of branch offices operated by respondent ..... 0 8112
- 
19. (a) Respondent directly or indirectly controls, is controlled by, or is under  
 common control with, a U.S. bank  
 (enter applicable code: 1=Yes 2=No) 2 8130
- (b) Name of parent or affiliate 8131
- (c) Type of Institution 8132
- 
20. Respondent is an affiliate or subsidiary of a foreign broker-dealer or bank  
 (enter applicable code: 1=Yes 2=No) 2 8113
- 
21. (a) Respondent is a subsidiary of a registered broker-dealer  
 (enter applicable code: 1=Yes 2=No) 2 8114
- (b) Name of parent <sup>12</sup> 8116
- 
22. Respondent is a subsidiary of a parent which is not a registered broker or dealer  
 (enter applicable code: 1=Yes 2=No) 2 8115
- 
23. Respondent sends quarterly statements to customers pursuant to  
 10b-10(b) in lieu of daily or immediate confirmations:  
 (enter applicable code: 1=Yes 2=No)\* 2 8117
- 
24. Aggregate Dollar Amount of Non-Exempted OTC Sales of Exchange-Listed  
 Securities Done by Respondent During the Reporting Period ..... \$ 0 8118

*\*Required in any Schedule I filed for the calendar year 1978 and succeeding years*



TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

Huseth, Greg C.

70

ADDRESS

5857 SW 29th Street

71

Topeka

72

Kansas

73

66614

74

Number and Street

City

State

Zip Code

CHECK ONE

Certified Public Accountant

75

Public Accountant

76

Accountant not resident in United States  
or any of its possessions

77

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WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER <b>Seltsam, Hanni &amp; Company, Inc.</b>	N 2			100
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## STATEMENT OF FINANCIAL CONDITION

as of (MM/DD/YY) <u>12/31/04</u>	99
SEC FILE NO. _____	98
Consolidated	198
Unconsolidated	199

### ASSETS

#### Allowable

#### Non-Allowable

#### Total

	Allowable	Non-Allowable	Total
1. Cash .....	\$ 95,151	200	\$ 95,151
2. Cash segregated in compliance with federal and other regulations .....		210	760
3. Receivable from brokers or dealers and clearing organizations:			
A. Failed to deliver:			
1. Includable in "Formula for Reserve Requirements" .....		220	
2. Other .....		230	770
B. Securities borrowed:			
1. Includable in "Formula for Reserve Requirements" .....		240	
2. Other .....		250	780
C. Omnibus accounts:			
1. Includable in "Formula for Reserve Requirements" .....		260	
2. Other .....		270	790
D. Clearing organizations:			
1. Includable in "Formula for Reserve Requirements" .....		280	
2. Other .....		290	800
E. Other .....		300	810
4. Receivables from customers:			
A. Securities accounts:			
1. Cash and fully secured accounts .....		310	
2. Partly secured accounts .....		320	560
3. Unsecured accounts .....			570
B. Commodity accounts .....		330	580
C. Allowance for doubtful accounts .....	( )	335	590
5. Receivables from non-customers:			
A. Cash and fully secured accounts .....		340	
B. Partly secured and unsecured accounts .....		350	600
6. Securities purchased under agreements to resell .....		360	605
7. Securities and spot commodities owned, at market value:			
A. Bankers acceptances, certificates of deposit and commercial paper .....		370	
B. U.S. and Canadian government obligations .....		380	
C. State and municipal government obligations .....		390	
D. Corporate obligations .....		400	

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER as of 12/31/04  
Seltsam, Hanni & Company, Inc.

## STATEMENT OF FINANCIAL CONDITION

### ASSETS

	<u>Allowable</u>	<u>Nonallowable</u>	<u>Total</u>
E. Stocks and warrants .....	410		
F. Options .....	420		
G. Arbitrage .....	422		
H. Other securities .....	424		
I. Sport commodities .....	430		850
8. Securities owned not readily marketable:			
A. At Cost ..... \$ <span style="border: 1px solid black; padding: 0 5px;">130</span>	440	610	860
9. Other investments not readily marketable:			
A. At Cost ..... \$ <span style="border: 1px solid black; padding: 0 5px;">140</span>			
B. At estimated fair value .....	450	620	870
10. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:			
A. Exempted securities ... \$ <span style="border: 1px solid black; padding: 0 5px;">150</span>			
B. Other ..... \$ <span style="border: 1px solid black; padding: 0 5px;">160</span>	460	630	880
11. Secured demand notes—market value of collateral:			
A. Exempted securities ... \$ <span style="border: 1px solid black; padding: 0 5px;">170</span>			
B. Other ..... \$ <span style="border: 1px solid black; padding: 0 5px;">180</span>	470	640	890
12. Memberships in exchanges:			
A. Owned, at market value ..... \$ <span style="border: 1px solid black; padding: 0 5px;">190</span>			
B. Owned at cost .....		650	
C. Contributed for use of company, at market value .....		660	900
13. Investment in and receivables from affiliates, subsidiaries and associated partnerships .....	480	670	910
14. Property, furniture, equipment, leasehold improvements and rights under lease agreements:			
At cost (net of accumulated depreciation and amortization) .....	490	680	920
15. Other Assets:			
A. Dividends and interest receivable .....	500	690	
B. Free shipments .....	510	700	
C. Loans and advances .....	520	710	
D. Miscellaneous .....	31,226	530	31,476
16. TOTAL ASSETS .....	\$ 126,377	\$ 250	\$ 126,627

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER Seltsam, Hanni & Company, Inc.

as of 12/31/04

## STATEMENT OF FINANCIAL CONDITION

### LIABILITIES AND OWNERSHIP EQUITY

<u>Liabilities</u>	<u>A.I. Liabilities*</u>	<u>Non-A.I. Liabilities*</u>	<u>Total</u>
17. Bank loans payable:			
A. Includable in "Formula for Reserve Requirements" .....	\$ <u>1030</u>	\$ <u>1240</u>	\$ <u>1460</u>
B. Other .....	<u>1040</u>	<u>1250</u>	<u>1470</u>
18. Securities sold under repurchase agreement		<u>1260</u>	<u>1480</u>
19. Payable to brokers or dealers and clearing organizations:			
A. Failed to receive:			
1. Includable in "Formula for Reserve Requirements" .....	<u>1050</u>	<u>1270</u>	<u>1490</u>
2. Other .....	<u>1060</u>	<u>1280</u>	<u>1500</u>
B. Securities loaned:			
1. Includable in "Formula for Reserve Requirements" .....	<u>1070</u>	<u>1290</u>	<u>1510</u>
2. Other .....	<u>1080</u>	<u>1290</u>	<u>1520</u>
C. Omnibus accounts:			
1. Includable in "Formula for Reserve Requirements" .....	<u>1090</u>		<u>1530</u>
2. Other .....	<u>1095</u>	<u>1300</u>	<u>1540</u>
D. Clearing organizations:			
1. Includable in "Formula for Reserve Requirements" .....	<u>1100</u>		<u>1550</u>
2. Other .....	<u>1105</u>	<u>1310</u>	<u>1560</u>
E. Other .....	<u>1110</u>	<u>1320</u>	<u>1570</u>
20. Payable to customers:			
A. Securities accounts—including free credits of ... \$ <u>950</u> .....	<u>1120</u>		<u>1580</u>
B. Commodities accounts .....	<u>1130</u>	<u>1330</u>	<u>1590</u>
21. Payable to non customers:			
A. Securities accounts .....	<u>1140</u>	<u>1340</u>	<u>1600</u>
B. Commodities accounts .....	<u>1150</u>	<u>1350</u>	<u>1610</u>
22. Securities sold not yet purchased at market value—including arbitrage of ... \$ <u>960</u> .....		<u>1360</u>	<u>1620</u>
23. Accounts payable and accrued liabilities and expenses:			
A. Drafts payable .....	<u>1160</u>		<u>1630</u>
B. Accounts payable .....	<u>1170</u>		<u>1640</u>
C. Income taxes payable .....	<u>1180</u>		<u>1650</u>
D. Deferred income taxes .....		<u>1370</u>	<u>1660</u>
E. Accrued expenses and other liabilities .....	<u>1190</u>		<u>1670</u>
F. Other .....	<u>1200</u>	<u>1380</u>	<u>1680</u>

OMIT PENNIES

\*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER Seltsam, Hanni & Company, Inc.

as of 12/31/04

## STATEMENT OF FINANCIAL CONDITION

### LIABILITIES AND OWNERSHIP EQUITY (continued)

<u>Liabilities</u>	<u>A.I. Liabilities*</u>	<u>Non-A.I. Liabilities*</u>	<u>Total</u>
24. Notes and mortgages payable:			
A. Unsecured .....	\$ 1210		\$ 1690
B. Secured .....	\$ 1211	\$ 1390	\$ 1700
25. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings: .....		1400	1710
1. from outsiders, \$ .....	970		
2. Includes equity subordination (15c3-1(d)) of.... \$ .....	980		
B. Securities borrowings, at market value from outsiders \$ .....	990	1410	1720
C. Pursuant to secured demand note collateral agreements: .....		1420	1730
1. from outsiders \$ .....	1000		
2. Includes equity subordination (15c3-1(d)) of.... \$ .....	1010		
D. Exchange memberships contributed for use of company, at market value .....		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes .....	1220	1440	1750
26. TOTAL LIABILITIES .....	\$ 1230	\$ 1450	\$ 1760

### Ownership Equity

27. Sole proprietorship .....		\$ 1770
28. Partnership-limited partners .....	\$ 1020	1780
29. Corporation:		
A. Preferred stock .....		1791
B. Common stock .....		135,000 1792
C. Additional paid-in capital .....		890,332 1793
D. Retained earnings .....		(898,705) 1794
E. Total .....		126,627 1795
F. Less capital stock in treasury .....		( ) 1796
30. TOTAL OWNERSHIP EQUITY .....		\$ 126,627 1800
31. TOTAL LIABILITIES AND OWNERSHIP EQUITY .....		\$ 126,627 1810

OMIT PENNIES

\*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER

as of 12/31/04

Seltman, Hanni & Company, Inc.

## COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition - Item 1800	\$	126,627		3480
2. Deduct: Ownership equity not allowable for Net Capital			(	3490
3. Total ownership equity qualified for Net Capital		126,627		3500
4. Add:				
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital				3520
B. Other (deductions) or allowable credits (List)				3525
5. Total capital and allowable subordinated liabilities	\$	126,627		3530
6. Deductions and/or charges:				
A. Total nonallowable assets from Statement of Financial Condition (Notes B and C)	\$	250		3540
1. Additional charges for customers' and non-customers' security accounts	\$			3550
2. Additional charges for customers' and non-customers' commodity accounts				3560
B. Aged fail-to-deliver:				3570
1. Number of Items			3450	
C. Aged short security differences-less reserve of	\$	3470		3580
number of Items			3470	
D. Secured demand note deficiency				3590
E. Commodity futures contracts and spot commodities - proprietary capital charges				3600
F. Other deductions and/or charges				3610
G. Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x)				3615
H. Total deductions and/or charges			( 250 )	3620
7. Other additions and/or allowable credits (List)				3630
8. Net capital before haircuts on securities positions	\$	126,377		3640
9. Haircuts on securities: (computed, where applicable, pursuant to 15c3-1(f)):				
A. Contractual securities commitments	\$			3660
B. Subordinated securities borrowings				3670
C. Trading and investment securities:				3680
1. Bankers' acceptances, certificates of deposit and commercial paper				3690
2. U.S. and Canadian government obligations				3700
3. State and municipal government obligations				3710
4. Corporate obligations				3720
5. Stocks and warrants				3730
6. Options				3732
7. Arbitrage				3734
8. Other securities				3650
D. Undue Concentration				3736
E. Other (list)			(	3740
10. Net Capital	\$	126,377		3750

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER Seltsam, Hanni & Company, Inc. as of 12/31/04

## COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

**Part A**

11. Minimum net capital required (6 2/3% of line 19) .....	\$	3758
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	100,000 3758
13. Net capital requirement (greater of line 11 or 12) .....	\$	100,000 3760
14. Excess net capital (line 10 less 13) .....	\$	26,377 3770
15. Excess net capital at 1000% (line 10 less 10% of line 19) .....	\$	3780

## COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition .....	\$	3790
17. Add:		
A. Drafts for immediate credit .....	\$	3800
B. Market value of securities borrowed for which no equivalent value is paid or credited .....	\$	3810
C. Other unrecorded amounts (List) .....	\$	3820
18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts (15c3-1(c)(1)(vii)) .....	\$	3830 3838
19. Total aggregate indebtedness .....	\$	3840
20. Percentage of aggregate indebtedness to net capital (line 19 + by line 10) .....	%	3850
21. Percentage of aggregate indebtedness to net capital <u>after</u> anticipated capital withdrawals (line 19 + by line 10 less Item 4880 page 11) .....	%	3853

## COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

**Part B**

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits .....	\$	3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	3880
24. Net capital requirement (greater of line 22 or 23) .....	\$	3760
25. Excess net capital (line 10 less 24) .....	\$	3910
26. Percentage of Net Capital to Aggregate Debts (line 10 + by line 17 page 8) .....	%	3851
27. Percentage of Net Capital, <u>after</u> anticipated capital withdrawals, to Aggregate Debts (Line 10 less Item 4880 page 11 + by line 17 page 8) .....	%	3854
28. Net capital in excess of the greater of:		
A. 5% of combined aggregate debit items or \$120,000 .....	\$	3920

## OTHER RATIOS

**Part C**

29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d) .....	%	3860
30. Options deductions/Net Capital ratio (1000% test) total deductions exclusive of liquidating equity under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) + Net Capital .....	%	3852

**NOTES:**

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
  - 1. Minimum dollar net capital requirement, or
  - 2. 6 2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand notes covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to Item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

**PART II — FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT**

BROKER OR DEALER <b>Seltsam, Hanni &amp; Company, Inc.</b>	For the period (MMDDYY) from <u>1/01/04</u> 3932 to <u>12/31/04</u> 3933	Number of months included in this statement 3931
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**REVENUE**

**STATEMENT OF INCOME (LOSS)**

1. Commissions:			
a. Commissions on transactions in listed equity securities executed on an exchange	\$ 2,576	3935	
b. Commissions on transactions in exchange listed equity securities executed over-the-counter		3937	
c. Commissions on listed option transactions		3938	
d. All other securities commissions		3939	
e. Total securities commissions	2,576	3940	
2. Gains or losses on firm securities trading accounts			3941
a. From market making in over-the-counter equity securities			3941
1. Includes gains or (losses) OTC market making in exchange listed equity securities	3943		3944
b. From trading in debt securities			3945
c. From market making in options on a national securities exchange			3949
d. From all other trading			3950
e. Total gains or (losses)			3952
3. Gains or losses on firm securities investment accounts			3955
a. Includes realized gains (losses)	4235		3955
b. Includes unrealized gains (losses)	4236		
c. Total realized and unrealized gains (losses)			3952
4. Profits or (losses) from underwriting and selling groups			3960
a. Includes underwriting income from corporate equity securities	4237		3960
5. Margin interest			3970
6. Revenue from sale of investment company shares		14,450	3970
7. Fees for account supervision, investment advisory and administrative services			3975
8. Revenue from research services			3980
9. Commodities revenue			3990
10. Other revenue related to securities business			3985
11. Other revenue		2,071	3995
12. Total revenue		\$ 19,097	4030

**EXPENSES**

13. Registered representatives' compensation		\$ 38,373	4110
14. Clerical and administrative employees' expenses		20,082	4040
15. Salaries and other employment costs for general partners, and voting stockholder officers			4120
a. Includes interest credited to General and Limited Partners capital accounts	4130		4055
16. Floor brokerage paid to certain brokers (see definition)			4145
17. Commissions and clearance paid to all other brokers (see definition)			4135
18. Clearance paid to non-brokers (see definition)			4135
19. Communications		3,531	4060
20. Occupancy and equipment costs		22,364	4080
21. Promotional costs		1,565	4150
22. Interest expense			4075
a. Includes interest on accounts subject to subordination agreements	4070		4170
23. Losses in error account and bad debts			4170
24. Data processing costs (including service bureau service charges)			4186
25. Non-recurring charges			4190
26. Regulatory fees and expenses		6,479	4195
27. Other expenses		20,336	4100
28. Total expenses		\$ 112,730	4200

**NET INCOME**

29. Income (loss) before Federal income taxes and items below (Item 12 less Item 28)		(93,633)	4210
30. Provision for Federal income taxes (for parent only)			4220
31. Equity in earnings (losses) of unconsolidated subsidiaries not included above		(93,633)	4222
a. After Federal income taxes of	4238		4224
32. Extraordinary gains (losses)			4224
a. After Federal income taxes of	4239		4225
33. Cumulative effect of changes in accounting principles			4225
34. Net income (loss) after Federal income taxes and extraordinary items		\$ (93,633)	4230

**MONTHLY INCOME**

35. Income (current month only) before provision for Federal income taxes and extraordinary items		\$ (7,803)	4211
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# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER

Seltsam, Hanni & Company, Inc.

as of 12/31/04

## COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKER-DEALERS UNDER RULE 15c-3-3 (See Rule 15c3-3, Exhibit A and Related Notes)

### CREDIT BALANCES

1. Free credit balances and other credit balances in customers' security accounts (see Note A, Exhibit A, Rule 15c3-3) .....	↓ \$	4340
2. Monies borrowed collateralized by securities carried for the accounts of customers (See Note B) .....		4350
3. Monies payable against customers' securities loaned (see Note C) .....		4360
4. Customers' securities failed to receive (see Note D) .....		4370
5. Credit balances in firm accounts which are attributable to principal sales to customers .....		4380
6. Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days .....		4390
7. **Market value of short security count differences over 30 calendar days old .....		4400
8. **Market value of short securities and credits (not to be offset by longs or by debits) in all suspense accounts over 30 calendar days .....	↓	4410
9. Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days .....		4420
10. Other (List) .....		4425
11. TOTAL CREDITS .....	\$ 0	4430

### DEBIT BALANCES

12. **Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection net of deductions pursuant to Note E, Exhibit A, Rule 15c3-3 .....	\$	4440
13. Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver .....		4450
14. Failed to deliver of customers' securities not older than 30 calendar days .....		4460
15. Margin required and on deposit with Options Clearing Corporation for all option contracts written or purchased in customer accounts (see Note F) .....		4465
16. Other (List) .....		4469
17. **Aggregate debit items .....	\$ 0	4470
18. **Less 3% (for alternative method only—see Rule 15c3-1(f)(5)(i)) .....	( )	4471
19. **TOTAL 15c3-3 DEBITS .....	\$ 0	4472

### RESERVE COMPUTATION

20. Excess of total debits over total credits (line 19 less line 11) .....	\$	4480
21. Excess of total credits over total debits (line 11 less line 19) .....		4490
22. If computation permitted on a monthly basis, enter 105% of excess of total credits over total debits .....		4500
23. Amount held on deposit in "Reserve Bank Account(s)," including value of qualified securities, at end of reporting period .....	0	4510
24. Amount of deposit (or withdrawal) including \$ <span style="border: 1px solid black; padding: 0 5px;">4515</span> value of qualified securities .....		4520
25. New amount in Reserve Bank Account(s) after adding deposit or subtracting withdrawal including \$ <span style="border: 1px solid black; padding: 0 5px;">4525</span> value of qualified securities .....	\$ 0	4530
26. Date of deposit (MMDDYY) .....		4540

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### FREQUENCY OF COMPUTATION

27. Daily  4332 Weekly  4333 Monthly  4334

\*\*In the event the Net Capital Requirement is computed under the alternative method, this "Reserve Formula" shall be prepared in accordance with the requirements of paragraph (f) of Rule 15c3-1.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER Seltsam, Hanni & Company, Inc.

as of 12/31/04

## COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKER-DEALERS UNDER RULE 15c-3-3 (continued)

### EXEMPTIVE PROVISIONS

28. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)

A. (k)(1) — \$2,500 capital category as per Rule 15c3-1 .....	\$		4550
B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained .....		X	4560
C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis.			
Name of clearing firm <sup>31</sup> .....		4335	4570
D. (k)(3) — Exempted by order of the Commission .....			4580

### Information for Possession or Control Requirements Under Rule 15c3-3

State the market valuation and number of items of:

1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by respondent within the time frame specified under Rule 15c3-3. Notes A and B .....			
	\$	none	4586
A. Number of items .....			4587
2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3. Notes B, C and D .....			
	\$	none	4588
A. Number of items .....			4589
OMIT PENNIES			
3. The system and procedures utilized in complying with the requirement to maintain physical possession or control of customers' fully paid and excess margin securities have been tested and are functioning in a manner adequate to fulfill the requirements of Rule 15c3-3 .....			
		Yes <input checked="" type="checkbox"/>	4584
		No <input type="checkbox"/>	4585

### NOTES

- A—Do not include in item one customers' fully paid and excess margin securities required by Rule 15c3-3 to be in possession or control but for which no action was required by the respondent as of the report date or required action was taken by respondent within the time frames specified under Rule 15c3-3.
- B—State separately in response to items one and two whether the securities reported in response thereto were subsequently reduced to possession or control by the respondent.
- C—Be sure to include in item two only items not arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.
- D—Item two must be responded to only with report which is filed as of the date selected for the broker's or dealer's annual audit of financial statements, whether or not such date is the end of a calendar quarter. The response to item two should be filed within 60 calendar days after such date, rather than with the remainder of this report. This information may be required on a more frequent basis by the Commission or the designated examining authority in accordance with Rule 17a-5(a)(2)(iv).

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER

Seltsam, Hanni & Company, Inc.

as of 12/31/04

## SCHEDULE OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION

### CUSTOMERS' REGULATED COMMODITY FUTURES ACCOUNTS

#### SEGREGATION REQUIREMENTS

1. Net ledger balance: N/A		7010
A. Cash .....		7020
B. Securities (at market) .....		7030
2. Net unrealized profit (loss) in open futures contracts traded on a contract market .....		
3. Exchange traded options:		
A. Add: Market Value of open option contracts purchased on a contract market .....		7032
B. Deduct: Market Value of open option contracts granted (sold) on a contract market .....		7033
4. Net equity (deficit) (total of 1, 2 and 3) .....		7040
5. Add accounts liquidating to a deficit and accounts with debit balances with no open trades .....		7050
6. Amount required to be segregated (total of 5 and 5) .....		7060

#### FUNDS ON DEPOSIT IN SEGREGATION

7. Deposited in segregated funds bank accounts: N/A		7070
A. Cash .....		7080
B. Securities representing investments of customers' funds (at market) .....		7090
C. Securities held for particular customers or option customers in lieu of cash (at market) .....		
8. Margins on deposit with clearing organizations of contract markets:		
A. Cash .....		7100
B. Securities representing investments of customers' funds (at market) .....		7110
C. Securities held for particular customers or option customers in lieu of cash (at market) .....		7120
9. Settlement due from (to) clearing organizations of contract markets .....		7130
10. Exchange traded options:		
A. Add: Unrealized receivables for option contracts purchased on contract markets .....		7132
B. Deduct: Unrealized obligations for option contracts granted (sold) on contract markets .....		7133
11. Net equities with other FCMs .....		7140
12. Segregated funds on hand:		
A. Cash .....		7150
B. Securities representing investments of customers' funds (at market) .....		7160
C. Securities held for particular customers in lieu of cash (at market) .....		7170
13. Total amount in segregation (total of 7 through 12) .....	\$	7180
14. Excess (insufficiency) funds in segregation (13 minus 6) .....	\$	7190

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER as of 12/31/04  
Seltsam, Hanni & Company, Inc.

**Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.**

Type of Proposed Withdrawal or Accrual See below for code to enter	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)	
54	4600	4601	4602 \$	4603	4604	4605
55	4610	4611	4612	4613	4614	4615
56	4620	4621	4622	4623	4624	4625
57	4630	4631	4632	4633	4634	4635
58	4640	4641	4642	4643	4644	4645
49	4650	4651	4652	4653	4654	4655
60	4660	4661	4662	4663	4664	4665
61	4670	4671	4672	4673	4674	4675
62	4680	4681	4682	4683	4684	4685
63	4690	4691	4692	4693	4694	4695

Total \$ none 4699\*

OMIT PENNIES

\*To agree with the total on Recap (Item No. 4880)

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and payments of liabilities secured by fixed assets (which are considered allowable assets in the capital computation pursuant to Rule 15c3-1(c)(2)(iv)), which could be required by the lender on demand or in less than six months.

WITHDRAWAL CODE:	DESCRIPTIONS
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals
4.	15c3-1(c)(2)(iv) Liabilities

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT**  
**Capital Withdrawals**  
**PART II**

BROKER OR DEALER Seltsam, Hanni & Company, Inc. as of 12/31/04

**RECAP**

**Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, which have not been deducted in the computation of net capita.**

**1. Equity Capital**

**A. Partnership Capital:**

1. General Partners .....	\$ 4700
2. Limited .....	4710
3. Undistributed Profits .....	4720
4. Other (describe below) .....	4730
5. Sole Proprietorship .....	4735

**B. Corporation Capital:**

1. Common Stock .....	4740
2. Preferred Stock .....	4750
3. Retained Earnings (Dividends and Other) .....	4760
4. Other (describe below) .....	4770

**2. Subordinated Liabilities**

A. Secured Demand Notes .....	4780
B. Cash Subordinates .....	4790
C. Debentures .....	4800
D. Other (describe below) .....	4810

**3. Other Anticipated Withdrawals**

A. Bonuses .....	4820
B. Voluntary Contributions to Pension or Profit Sharing Plans .....	4860
C. Other (describe below) .....	4870

Total ..... \$ 4880

**4. Description of Other**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**STATEMENT OF CHANGES IN OWNERSHIP EQUITY  
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)**

1. Balance, beginning of period .....	\$ 128,260	4240	
A. Net income (loss) .....	(93,633)	4250	
B. Additions (includes non-conforming capital of .....	\$ 4262	92,000	4260
C. Deductions (includes non-conforming capital of .....	\$ 4272		4270
2. Balance, end of period (From Item 1800) .....	\$ 126,627	4290	

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED  
TO CLAIMS OF GENERAL CREDITORS**

3. Balance, beginning of period .....	\$ _____	4300
A. Increases .....		4310
B. Decreases .....	( _____ )	4320
4. Balance, end of period (From Item 3520) .....	\$ _____	4330

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# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

BROKER OR DEALER

Seltman, Hanni & Company, Inc.

as of 12/31/04

## FINANCIAL AND OPERATIONAL DATA

1.	Month end total number of stock record breaks unresolved over three business days	Valuation	Number
A.	breaks long	\$ none	4890
B.	breaks short	\$ none	4910
2.	Is the firm in compliance with Rule 17a-13 regarding periodic count and verification of securities positions and locations at least once in each calendar quarter? (Check one)		
	Yes	<input checked="" type="checkbox"/>	4930
	No	<input type="checkbox"/>	4940
3.	Personnel employed at end of reporting period:		
A.	Income producing personnel		2      4950
B.	Non-income producing personnel (all other)		2      4960
C.	Total		4      4970
4.	Actual number of tickets executed during current month of reporting period		
			3      4980
5.	Number of corrected customer confirmations mailed after settlement date		
			0      4990

	Debit (Short Value)		Credit (Long Value)	
	No. of Items		No. of Items	
6. Money differences	5000	\$ 5010	5020	\$ 5030
7. Security suspense accounts	5040	\$ 5050	5060	\$ 5070
8. Security difference accounts	5080	\$ 5090	5100	\$ 5110
9. Commodity suspense accounts	5120	\$ 5130	5140	\$ 5150

10.	Open transactions with correspondents, other brokers, clearing organizations, depositories and interoffice and inter-company accounts which could result in a charge — unresolved amounts over 30 calendar days	5180	\$ 5170	5180	\$ 5190
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11.	Bank account reconciliations — unresolved amounts over 30 calendar days	5200	\$ 5210	5220	\$ 5230
-----	---	------	---------	------	---------

12.	Open transfers over 40 calendar days, not confirmed	5240	\$ 5250	5260	\$ 5270
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13.	Transactions in reorganization accounts — over 60 calendar days	5280	\$ 5290	5300	\$ 5310
-----	---	------	---------	------	---------

14. Total		5320	\$ 5330	5340	\$ 5350
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	No. of Items	Leger Amount	Market Value
15. Failed to deliver 11 business days or longer (21 business days or longer in the case of Municipal Securities)	5360	\$ 5361	5362

16.	Failed to receive 11 business days or longer (21 business days or longer in the case of Municipal Securities)	5363	\$ 5364	5365
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17.	Security concentrations (See instructions in Part I):			
A.	Proprietary positions			5370
B.	Customers' accounts under Rule 15c3-3			5374

18.	Total of personal capital borrowings due within six months			5378
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19.	Maximum haircuts on underwriting commitments during the period			5380
-----	--	--	--	------

20.	Planned capital expenditures for business expansion during next six months			5382
-----	--	--	--	------

21.	Liabilities of other individuals or organizations guaranteed by respondent			5384
-----	--	--	--	------

22.	Lease and rentals payable within one year			5386
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23.	Aggregate lease and rental commitments payable for entire term of the lease			
A.	Gross		23,208	5388
B.	Net		23,208	5390

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SELTSAM, HANNI & COMPANY, INC.  
Topeka, Kansas

COMPUTATION OF NET CAPITAL  
December 31, 2004

NET CAPITAL

Stock	\$ 135,000
Paid in surplus	890,332
Retained earnings	<u>(898,705)</u>
	<u>126,627</u>

NON - ADMITTED ASSETS

Postage	<u>(250)</u>
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NET CAPITAL	126,377
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CAPITAL REQUIREMENT	<u>100,000</u>
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NET CAPITAL IN EXCESS OF CAPITAL REQUIREMENT	\$ <u><u>26,377</u></u>
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The above capital computation is not materially different then that computed by the firm.

SELTSAM, HANNI & COMPANY, INC.  
Topeka, Kansas

COMPUTATION OF SPECIAL BANK ACCOUNT  
FOR THE EXCLUSIVE BENEFIT OF CUSTOMERS  
December 31, 2004

Free credit balances and other credit balances in customers' security accounts, etc.	-0-	
Debit balances in customers' cash accounts, etc.		-0-
	<u>-0-</u>	<u>-0-</u>
Excess of total debits		<u>-0-</u>
Required deposit (105% of excess total credits)	-0-	
Deposit in reserve account	<u>200</u>	
Required deposit	\$ <u>-0-</u>	

Pursuant to Rule 15c3-3 (k) (2) (ii), the Company is exempt from the reserve requirement of Rule 15c3-3 at December 31, 2004.

The Company was in compliance with the exemptive provisions of SEC Rule 15c3-3 as of December 31, 2004, relative to information relating to possession and control.

SELTSAM, HANNI & COMPANY, INC.

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FINANCIAL STATEMENTS AND SCHEDULES FOR  
ANNUAL REPORT ON FORM X-17A-5

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YEARS ENDED DECEMBER 31, 2004 AND 2003

SELTSAM, HANNI & COMPANY, INC.  
Topeka, Kansas

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Independent Auditor's Report

Board of Directors  
Seltsam, Hanni & Company, Inc.  
Topeka, Kansas 66603

We have audited the accompanying balance sheets of Seltsam, Hanni & Company, Inc., as of December 31, 2004 and 2003, and the related statements of operations, changes in 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 positions of Seltsam, Hanni & Company, Inc., as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

 CPA, P.A.  
Greg C. Huseth, CPA, P.A.

February 12, 2005

SELTSAM, HANNI & COMPANY, INC.

BALANCE SHEETS  
December 31, 2004 and 2003

ASSETS

	<u>2004</u>	<u>2003</u>
<u>Current Assets</u>		
Cash	\$ 94,951	\$ 97,271
Cash - customer and trust accounts	200	200
Due from customers	-0-	-0-
Due from brokers	-0-	-0-
	<hr/>	<hr/>
Total current assets	95,151	97,471
 <u>Fixed Assets</u>		
Office equipment less accumulated depreciation of \$11,075 and \$11,075 in 2004 and 2003 respectively	-0-	-0-
 <u>Other Assets</u>		
Cash value of life insurance, face value - \$40,000	31,226	30,539
Deposits	250	250
	<hr/>	<hr/>
Total assets	\$ <u>126,627</u>	\$ <u>128,260</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

<u>Current Liabilities</u>		
Total current liabilities	-0-	-0-
 <u>Stockholders' Equity</u>		
Common stock, par value \$100 per share; authorized 1,350 shares, issued and outstanding 1,350 shares	135,000	135,000
Additional paid-in capital	890,332	798,332
Accumulated deficit	(898,705)	(805,072)
Total stockholders' equity	<hr/> 126,627	<hr/> 128,260
Total liabilities and stockholders' equity	\$ <u>126,627</u>	\$ <u>128,260</u>

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

SELTSAM, HANNI & COMPANY, INC.

STATEMENTS OF OPERATIONS

For the years ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>Revenues</u>		
Commissions on securities	\$ 17,026	\$ 19,589
Dividends and interest	840	909
Other income	<u>1,231</u>	<u>2,415</u>
Total revenues	<u>19,097</u>	<u>22,913</u>
<u>Expenses</u>		
Salaries and commissions	58,455	58,497
Operating and administrative	<u>54,275</u>	<u>57,442</u>
Total expenses	<u>112,730</u>	<u>115,939</u>
Net loss	\$ <u>(93,633)</u>	\$ <u>(93,026)</u>

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

SELTSAM, HANNI & COMPANY, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
 For the years ended December 31, 2004 and 2003

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>
Balance, January 1, 2003	\$ 135,000	\$ 702,332	\$(712,046)
Net loss, 2003			(93,026)
Owners investment, 2003		96,000	
Balance, December 31, 2003	135,000	798,332	(805,072)
Net loss, 2004			(93,633)
Owners investment, 2004		92,000	
Balance, December 31, 2004	<u>\$ 135,000</u>	<u>\$ 890,332</u>	<u>\$(898,705)</u>

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

SELTSAM, HANNI & COMPANY, INC.

STATEMENT OF CASH FLOWS

For the years ended December 31, 2004 and 2003

Increase (Decrease) in Cash and Cash Equivalents

	<u>2004</u>	<u>2003</u>
<u>Cash flows from operating activities:</u>		
Cash received from customers and brokers	\$ 17,570	\$ 20,081
Cash paid to suppliers and employees	(112,730)	(115,855)
Interest received	<u>840</u>	<u>909</u>
Net cash provided by (used in) operating activities	(94,320)	(94,865)
<u>Cash flows from investing activities:</u>		
Purchase of office equipment	<u>-0-</u>	<u>-0-</u>
Net cash provided by (used in) investing activities	-0-	-0-
<u>Cash flows from financing activities:</u>		
Receipt of additional paid-in capital	92,000	96,000
Reduction of accrued expenses	<u>-0-</u>	<u>-0-</u>
Net cash provided by (used in) financing activities	<u>96,000</u>	<u>96,000</u>
Net increase (decrease) in cash and cash equivalents	(2,320)	1,135
Cash and cash equivalents at beginning of year	<u>97,471</u>	<u>96,336</u>
Cash and cash equivalents at end of year	\$ <u>95,151</u>	\$ <u>97,471</u>

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

SELTSAM, HANNI & COMPANY, INC.

STATEMENT OF CASH FLOWS

For the years ended December 31, 2004 and 2003

Reconciliations of net loss to net cash provided by (used in) operating activities:

	<u>2004</u>	<u>2003</u>
<u>Net Loss</u>	\$ (93,633)	\$ (93,026)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	-0-	84
(Increase) in cash surrender value of life insurance	(687)	(1,923)
(Increase) decrease in amounts due from customers	-0-	-0-
Increase (decrease) in other liabilities	<u>-0-</u>	<u>-0-</u>
Net cash provided by (used in) operating activities	\$ <u>(94,320)</u>	\$ <u>(94,865)</u>

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

SELTSAM, HANNI & COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of significant accounting policies

The more significant accounting policies not described elsewhere in the notes to the financial statements are as follows:

- a. Basis of accounting--The Corporation's policy is to prepare its financial statements on the accrual basis of accounting.
- b. Furniture, fixtures, and equipment--Maintenance, repairs and minor renewals are charged to operations during the year in which incurred. Major renewals and betterment are capitalized. Upon sale, retirement, or other disposition of major capitalized assets, the cost thereof and related accumulated depreciation are removed from the respective accounts and any gain or loss is credited or charged, respectively, to earnings.
- c. Income taxes--Income taxes are not paid by the Corporation. Effective January 1, 1979, the Corporation elected to be taxed under subchapter S of the Internal Revenue Code. No provision for taxes would be required if the election was not in force.

Note 2. Stock redemption agreement

The Corporation has entered into agreements for redemption of part of its common stock in the event of the death of certain stockholders. Redemption price is to be based upon a formula using market values.

Terms of the agreements provide for down payments equal to the excess of insurance proceeds over cash values of policies carried by the Corporation on the lives of these shareholders and five annual installments of any remaining balance.

Note 3. Lease commitments

The Corporation leases a vehicle. The lease is a three year operating lease, expiring October 17, 2006 with a stated purchase option price of approximately the fair market value of the vehicle.

SELTSAM, HANNI & COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS  
(continued)

The following is a schedule of future minimum rental payments required under the vehicle operating lease as of December 31, 2004:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2005	\$ 5,728
2006	4,296
	<u>\$ 10,024</u>

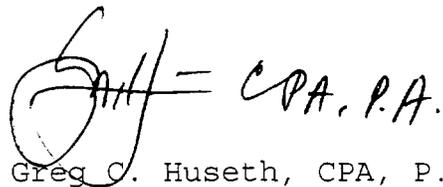
Lease expense amounted to \$5,728 in 2004.

- Note 4. Minimum capital requirements  
The Corporation is required by Rule 15c 3-1 of the Securities and Exchange Commission to maintain a minimum net capital. Net capital as computed under the rule was \$126,377 at December 31, 2004 which is \$26,377 more than required.

ACCOMPANYING INFORMATION

AUDITOR'S OPINION ON SUPPLEMENTARY INFORMATION

Our examinations of the basic financial statements presented in the preceding section of this report were made primarily to form an opinion on such financial statements taken as a whole. Supplementary information, contained in the following pages, is not considered essential for a fair presentation of the financial position of Seltsam, Hanni & Company, Inc., the results of its operations, or its cash flows. However, the following data was subjected to the audit procedures applied in the examination 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.

A handwritten signature in black ink, appearing to read "G. Huseth", followed by the printed text "CPA, P.A." to its right.

Greg C. Huseth, CPA, P.A.

Topeka, Kansas  
February 12, 2005