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

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: Goelzer Investment Management, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

111 Monument Circle, Suite 502

(No. and Street)

Indianapolis
(City)

Indiana
(State)

46206
(Zip Code)

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

Debra Rynerson

(317) 264 - 2614
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Kehlenbrink, Lawrence & Pauckner

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

6296 Rucker Road, Suite G
(Address)

Indianapolis
(City)

Indiana 46220
(State) (Zip Code)

CHECK ONE:

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

PROCESSED

APR 04 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 (06-02)

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THA
3/14

OATH OR AFFIRMATION

I, Gregory W. Goelzer, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Goelzer Investment Management, 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:

[Handwritten signature of Gregory W. Goelzer]

Gregory W. Goelzer, Vice Chairman and CEO
Title

STATE OF: Indiana
COUNTY OF: Marion

Before me the undersigned, a Notary Public for Johnson County, State of Indiana, personally appeared Gregory W. Goelzer and acknowledged the execution of this instrument, this 24 day of February, 2005

[Handwritten signature of Patricia J. Trusty]
Signature

Patricia J. Trusty, Notary Public

My Commission expires: March 19, 2008

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

- (a) Facing page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Cash Flows.
(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 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).

Goelzer Investment Management, Inc.

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To the Board of Directors
Goelzer Investment Management, Inc.

Independent Auditor's Report

We have audited the accompanying consolidated statements of financial condition of Goelzer Investment Management, Inc. and subsidiary as of December 31, 2004 and December 31, 2003, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Goelzer Investment Management, Inc. and subsidiary as of December 31, 2004 and December 31, 2003, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the Schedules on pages 16 through 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of the Securities and Exchange Commission. 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.

Kehlenbrink, Lawrence & Pauckner

January 19, 2005

Goelzer Investment Management, Inc.

Consolidated Statements of Financial Condition

Assets	December 31, 2004	December 31, 2003
Cash and cash equivalents	\$ 617,742	\$ 342,807
Cash segregated under federal regulations	1,104	1,103
Cash deposits with clearing organizations and others	102,563	102,563
Receivable from customers	70,074	250,402
Receivable from shareholders	84,057	84,057
Other receivables	3,770	11,942
Securities owned at market value		
Marketable	218,852	278,934
Nonmarketable	3,300	3,300
Property and equipment	276,657	279,005
Other assets	67,608	35,041
Total Assets	<u>\$ 1,445,727</u>	<u>\$ 1,389,154</u>
 Liabilities and Shareholders' Equity		
Accounts payable	\$ 71,972	\$ 78,222
Accrued retirement plan expenses	102,007	133,703
Accrued rent	145,068	83,452
Other liabilities	2,700	3,100
Total liabilities	<u>321,747</u>	<u>298,477</u>
Shareholders' Equity		
Common stock, no par value	792,435	783,525
Additional paid-in-capital	454,509	454,509
Retained deficit	(122,964)	(147,357)
Total shareholders' equity	<u>1,123,980</u>	<u>1,090,677</u>
Total Liabilities and Shareholders' Equity	<u>\$ 1,445,727</u>	<u>\$ 1,389,154</u>

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

Goelzer Investment Management, Inc.

Consolidated Income Statements

	For The Years Ended	
	December 31, 2004	December 31, 2003
Revenues		
Investment advisory fees	\$ 2,766,567	\$ 2,380,506
Commissions	912,711	935,099
Business valuations	528,306	338,190
Consulting fees	150,550	280,532
Investment banking	2,012	161,200
Net gains on firm securities trading accounts	8,351	5,955
Interest	19,942	20,852
Other	1,518	676
Total revenues	<u>4,389,957</u>	<u>4,123,010</u>
Operating Expenses		
Employee compensation and benefits	2,536,509	2,352,524
Commissions and floor brokerage	478,318	448,518
Communications	152,251	144,691
Occupancy and equipment rental	319,823	298,183
Promotional costs	147,929	157,609
Interest expenses	1,882	1,043
Other operating expenses	303,265	263,547
Total operating expenses	<u>3,939,977</u>	<u>3,666,115</u>
Net Income	<u>\$ 449,980</u>	<u>\$ 456,895</u>

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

Goelzer Investment Management, Inc.

Consolidated Statement of Changes in Shareholders' Equity For the Year Ended December 31, 2004

	<u>Common Stock</u>	<u>Additional Paid-In- Capital</u>	<u>Retained Earnings</u>
Balance, December 31, 2002	\$ 783,525	\$ 454,509	\$ (378,889)
Net income			456,895
Shareholder distributions			(225,363)
Balance, December 31, 2003	783,525	454,509	(147,357)
Net income			449,980
Exercise of stock options	8,910		
Shareholder distributions			(425,587)
Balance, December 31, 2004	<u>\$ 792,435</u>	<u>\$ 454,509</u>	<u>\$ (122,964)</u>

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

Goelzer Investment Management, Inc.

Consolidated Statements of Cash Flows

	For The Years Ended	
	December 31, 2004	December 31, 2003
Operating Activities		
Net income	\$ 449,980	\$ 456,895
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	65,010	35,884
Loss on retirement of assets	81	441
Changes in operating assets and liabilities		
Accounts receivable from customers	180,328	(186,721)
Net change in trading inventory	60,082	110,389
Shareholder receivables	-	41,094
Other receivables	8,172	(6,423)
Other assets	(32,568)	(2,146)
Accounts payable	(6,250)	42,811
Accrued expenses	29,520	94,275
Net Cash Provided by Operating Activities	754,355	586,499
Investing Activities		
Purchase of property and equipment, net of salvage	(62,743)	(283,324)
Proceeds on sale of property and equipment	-	875
Net Cash Used in Investing Activities	(62,743)	(282,449)
Financing Activities		
Shareholder distributions	(425,587)	(225,363)
Exercise of stock options	8,910	-
Net Cash Used in Financing Activities	(416,677)	(225,363)
Increase in Cash and Cash Equivalents	274,935	78,687
Cash and Cash Equivalents at Beginning of Year	342,807	264,120
Cash and Cash Equivalents at End of Year	\$ 617,742	\$ 342,807

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

Goelzer Investment Management, Inc.

Notes To Financial Statements December 31, 2004

Note 1 – Significant Accounting Policies

Description of Business

Goelzer Investment Management, Inc., is a registered broker and dealer. As a securities broker and dealer, the Company is engaged in various securities trading, brokerage, and investment management and advisory activities serving a diverse group of individuals. The trading and brokerage activities are provided through the Company's fully-disclosed correspondent relationship with Pershing & Co., a division of Donaldson, Lufkin & Jenrette Securities Corporation.

Principles of Consolidation

The consolidated financial statements include the accounts of Goelzer Investment Management, Inc. and its wholly owned subsidiary. All material intercompany accounts and transactions have been eliminated in consolidation.

Estimates and Assumptions

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Revenue Recognition

Investment advisory income is recognized each quarter at the beginning of that quarter. Other revenues are recognized upon completion of the particular project.

Securities Owned

Marketable securities are valued at their quoted market value. Nonmarketable securities are valued at estimated fair value as determined by the Company's Chairman of the Board. The resulting differences between cost and market (or estimated fair value) are included in income.

Property and Equipment

Purchases of property and equipment are recorded at their cost. Depreciation of \$65,010 and \$35,884 for the years ended December 31, 2004 and 2003, respectively, has been computed using straight line and accelerated rates of depreciation.

Consolidated Statements of Cash Flows

Cash equivalents include demand deposits and money market accounts. Cash segregated under federal securities regulation for the benefit of customers is not included as a cash equivalent item.

The Company did not pay any income taxes in 2004 or 2003. The Company paid \$1,882 and \$1,043 in interest costs in 2004 and 2003, respectively.

Goelzer Investment Management, Inc.

Notes To Financial Statements December 31, 2004

Note 1- Significant Accounting Policies (Continued)

Income Taxes

The Company has elected under the Internal Revenue Code, to be taxed as a subchapter S Corporation. The shareholders, rather than the Company, will be taxed on corporate income. Therefore, no provision or liability for income taxes has been included in these financial statements.

Reclassifications

Certain items in the 2003 financial statements have been reclassified to conform to the current year presentation. These reclassifications had no impact on previously reported net income or stockholders' equity.

Note 2 - Cash Segregated Under Federal Regulations

Cash of \$1,104 and \$1,103 in 2004 and 2003, respectively, has been segregated in a special reserve bank account for the benefit of customers under rule 15c3-3 of the Securities and Exchange Commission.

Note 3 - Receivable from Customers

Amounts receivable from customers were amounts due for advisory, valuation and consulting services.

Note 4 - Securities Owned

Marketable securities owned consist of trading securities at quoted market values, which consist of the following:

	<u>December 31,</u> 2004	<u>December 31,</u> 2003
U. S. Government obligations, maturing in less than one year	\$ 102,660	\$ -
U. S. Government obligations, maturing within one to five years	105,992	218,969
Corporate bonds	-	50,515
Equities	<u>10,200</u>	<u>9,450</u>
	<u>\$ 218,852</u>	<u>\$ 278,934</u>

Goelzer Investment Management, Inc.

Notes To Financial Statements December 31, 2004

Note 5 - Property and Equipment

The following is a summary of property and equipment (at cost) less accumulated depreciation:

	December 31, 2004	December 31, 2003
Copier/Fax equipment	\$ 20,288	\$ 20,288
Office furniture	228,533	251,310
Computer equipment	81,705	88,104
Computer software	66,606	50,958
Leasehold improvements	114,444	114,444
Telephone equipment	<u>19,477</u>	<u>19,477</u>
	531,053	544,581
Less: Accumulated depreciation	<u>254,396</u>	<u>265,576</u>
Total	<u>\$ 276,657</u>	<u>\$ 279,005</u>

Note 6 - Shareholders' Equity

Authorized shares of common stock for Class A Voting and for Class B Nonvoting are 5,000,000 shares of each. A summary of common shares outstanding follows:

	<u>Class A</u>	<u>Class B</u>
Balance at December 31, 2002	<u>459,074</u>	<u>118,787</u>
Balance at December 31, 2003	<u>459,074</u>	<u>118,787</u>
Exercise of stock options	<u>-</u>	<u>860</u>
Balance at December 31, 2004	<u>459,074</u>	<u>119,647</u>

The Company and several of its employees have signed non-qualified stock option agreements. Options were granted at a price equal to the market price of the stock on the date of grant. Options granted vest over a five-year period. These options may be exercised within three years from the date they become vested. As of December 31, 2004 and 2003, 15,679 and -0- options were exercisable. Options are exercisable only after vesting.

Goelzer Investment Management, Inc.

Notes To Financial Statements December 31, 2004

Note 6 - Shareholders' Equity (Continued)

The fair value of options granted is estimated on grant date using the Minimum Value Option-Pricing Model. The following assumptions were made:

<u>Assumption</u>	5/1/03 <u>Option Grant</u>	5/1/03 <u>Option Grant</u>	5/1/03 <u>Option Grant</u>
Dividend per share per year	\$ 2.0911	\$ 2.0911	\$ 2.0911
Risk-free interest rate	2.84%	3.30%	3.57%
Expected life	3.3 years	4.3 years	5.3 years
Expected volatility	Excluded	Excluded	Excluded

<u>Assumption</u>	5/1/03 <u>Option Grant</u>	5/1/03 <u>Option Grant</u>
Dividend per share per year	\$ 2.0911	\$ 2.0911
Risk-free interest rate	3.83%	4.07%
Expected life	6.3 years	7.3 years
Expected volatility	Excluded	Excluded

The Minimum Value Option-Pricing Model assigned no value to the option grants and, therefore, the granting of the options had no effect on net income.

Following is a summary of the status of the option plan:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding on December 31, 2003	<u>86,693</u>	10.36
Exercised	860	10.36
Forfeited	4,000	10.36
Granted	<u>-</u>	
Outstanding on December 31, 2004	<u>81,833</u>	10.36

Goelzer Investment Management, Inc.

Notes To Financial Statements December 31, 2004

Note 6 - Shareholders' Equity (Continued)

Following is a summary of the status of fixed options outstanding at December 31, 2004:

<u>Exercise Price Range</u>	<u>Number</u>	<u>Average Remaining Contractual Life</u>
\$10.36	15,679	2.3 years
\$10.36	16,539	3.3 years
\$10.36	16,539	4.3 years
\$10.36	16,538	5.3 years
\$10.36	16,538	6.3 years

Note 7 - Pension Plans

The Company sponsors a simplified employee pension plan that includes a voluntary salary reduction feature (SARSEP). All employees over age 21 receiving compensation of \$400 or more are eligible to participate in the plan. The Company can contribute up to 15% of participants' eligible wages into the plan. The total pension expenses for this SARSEP plan for the years ended December 31, 2004 and 2003 were \$108,144 and \$95,822, respectively.

The Company also sponsors an employee stock ownership plan (ESOP). Employees over age 20 and ½, completing six months of service or one thousand hours of service, are eligible to participate in the plan. The Company is not required to contribute, but it has the option of contributing up to 25% of eligible wages. Eligible wages are defined as cash remuneration that is reportable on the participant's IRS Form W-2. The Company makes contributions to the plan that are used to buy as many shares of Company stock as possible. The total compensation cost for this ESOP plan for the years ended December 31, 2004 and 2003 was \$49,348 and \$84,143, respectively. The plan was able to purchase 5,404 shares of Company stock in 2004 and as of December 31, 2004 holds 21,305 shares. The contribution for 2004 will be made in the following year. All distributions on Company stock held by the ESOP are recorded as a reduction of retained earnings. The Company is required to repurchase shares held by the ESOP if cash is needed for benefit payments.

Goelzer Investment Management, Inc.

Notes To Financial Statements December 31, 2004

Note 8 - Commitments and Contingent Liabilities

The Company is a defendant in two separate lawsuits filed by former customers for alleged breach of contract. The suits ask for damages totaling \$1,061,594. Outside counsel for the company has advised that at this stage in the proceedings he cannot offer an opinion as to the probable outcome. The Company believes the suits are without merit and is vigorously defending its position.

The Company is committed under operating leases for the rental of office space. Annual payments under these agreements are shown below:

<u>For The Years Ended December</u>	
2005	\$ 191,933
2006	236,245
2007	242,630
2008	249,015
2009	255,400
2010 to 2014	<u>1,043,948</u>
Total	<u>\$ 2,219,171</u>

Rental expenses for 2004 and 2003 were \$230,807 and \$236,557, respectively.

Note 9 - Concentrations of Credit Risk

Accounts receivable from customers which are not secured amounted to \$70,074 and \$250,402, at December 31, 2004 and 2003, respectively.

The Company maintains cash balances at several banks. Accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000.

Note 10 - Net Capital Requirements

The Company is required to maintain a minimum net capital by SEC Rule 15c3-1. Net capital required under the rule is the greater of \$250,000 or 6-2/3% of the aggregate indebtedness of the Company. On December 31, 2004, the Company had net capital of \$603,995, which was \$353,995 in excess of its required net capital of \$250,000. The percentage of aggregate indebtedness to net capital was 47.2%.

Goelzer Investment Management, Inc.

Notes to Financial Statements December 31, 2004

Note 11 - Control Requirements

There are no amounts, as of December 31, 2004, to be reported pursuant to the possession or control requirements under Rule 15c3-3. The Company is in compliance with the exemptive provisions of Rule 15c3-3 under paragraph (k)(2)(ii) and thus is exempt from the provisions of Rule 15c3-3.

Note 12 – Reconciliation Pursuant to Rule 17a-5(d)(4)

Computation of Net Capital Under Rule 15c3-1

There were a few reconciling items between the December 31, 2004 unaudited Focus report and this report. The net effect was a decrease in net capital of \$58,576.

Net capital as reported on the unaudited Focus report of December 31, 2004	\$ 662,223
Decrease in ownership equity as a result of post Focus accrual adjustments	(63,140)
Decrease in classification of non-allowable assets	4,404
Decrease in securities haircuts	<u>508</u>
Net Capital as Audited	<u>\$ 603,995</u>

Goelzer Investment Management, Inc.

Notes To Financial Statements December 31, 2004

Note 13 - Subsidiary Financial Statements

Condensed financial reports for Goelzer Investment Management, Inc.'s wholly owned subsidiary, Goelzer & Co., Inc., are as follows:

Goelzer & Co., Inc.

Statements of Financial Condition

Assets	December 31, 2004	December 31, 2003
Cash and cash equivalents	\$ 30,968	\$ 22,860
Accounts receivable - customers	61,394	48,608
Property and equipment, net of depreciation	50,953	46,799
Other assets	11,980	9,764
Total Assets	<u>\$ 155,295</u>	<u>\$ 128,031</u>
Liabilities and Shareholder's Equity (Deficit)		
Accounts payable - parent	\$ 472,709	\$ 288,549
Customer deposits	-	4,000
Accrued retirement plan expenses	-	29,544
Accrued rent	36,267	20,863
Other liabilities	687	11,194
Total liabilities	<u>509,663</u>	<u>354,150</u>
Shareholder's Equity (Deficit)		
Common stock, no par value	625	625
Retained deficit	<u>(354,993)</u>	<u>(226,744)</u>
Total shareholder's equity (deficit)	<u>(354,368)</u>	<u>(226,119)</u>
Total Liabilities and Shareholder's Equity	<u>\$ 155,295</u>	<u>\$ 128,031</u>

Goelzer Investment Management, Inc.

Notes To Financial Statements December 31, 2004

Note 13 - Subsidiary Financial Statements (Continued)

Condensed financial reports for Goelzer Investment Management, Inc.'s wholly owned subsidiary, Goelzer & Co., Inc., are as follows:

Goelzer & Co., Inc.

Statements of Income and Retained Earnings

	For the Years Ended	
	December 31, 2004	December 31, 2003
Operating Revenues	\$ 563,528	\$ 580,257
Loss on sale of assets	(47)	-
Operating expenses	691,730	698,181
Net Income (loss)	(128,249)	(117,924)
Retained earnings (deficit), beginning of period	(226,744)	(108,820)
Retained earnings (deficit), end of period	<u>\$ (354,993)</u>	<u>\$ (226,744)</u>

Goelzer Investment Management, Inc.

Notes To Financial Statements December 31, 2004

Note 13 - Subsidiary Financial Statements (Continued)

Condensed financial reports for Goelzer Investment Management, Inc.'s wholly owned subsidiary, Goelzer & Co., Inc., are as follows:

Goelzer & Co., Inc.

Statements of Cash Flows

	For The Years Ended	
	December 31, 2004	December 31, 2003
Operating Activities		
Net income (loss)	\$ (128,249)	\$ (117,924)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	11,383	6,940
Loss on sale of assets	47	-
Changes in operating assets and liabilities:		
Accounts receivable	(12,786)	(4,332)
Other current assets	(2,216)	(7,200)
Accounts payable	184,160	109,325
Accrued expenses	(28,647)	50,407
Net Cash Provided by Operating Activities	23,692	37,216
Investing Activities		
Additions to plant	(15,584)	(48,616)
Net Cash Used in Investing Activities	(15,584)	(48,616)
Increase (Decrease) in Cash and Cash Equivalents	8,108	(11,400)
Cash and Cash Equivalents at Beginning of Year	22,860	34,260
Cash and Cash Equivalents at End of Year	\$ 30,968	\$ 22,860

Goelzer Investment Management, Inc.

Computation of Net Capital, Pursuant to Rule 15c3-1(f) December 31, 2004

Net Capital

Shareholders' equity		\$ 1,123,980
Deduct ownership equity not allowable for Net Capital		<u>-</u>
Total capital and allowable subordinated liabilities		1,123,980
Less nonallowable assets:		
Furniture, equipment and leasehold improvements	225,704	
NASDAQ Stock and Rights	13,500	
Other accounts receivable	92,737	
Prepaid expenses	55,629	
Investment in subsidiary	<u>118,341</u>	<u>505,911</u>
Net capital before haircuts on security positions		618,069
Haircuts on securities:		
U.S. government obligations	2,617	
Other	10,921	
Undue concentrations	<u>536</u>	<u>14,074</u>
Net capital		<u>\$ 603,995</u>

Goelzer Investment Management, Inc.

Computation of Net Capital, Pursuant to Rule 15c3-1(f) December 31, 2004

Aggregate Indebtedness	
General accounts payable	\$ 71,285
Accrued expenses and other liabilities	<u>213,508</u>
Total Aggregate Indebtedness	<u><u>\$ 284,793</u></u>
Computation of Basic Net Capital Requirement	
Minimum net capital required (based on aggregate indebtedness)	<u>18,986</u>
Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries	<u>250,000</u>
Net capital requirement(greater of above two amounts)	<u>250,000</u>
Excess Net Capital	<u><u>\$ 353,995</u></u>
Excess Net Capital At 1000% (Net Capital Less 10% Of Aggregate Indebtedness)	<u><u>\$ 575,516</u></u>
Percentage of Aggregate Indebtedness to Net Capital	<u><u>47.2%</u></u>

Goelzer Investment Management, Inc.

**A Reconciliation Between the Audited and Unaudited Statements of
Financial Condition with Respect to Methods of Consolidation
December 31, 2004**

The Company did not report consolidated amounts for the year end statement of financial condition. The net worth of the subsidiary is not included in net capital in the audited and unaudited calculations of net capital.



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Board of Directors
Goelzer Investment Management, Inc.

In planning and performing our audit of the consolidated financial statements of Goelzer Investment Management, Inc. for the year ended December 31, 2004, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e)
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3

Because, prior to June 30, 2004, the Company no longer carries securities accounts for customers or performs custodial functions related to customer securities, we did not review the practices and procedures followed by the Company in items 2, 3, or 4 above for the second, third, or fourth quarters of 2004.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits

and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practice and procedures are to provide management with reasonable, but not absolute, assurance that the assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principals. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities that we consider to be material weaknesses as defined above.

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

This report is intended solely for the use of the Board of Directors, management, the SEC, the NASD and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



Kehlenbrink, Lawrence & Pauckner
Indianapolis, IN
January 19, 2005