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

SEC FILE NUMBER
8- 16994

**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 January 1, 2004 AND ENDING December 31, 2004  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Warren G. Towne

OFFICIAL USE ONLY
FIRM ID. NO.

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

595 Sunset Lane

(No. and Street)

Fond du Lac

WI

54935

(City)

(State)

(Zip Code)

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

Warren G. Towne

(920) 921-6595

(Area Code — Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Michler Associates

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

104 S. Main Street, Fond du Lac, WI 54935

(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 17 2005

THOMSON FINANCIAL

Handwritten initials and marks

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).

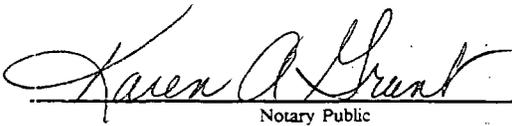
OATH OR AFFIRMATION

I, Warren G. Towne, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Warren G. Towne, 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

Sole Proprietor  
Title

  
Notary Public

KAREN A. GRANT  
Notary Public-State of Wisconsin  
My Commission Expires April 2005

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).

8-016994 NASD

WARREN G TOWNE  
595 SUNSET LANE  
FOND DU LAC, WI 54935

## Check appropriate boxes.

- (i) the distribution of shares of registered open end investment companies or unit investment trusts.
- (ii) the sale of variable annuities.
- (iii) the business of insurance.
- (iv) the business of rendering investment advisory services to one or more registered investment companies or insurance company separate accounts.

***Certification of Exclusion From Membership.***

TO BE FILED BY A BROKER-DEALER WHO CLAIMS EXCLUSION FROM MEMBERSHIP IN THE SECURITIES INVESTOR PROTECTION CORPORATION ("SIPC") UNDER SECTION 78ccc(a)(2)(A)(ii) OF THE SECURITIES INVESTOR PROTECTION ACT OF 1970 ("SIPA").

The above broker-dealer certifies that during the year ending December 31, 2004 its business as a broker-dealer is expected to consist exclusively of one or more of the following:

- (i) the distribution of shares of registered open end investment companies or unit investment trusts;
- (ii) the sale of variable annuities;
- (iii) the business of insurance;
- (iv) the business of rendering investment advisory services to one or more registered investment companies or insurance company separate accounts;

and that, therefore, under section 78ccc(a)(2)(A)(ii) of the SIPA it is excluded from membership in SIPC.

The following bylaw was adopted by the Board of Directors:

Interest on Assessments. If all or any part of an assessment payable under Section 4 of the Act has not been received by the collection agent within 15 days after the due date thereof, the member shall pay, in addition to the amount of the assessment, interest at the rate of 20% per annum of the unpaid portion of the assessment for each day it has been overdue. If any broker or dealer has incorrectly filed a claim for exclusion from membership in the Corporation, such broker or dealer shall pay, in addition to all assessments due, interest at the rate of 20% per annum of the unpaid assessment for each day it has not been paid since the date on which it should have been paid.

In the event of any subsequent change in the business of the undersigned broker-dealer that would terminate such broker-dealer's exclusion from membership in SIPC pursuant to section 78ccc(a)(2)(A)(ii) of the SIPA, the undersigned broker-dealer will immediately give SIPC written notice thereof and make payment of all assessments thereafter required under Section 78ddd(c) of the SIPA.

Sign, date and return the top portion of this form no later than 30 days after the beginning of the year, using the enclosed return envelope. Retain the bottom portion of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

**MICHLER ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS  
104 SOUTH MAIN STREET  
FOND DU LAC, WISCONSIN 54935

T. A. MICHLER, CPA  
W. M. GRESENZ, CPA

PHONE: 922-2920

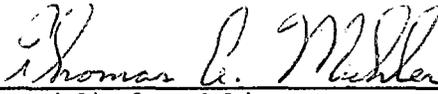
January 25, 2005

United States Securities and Exchange Commission  
Washington, D.C.

Gentlemen:

Our examination of the financial condition of Warren G. Towne, Sole Proprietor, as of December 31, 2004 revealed no major inadequacies in the accounting system, internal accounting controls, procedures for safeguarding securities and practices and procedures referred to in paragraph (g) (1) of SEC Rule 17a-5.

MICHLER ASSOCIATES

  
Thomas E. Michler  
Certified Public Accountant

**MICHLER ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS  
104 SOUTH MAIN STREET  
FOND DU LAC, WISCONSIN 54935

T. A. MICHLER, CPA  
W. M. GRESENZ, CPA

PHONE: 922-2920

January 25, 2005

United States Securities and Exchange Commission  
Washington, D. C.

Gentlemen:

There were no material differences in  
net capital report filed with SEC and FOCUS report  
filed with NASD as of December 31, 2004.

MICHLER ASSOCIATES

  
Thomas E. Michler  
Certified Public Accountant

**MICHLER ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS  
104 SOUTH MAIN STREET  
FOND DU LAC, WISCONSIN 54935

T. A. MICHLER, CPA  
W. M. GRESENZ, CPA

PHONE: 922-2920

January 25, 2005

United States Securities and Exchange Commission  
Washington, D. C.

Gentlemen:

Warren G. Towne, Sole Proprietor, Fond du Lac,  
Wisconsin, is in compliance with the exemptive provisions  
of SEC Rule 15c3 as of December 31, 2004, and no facts  
have come to our attention indicating that such conditions  
had not been complied with during the year ended  
December 31, 2004.

MICHLER ASSOCIATES

  
Thomas A. Michler  
Certified Public Accountant



**MICHLER ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS  
104 SOUTH MAIN STREET  
FOND DU LAC, WISCONSIN 54935

T. A. MICHLER, CPA  
J. M. GRESENZ, CPA

PHONE: 922-2920

January 25, 2005

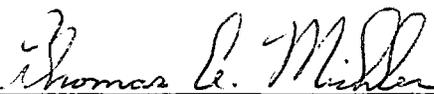
Mr. Warren G. Towne  
595 Sunset Lane  
Fond du Lac, WI 54935

Dear Sir:

We have examined the balance sheet of Warren G. Towne, sole proprietor, as of December 31, 2004 and the related statements of income and ownership equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the financial position of Warren G. Towne, sole proprietor, at December 31, 2004 and the results of the operations and changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

MICHLER ASSOCIATES

  
\_\_\_\_\_  
Certified Public Accountant

**MICHLER ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS  
104 SOUTH MAIN STREET  
FOND DU LAC, WISCONSIN 54935

T. A. MICHLER, CPA  
W. M. GRESENZ, CPA

PHONE: 922-2920

January 25, 2005

United States Securities and Exchange Commission  
Washington, D.C.

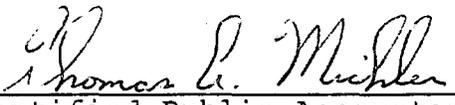
Gentlemen:

In connection with our examination of the answers to the FOCUS report of Warren G. Towne, Sole Proprietor, Fond du Lac, Wisconsin as of December 31, 2004 the following statements are made pursuant to Rule 17a-5 as amended.

Examination of the financial statements of the above date disclosed that the claim for exclusion of Warren G. Towne from membership in the SIPC was consistent with income for the period. He did not hold cash or securities belonging to customers or to other brokers and dealers.

Examination of form X17a-5 disclosed that the nature of the income report properly excluded Warren G. Towne from membership in the SIPC.

MICHLER ASSOCIATES

  
Thomas E. Michler  
Certified Public Accountant

Warren G. Towne  
Balance Sheet  
December 31, 2004

	<u>12-31-04</u>	<u>12-31-03</u>
<u>Assets</u>		
Cash	<u>65,125.84</u>	<u>58,318.18</u>
<u>Ownership</u>		
Owner's Equity	<u>65,125.84</u>	<u>58,318.18</u>

Warren G. Towne  
Statement of Income  
December 31, 2004

Income

Commissions  
Interest

17,570.34  
367.32

17,937.66

Expenses

Professional Services  
Licenses and Fees

150.00  
980.00

1,130.00

Net Income for Year

16,807.66

Warren G. Towne  
Statement of Ownership Equity  
December 31, 2004

Balance, January 1, 2004	58,318.18
Net Income for Year Ended December 31, 2004	<u>16,807.66</u>
	75,125.84
Less: Ownership Withdrawals	<u>10,000.00</u>
Balance, December 31, 2004	<u>65,125.84</u>

Warren G. Towne  
Statement of Cash Flows  
Year Ended December 31, 2004

Cash Flows from Operating Activities	
Net Income	16,807.66
Cash Flows from Financing Activities	
Capital Withdrawals	<u>(10,000.00)</u>
Net Increase (Decrease) in Cash	6,807.66
Cash, Beginning of Year	<u>58,318.18</u>
Cash, End of Year	<u>65,125.84</u>

Warren G. Towne  
Statement of Changes in Liabilities Subordinated  
to Claim of General Creditors  
December 31, 2004

Balance, December 31, 2003	<u>0.00</u>
Balance, December 31, 2004	<u>0.00</u>

Warren G. Towne  
Computation of Net Capital  
December 31, 2004

Cash	65,125.84
Additions or Deductions	<u>-</u>
Net Capital	<u>65,125.84</u>

Warren G. Towne  
Computation of Reserve Requirements  
December 31, 2004

6 2/3% of total aggregate indebtedness	0.00
2% of combined aggregate debt items	0.00
Capital category per Rule 15c3-3	5,000.00
Reserve Requirements (greater of above three)	<u>5,000.00</u>