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

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Washington, DC  
101

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 01/01/07 AND ENDING 12/31/07  
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  
(State)

46220  
(Zip Code)

CHECK ONE:

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

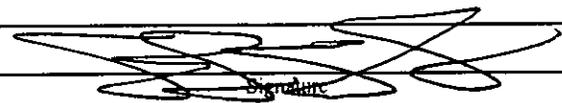
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FINANCIAL

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

## OATH OR AFFIRMATION

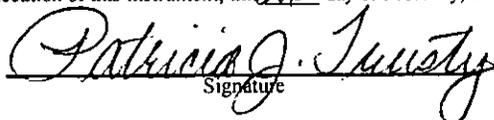
I, Gregory W. Goelzer, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Goelzer Investment Management, Inc., as of December 31, 20 07, are true and correct. I further swear (or affirm) that neither the 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

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 26 day of February, 2008

  
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.*

*Year Ended December 31, 2007*

*Financial Report*

**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, 2007 and December 31, 2006, 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, 2007 and December 31, 2006, 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 18 through 20 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 under the Securities Exchange Act of 1934. 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*

February 19, 2008

# Goelzer Investment Management, Inc.

## Consolidated Statements of Financial Condition

<b>Assets</b>	<b>December 31, 2007</b>	<b>December 31, 2006</b>
Cash and cash equivalents	\$ 1,104,405	\$ 542,534
Cash segregated under federal regulations	1,037	1,050
Cash deposits with clearing organizations and others	102,563	102,563
Receivable from customers	18,614	70,473
Receivable from shareholder	-	28,856
Other receivables	14,461	5,268
Marketable securities	248,146	240,854
Property and equipment	166,567	196,096
Other assets	39,240	80,944
<b>Total Assets</b>	<b>\$ 1,695,033</b>	<b>\$ 1,268,638</b>
 <b>Liabilities and Shareholders' Equity</b>		
Accounts payable	\$ 12,224	\$ 71,158
Accrued retirement plan expenses	104,796	-
Accrued rent	173,738	184,826
Other liabilities	195,173	48,989
<b>Total liabilities</b>	<b>485,931</b>	<b>304,973</b>
 <b>Shareholders' Equity</b>		
Common stock, no par value	1,175,941	1,159,559
Additional paid-in-capital	454,509	454,509
Retained deficit	(421,348)	(650,403)
<b>Total shareholders' equity</b>	<b>1,209,102</b>	<b>963,665</b>
 <b>Total Liabilities and Shareholders' Equity</b>	 <b>\$ 1,695,033</b>	 <b>\$ 1,268,638</b>

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

# Goelzer Investment Management, Inc.

## Consolidated Income Statements

	For The Years Ended	
	December 31, 2007	December 31, 2006
<b>Revenues</b>		
Investment advisory fees	\$ 3,554,408	\$ 3,159,049
Commissions	1,008,049	869,025
Business valuations	402,550	518,859
Consulting fees	162,450	156,437
Investment banking	115,250	17,575
Net gains on firm securities trading accounts	13,796	13,749
Interest	53,075	40,813
Other	43,716	49,470
Uncollectable accounts	(79,000)	-
Total revenues	<u>5,274,294</u>	<u>4,824,977</u>
<b>Operating Expenses</b>		
Employee compensation and benefits	2,978,889	2,657,200
Commissions and floor brokerage	394,528	431,414
Communications	152,040	169,037
Occupancy and equipment rental	325,569	332,866
Promotional costs	145,214	146,345
Interest expenses	150	1,857
Other operating expenses	511,258	1,005,251
Total operating expenses	<u>4,507,648</u>	<u>4,743,970</u>
Net Income	<u>\$ 766,646</u>	<u>\$ 81,007</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, 2007**

	<b>Common Stock</b>	<b>Additional Paid-In- Capital</b>	<b>Retained Earnings</b>
Balance, December 31, 2005	\$ 1,034,559	\$ 454,509	\$ (197,920)
Net income			81,007
Sale of common stock	125,000		
Shareholder distributions			(533,490)
Balance, December 31, 2006	1,159,559	454,509	(650,403)
Net income			766,646
Sale of common stock	141,382		
Repurchase of common stock	(125,000)		
Shareholder distributions			(537,591)
Balance, December 31, 2007	\$ 1,175,941	\$ 454,509	\$ (421,348)

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, 2007	December 31, 2006
<b>Operating Activities</b>		
Net income	\$ 766,646	\$ 81,007
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	65,702	63,926
Changes in operating assets and liabilities		
Accounts receivable from customers	51,859	2,062
Net change in trading inventory	(7,292)	681,022
Shareholder receivables	28,856	28,006
Other receivables	(9,193)	8,193
Other assets	41,717	2,520
Accounts payable	(58,934)	36,323
Other liabilities	239,892	(51,679)
<b>Net Cash Provided by Operating Activities</b>	1,119,253	851,380
<b>Investing Activities</b>		
Purchase of property and equipment	(36,173)	(36,628)
<b>Net Cash Used in Investing Activities</b>	(36,173)	(36,628)
<b>Financing Activities</b>		
Shareholder distributions	(537,591)	(533,490)
Sale of common stock	141,382	125,000
Repurchase of common stock	(125,000)	-
<b>Net Cash Used in Financing Activities</b>	(521,209)	(408,490)
Increase in Cash and Cash Equivalents	561,871	406,262
Cash and Cash Equivalents at Beginning of Year	542,534	136,272
Cash and Cash Equivalents at End of Year	\$ 1,104,405	\$ 542,534

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

# Goelzer Investment Management, Inc.

## Notes To Financial Statements December 31, 2007

### 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 customers. The trading and brokerage activities are provided through the Company's fully-disclosed correspondent relationship with Pershing LLC, a subsidiary of Bank of New York.

#### 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

Most revenues are recognized when earned regardless of when cash is received. Business valuation revenues are recognized upon completion of the particular project. Uncollectible trade receivables are charged off when numerous collection attempts have failed.

#### Securities Owned

Marketable securities are valued at their quoted market value. 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 \$65,702 and \$63,926 for the years ended December 31, 2007 and 2006, 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 2007 or 2006. The Company paid \$150 and \$1,857 in interest costs in 2007 and 2006, respectively.

# Goelzer Investment Management, Inc.

## Notes To Financial Statements December 31, 2007

### 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.

### Note 2 - Cash Segregated Under Federal Regulations

Cash of \$1,037 and \$1,050 in 2007 and 2006, 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. The Company does not require collateral on receivables from customers.

### Note 4 - Securities Owned

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

	December 31, <u>2007</u>	December 31, <u>2006</u>
U. S. Government obligations, maturing in less than one year	\$ 60,525	\$ -
U. S. Government obligations, maturing within one to five years	<u>187,621</u>	<u>240,854</u>
	<u>\$ 248,146</u>	<u>\$ 240,854</u>

# Goelzer Investment Management, Inc.

## Notes To Financial Statements December 31, 2007

### Note 5 - Property and Equipment

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

	December 31, 2007	December 31, 2006
Copier/Fax equipment	\$ 22,952	\$ 20,288
Office furniture	264,151	246,286
Computer equipment	76,676	84,189
Computer software	22,366	22,366
Leasehold improvements	114,444	114,444
Telephone equipment	<u>24,642</u>	<u>24,643</u>
	525,231	512,216
Less: Accumulated depreciation	<u>358,664</u>	<u>316,120</u>
Total	<u>\$ 166,567</u>	<u>\$ 196,096</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:

	Class A	Class B
Balance at December 31, 2005	<u>459,074</u>	<u>139,623</u>
Shares issued	<u>10,000</u>	<u>-</u>
Balance at December 31, 2006	<u>469,074</u>	<u>139,623</u>
Exercise of stock options		12,246
Shares purchased	<u>(10,000)</u>	<u>-</u>
Balance at December 31, 2007	<u>459,074</u>	<u>151,869</u>

The Company and several of its employees have signed non-qualified stock option agreements. The Company may grant options for up to 252,000 shares of non-voting common stock. 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, 2007 and 2006, 56,505 and 47,897 options were exercisable. Options are exercisable only after vesting.

# Goelzer Investment Management, Inc.

## Notes To Financial Statements December 31, 2007

### 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>	<u>5/1/03 Option Grant</u>	<u>5/1/03 Option Grant</u>	<u>5/1/03 Option Grant</u>
Dividend per share per year	\$ 2.0911	\$ 2.0911	\$ 2.0911
Risk-free interest rate	3.30%	3.57%	3.83%
Expected life	4.3 years	5.3 years	6.3 years
Expected volatility	Excluded	Excluded	Excluded

<u>Assumption</u>	<u>5/1/03 Option Grant</u>	<u>5/1/05 Option Grant</u>	<u>5/1/05 Option Grant</u>
Dividend per share per year	\$ 2.0911	\$ 1.0818	\$ 1.0818
Risk-free interest rate	4.07%	3.79%	3.83%
Expected life	7.3 years	3.3 years	4.3 years
Expected volatility	Excluded	Excluded	Excluded

<u>Assumption</u>	<u>5/1/05 Option Grant</u>	<u>5/1/05 Option Grant</u>	<u>5/1/05 Option Grant</u>
Dividend per share per year	\$ 1.0818	\$ 1.0818	\$ 1.0818
Risk-free interest rate	3.92%	4.00%	4.10%
Expected life	5.3 years	6.3 years	7.3 years
Expected volatility	Excluded	Excluded	Excluded

<u>Assumption</u>	<u>9/1/05 Option Grant</u>	<u>9/1/05 Option Grant</u>	<u>9/1/05 Option Grant</u>
Dividend per share per year	\$ 1.0818	\$ 1.0818	\$ 1.0818
Risk-free interest rate	3.80%	3.81%	3.87%
Expected life	3.7 years	4.7 years	5.7 years
Expected volatility	Excluded	Excluded	Excluded

<u>Assumption</u>	<u>9/1/05 Option Grant</u>	<u>9/1/05 Option Grant</u>	<u>5/16/06 Option Grant</u>
Dividend per share per year	\$ 1.0818	\$ 1.0818	\$ 0.8050
Risk-free interest rate	3.93%	4.02%	4.96%
Expected life	6.7 years	7.7 years	3.4 years
Expected volatility	Excluded	Excluded	Excluded

## Goelzer Investment Management, Inc.

### Notes To Financial Statements December 31, 2007

#### Note 6 - Shareholders' Equity (Continued)

<u>Assumption</u>	5/16/06 <u>Option Grant</u>	5/16/06 <u>Option Grant</u>	5/16/06 <u>Option Grant</u>
Dividend per share per year	\$ 0.8050	\$ 0.8050	\$ 0.8050
Risk-free interest rate	4.94%	4.97%	5.02%
Expected life	4.4 years	5.4 years	6.4 years
Expected volatility	Excluded	Excluded	Excluded

<u>Assumption</u>	5/16/06 <u>Option Grant</u>	05/01/07 <u>Option Grant</u>	05/01/07 <u>Option Grant</u>
Dividend per share per year	\$ 0.8050	\$ 0.8532	\$ 0.8532
Risk-free interest rate	5.07%	4.50%	4.50%
Expected life	7.4 years	4.0 years	5.0 years
Expected volatility	Excluded	Excluded	Excluded

<u>Assumption</u>	5/01/07 <u>Option Grant</u>	5/01/07 <u>Option Grant</u>	5/01/07 <u>Option Grant</u>
Dividend per share per year	\$ 0.8532	\$ 0.8532	\$ 0.8532
Risk-free interest rate	4.55%	4.60%	4.64%
Expected life	6.0 years	7.0 years	8.0 years
Expected volatility	Excluded	Excluded	Excluded

<u>Assumption</u>	5/24/07 <u>Option Grant</u>	5/24/07 <u>Option Grant</u>	5/24/07 <u>Option Grant</u>
Dividend per share per year	\$ 0.8532	\$ 0.8532	\$ 0.8532
Risk-free interest rate	4.72%	4.75%	4.79%
Expected life	4.0 years	5.0 years	6.0 years
Expected volatility	Excluded	Excluded	Excluded

<u>Assumption</u>	5/24/07 <u>Option Grant</u>	5/24/07 <u>Option Grant</u>	12/31/07 <u>Option Grant</u>
Dividend per share per year	\$ 0.8532	\$ 0.8532	\$ 0.8532
Risk-free interest rate	4.83%	4.88%	3.38%
Expected life	7.0 years	8.0 years	4.0 years
Expected volatility	Excluded	Excluded	Excluded

## Goelzer Investment Management, Inc.

### Notes To Financial Statements December 31, 2007

#### Note 6 - Shareholders' Equity (Continued)

<u>Assumption</u>	12/31/07 <u>Option Grant</u>	12/31/07 <u>Option Grant</u>	12/31/07 <u>Option Grant</u>
Dividend per share per year	\$ 0.8532	\$ 0.8532	\$ 0.8532
Risk-free interest rate	3.46%	3.64%	3.83%
Expected life	5.0 years	6.0 years	7.0 years
Expected volatility	Excluded	Excluded	Excluded

<u>Assumption</u>	12/31/07 <u>Option Grant</u>
Dividend per share per year	\$ 0.8532
Risk-free interest rate	3.97%
Expected life	8.0 years
Expected volatility	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, 2006	149,157	11.32
Exercised	(12,246)	11.55
Expired	(10,699)	10.36
Forfeited	(9,000)	10.36
Granted	<u>48,735</u>	11.79
Outstanding on December 31, 2007	<u>165,947</u>	11.56

Following is a summary of the status of fixed options outstanding at December 31, 2007:

<u>Exercise Price Range</u>	<u>Number</u>	<u>Average Remaining Contractual Life</u>
\$10.36	10,699	0.3 years
\$10.36	12,159	1.3 years

# Goelzer Investment Management, Inc.

## Notes To Financial Statements December 31, 2007

### Note 6 - Shareholders' Equity (Continued)

\$12.20	7,751	1.3 years
\$10.36	12,158	2.3 years
\$12.20	7,751	2.3 years
\$10.36	13,018	3.3 years
\$12.20	7,752	3.3 years
\$12.20	7,751	4.3 years
\$12.20	7,751	5.3 years
\$12.20	5,987	2.7 years
\$12.20	5,987	3.7 years
\$12.20	5,987	4.7 years
\$12.20	5,987	5.7 years
\$12.52	1,618	3.4 years
\$12.52	1,619	4.4 years
\$12.52	1,618	5.4 years
\$12.52	1,619	6.4 years
\$11.79	600	3.3 years
\$11.79	600	4.3 years
\$11.79	600	5.3 years
\$11.79	600	6.3 years
\$11.79	600	7.3 years
\$11.79	5,987	3.4 years
\$11.79	5,987	4.4 years
\$11.79	5,987	5.4 years
\$11.79	5,987	6.4 years
\$11.79	5,987	7.4 years
\$11.79	9,960	4.0 years
\$11.79	1,460	5.0 years
\$11.79	1,460	6.0 years
\$11.79	1,460	7.0 years
\$11.79	1,460	8.0 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. Pension expenses for this SARSEP plan for the years ended December 31, 2007 and 2006 were \$119,549 and -0- respectively.

# Goelzer Investment Management, Inc.

## Notes To Financial Statements December 31, 2007

### Note 7 - Pension Plans (Continued)

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. Plan compensation is defined as amounts paid for services rendered that are required to be reported on IRS Form W-2 excluding certain items such as bonuses. 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, 2007 and 2006 was \$100,256 and -0- respectively. The Company did not purchase shares of Company stock in 2007 and as of December 31, 2007 holds 25,691 shares. 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.

### Note 8 - Commitments and Contingent Liabilities

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>	
2008	\$ 249,015
2009	255,400
2010	261,785
2011	268,170
2012	268,170
2013 to 2017	<u>245,823</u>
Total	<u>\$ 1,548,363</u>

Rental expenses for 2007 and 2006 were \$235,556 and \$241,568, respectively.

### Note 9 - Concentrations of Credit Risk

Accounts receivable from customers which are not secured amounted to \$18,614 and \$70,473, at December 31, 2007 and 2006, respectively.

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

# Goelzer Investment Management, Inc.

## Notes To Financial Statements December 31, 2007

### 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, 2007, the Company had net capital of \$962,039, which was \$712,039 in excess of its required net capital of \$250,000. The percentage of aggregate indebtedness to net capital was 46.5%.

### Note 11 - Control Requirements

There are no amounts, as of December 31, 2007, 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, 2007 unaudited Focus report and this report. The net effect was a decrease in net capital of \$10,443.

Net capital as reported on the unaudited Focus report of December 31, 2007	\$ 972,482
Decrease in ownership equity	(23,875)
Decrease in classification of non-allowable assets	11,292
Decrease in securities haircuts	<u>2,140</u>
Net Capital as Audited	<u>\$ 962,039</u>

### Note 13 - Subsequent Event

On January 9, 2008, the Company sold the investment banking and valuation business of its subsidiary in an asset sale. Assets sold include work in process, marketing materials, intellectual property, documents, assumed contracts, and goodwill. The sales price will be determined based on a five-year earn out period. The Company received a \$25,000 deposit, which shall be returned at the end of the five year contract. The Company will receive 20% of the valuation revenue and 10% of all investment banking revenue earned by the purchasing company. Future revenues as a result of this transaction are undeterminable.

# Goelzer Investment Management, Inc.

## Notes To Financial Statements December 31, 2007

### Note 14 - 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, 2007	December 31, 2006
Cash and cash equivalents	\$ 47,208	\$ 41,264
Accounts receivable - customers	14,438	52,975
Property and equipment, net of depreciation	20,040	32,409
Other assets	9,948	11,857
Total Assets	<u>\$ 91,634</u>	<u>\$ 138,505</u>
 <b>Liabilities and Shareholder's Equity (Deficit)</b>		
Accounts payable - parent	\$ 349,813	\$ 406,089
Accrued rent	38,810	41,128
Other liabilities	-	11,694
Total liabilities	<u>388,623</u>	<u>458,911</u>
 <b>Shareholder's Equity (Deficit)</b>		
Common stock, no par value	625	625
Retained deficit	<u>(297,614)</u>	<u>(321,031)</u>
Total shareholder's equity (deficit)	<u>(296,989)</u>	<u>(320,406)</u>
Total Liabilities and Shareholder's Equity	<u>\$ 91,634</u>	<u>\$ 138,505</u>

# Goelzer Investment Management, Inc.

## Notes To Financial Statements December 31, 2007

### Note 14 - 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, 2007	December 31, 2006
Operating revenues	\$ 540,875	\$ 608,025
Operating expenses	<u>517,458</u>	<u>625,066</u>
Net income (loss)	23,417	(17,041)
Retained deficit, beginning of period	<u>(321,031)</u>	<u>(303,990)</u>
Retained deficit, end of period	<u>\$ (297,614)</u>	<u>\$ (321,031)</u>

# Goelzer Investment Management, Inc.

## Notes To Financial Statements December 31, 2007

### Note 14 - 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, 2007	December 31, 2006
<b>Operating Activities</b>		
Net income (loss)	\$ 23,417	\$ (17,041)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	12,369	12,823
Changes in operating assets and liabilities:		
Accounts receivable	38,537	7,014
Other current assets	1,909	(67)
Accounts payable	(56,276)	11,179
Other current liabilities	(14,012)	3,694
Net Cash Provided by Operating Activities	<u>5,944</u>	<u>17,602</u>
<b>Investing Activities</b>		
Additions to plant	<u>-</u>	<u>(5,154)</u>
Net Cash Provided by (Used in) Investing Activities	<u>-</u>	<u>(5,154)</u>
Increase in Cash and Cash Equivalents	5,944	12,448
Cash and Cash Equivalents at Beginning of Year	<u>41,264</u>	<u>28,816</u>
Cash and Cash Equivalents at End of Year	<u>\$ 47,208</u>	<u>\$ 41,264</u>

## Goelzer Investment Management, Inc.

### Computation of Net Capital, Pursuant to Rule 15c3-1(f) December 31, 2007

#### Net Capital

Shareholders' equity		\$ 1,209,102
Deduct ownership equity not allowable for Net Capital		<u>-</u>
Total capital and allowable subordinated liabilities		1,209,102
Less nonallowable assets:		
Furniture, equipment and leasehold improvements	146,527	
Other accounts receivable	7,347	
Prepaid expenses	29,292	
Investment in subsidiary	<u>52,824</u>	<u>235,990</u>
Net capital before haircuts on security positions		973,112
Haircuts on securities:		
U.S. government obligations	4,538	
Other	6,535	
Undue concentrations	<u>-</u>	<u>11,073</u>
Net capital		<u><u>\$ 962,039</u></u>

**Goelzer Investment Management, Inc.**

**Computation of Net Capital, Pursuant to Rule 15c3-1(f)  
December 31, 2007**

<b>Aggregate Indebtedness</b>	
General accounts payable	\$ 12,224
Accrued expenses and other liabilities	434,897
	<hr/>
Total Aggregate Indebtedness	\$ 447,121
	<hr/>
<b>Computation of Basic Net Capital Requirement</b>	
Minimum net capital required (based on aggregate indebtedness)	29,808
	<hr/>
Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries	250,000
	<hr/>
Net capital requirement (greater of above two amounts)	250,000
	<hr/>
Excess Net Capital	\$ 712,039
	<hr/>
Excess Net Capital At 1000% (Net Capital Less 10% Of Aggregate Indebtedness)	\$ 917,327
	<hr/>
<b>Percentage of Aggregate Indebtedness to Net Capital</b>	46.5%
	<hr/>

**Goelzer Investment Management, Inc.**

**A Reconciliation Between the Audited and Unaudited Statements of  
Financial Condition with Respect to Methods of Consolidation  
December 31, 2007**

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. as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities and including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17(a)-5(g), in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c-3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13
2. 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
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that 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 principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Board of Directors  
Goelzer Investment Management, Inc.  
Page Two

Because of inherent limitations in internal control and the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles (GAAP) such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above. We did identify a material weakness related to the control over the selection and application of accounting principles in conformity with GAAP. This weakness does not affect our report on these financial statements nor the internal control or control activities for safeguarding securities.

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, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the FINRA, 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  
February 19 2008

**END**