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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 1/1/2004 AND ENDING 12/31/2004
 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

A.J. Pace & Co., Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

230 Park Avenue, Suite 1813

(No. and Street)

New York

New York

10169

(City)

(State)

(Zip Code)

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

Howard Spindel

(212) 509-7800

(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Rothstein, Kass & Company, P.C.

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

1350 Avenue of the Americas

New York

New York

10019

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

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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)

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OATH OR AFFIRMATION

I, Anthony Pace, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of A.J. Pace & Co., 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:

Anthony Pace
Signature
President
Title

Barbara A. Lederman
Notary Public

BARBARA A. LEDERMAN
Notary Public, State of New York
No. 4964395
Qualified in Westchester County

This report** contains (checked) 2006 ~~2005~~ ~~2004~~ ~~2003~~ ~~2002~~ ~~2001~~ ~~2000~~ ~~1999~~ ~~1998~~ ~~1997~~ ~~1996~~ ~~1995~~ ~~1994~~ ~~1993~~ ~~1992~~ ~~1991~~ ~~1990~~ ~~1989~~ ~~1988~~ ~~1987~~ ~~1986~~ ~~1985~~ ~~1984~~ ~~1983~~ ~~1982~~ ~~1981~~ ~~1980~~ ~~1979~~ ~~1978~~ ~~1977~~ ~~1976~~ ~~1975~~ ~~1974~~ ~~1973~~ ~~1972~~ ~~1971~~ ~~1970~~ ~~1969~~ ~~1968~~ ~~1967~~ ~~1966~~ ~~1965~~ ~~1964~~ ~~1963~~ ~~1962~~ ~~1961~~ ~~1960~~ ~~1959~~ ~~1958~~ ~~1957~~ ~~1956~~ ~~1955~~ ~~1954~~ ~~1953~~ ~~1952~~ ~~1951~~ ~~1950~~ ~~1949~~ ~~1948~~ ~~1947~~ ~~1946~~ ~~1945~~ ~~1944~~ ~~1943~~ ~~1942~~ ~~1941~~ ~~1940~~ ~~1939~~ ~~1938~~ ~~1937~~ ~~1936~~ ~~1935~~ ~~1934~~ ~~1933~~ ~~1932~~ ~~1931~~ ~~1930~~ ~~1929~~ ~~1928~~ ~~1927~~ ~~1926~~ ~~1925~~ ~~1924~~ ~~1923~~ ~~1922~~ ~~1921~~ ~~1920~~ ~~1919~~ ~~1918~~ ~~1917~~ ~~1916~~ ~~1915~~ ~~1914~~ ~~1913~~ ~~1912~~ ~~1911~~ ~~1910~~ ~~1909~~ ~~1908~~ ~~1907~~ ~~1906~~ ~~1905~~ ~~1904~~ ~~1903~~ ~~1902~~ ~~1901~~ ~~1900~~ ~~1999~~ 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A.J. PACE & CO., INC.

**STATEMENT OF FINANCIAL CONDITION
AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2004

A.J. PACE & CO., INC.

CONTENTS

Independent Auditors' Report	1
Financial Statements	
Statement of Financial Condition	2
Notes to Financial Statement	3-5



INDEPENDENT AUDITORS' REPORT

Board of Directors
A.J. Pace & Co., Inc.

We have audited the accompanying statement of financial condition of A.J. Pace & Co., Inc. as of December 31, 2004. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audit 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 statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of A.J. Pace & Co., Inc. as of December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

Rothstein, Kass & Company, P.C.

New York, New York
January 25, 2005

A.J. PACE & CO., INC.

STATEMENT OF FINANCIAL CONDITION

December 31, 2004

ASSETS

Cash	\$	18,535
Restricted cash		66,004
Receivable from clearing broker, includes clearing deposit of \$150,000		530,332
Due from related party		25,700
Property and equipment, net		285,961
Other assets		<u>140,368</u>
	\$	<u>1,066,900</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities

Accounts payable and accrued expenses	\$	75,030
Accrued profit sharing plan contribution		<u>40,000</u>
Total liabilities		<u>115,030</u>

Stockholder's equity

Common stock, no par value authorized 200 shares, issued and outstanding 100 shares		50,000
Additional paid-in capital		2,766,823
Accumulated deficit		<u>(1,864,953)</u>
Total stockholder's equity		<u>951,870</u>
	\$	<u>1,066,900</u>

A.J. PACE & CO., INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of business

A.J. Pace & Co., Inc. (the "Company") is a broker-dealer registered with the Securities and Exchange Commission (SEC), and is a member of the National Association of Securities Dealers, Inc. (NASD). The Company's operations consist primarily of agency commission transactions. The Company has locations in New York and Florida.

2. Basis of presentation and summary of significant accounting policies

Securities Transactions

Securities transactions and related income and expenses are recorded on a trade-date basis.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. The Company provides for depreciation and amortization on the declining balance method over an estimated useful life of five to seven years for equipment and straight line over the life of the lease for leasehold improvements.

Income Taxes

The Company's stockholder has elected to treat the Company as an "S" Corporation for federal and state income tax purposes. As such, the stockholder is liable for the federal and state tax on corporate income and receives the benefit of corporate loss. The Company is treated as a "C" corporation for New York City income tax purposes.

The Company complies with SFAS No. 109, "Accounting for Income Taxes," which requires an asset and liability approach to financial reporting for city income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized. As of December 31, 2004, the Company had a deferred tax asset for New York City net operating loss carryforwards which expire through 2011, of approximately \$45,000, an increase of \$8,000 from 2003. Accordingly, the Company has established a valuation allowance in the same amount.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

A.J. PACE & CO., INC.

NOTES TO FINANCIAL STATEMENTS

3. Property and equipment

Details of property and equipment at December 31, 2004 are as follows:

Office equipment	\$	154,098
Furniture and fixtures		132,430
Leasehold improvements		338,609
		<u>625,137</u>
Less accumulated depreciation and amortization		<u>339,176</u>
	\$	<u>285,961</u>

4. Net capital requirements

The Company is subject to the SEC Uniform Net Capital Rule 15c3-1. This Rule requires the maintenance of minimum net capital, that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2004, the Company's net capital was approximately \$434,000 which was approximately \$384,000 in excess of its minimum requirement of \$50,000.

5. Exemption from Rule 15c3-3

The Company is exempt from the SEC Rule 15c3-3 pursuant to the exemptive provision under sub-paragraph (k)(2)(ii), and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers."

6. Off-balance-sheet risk and concentration of credit risk

Pursuant to a clearance agreement, the Company introduces all of its securities transactions to its sole clearing broker on a fully-disclosed basis. Therefore, all of the customers' money balances and long and short security positions are carried on the books of the clearing broker. In accordance with the clearance agreement, the Company has agreed to indemnify the clearing broker for losses, if any, which the clearing broker may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing broker monitor collateral on the customers' accounts.

As of December 31, 2004 a substantial amount of the Company's assets are held at its clearing broker. Their assets are reflected as a receivable on the statement of financial condition.

A.J. PACE & CO., INC.

NOTES TO FINANCIAL STATEMENTS

7. Profit sharing plan

The Company has a profit sharing plan which covers all employees that meet certain eligibility requirements. Contributions to the plan are made at the discretion of the Company's Board of Directors. Plan contributions are funded when accrued. Profit sharing plan contributions for the year ended December 31, 2004 were \$40,000.

8. Major customers and related party transactions

Included in commission revenue for the year ended December 31, 2004 is approximately \$367,000 earned from two customers, of which approximately \$283,000 is from a related party (in which the Company's stockholder is the General Partner). In addition, included in other revenues for 2004 is approximately \$110,200 of management fees earned from the related party, of which \$25,700 is due at December 31, 2004.

Pursuant to a month-to-month agreement, the Company pays rent for office space to the Company's stockholder. Rent expense under this agreement for the year ended December 31, 2004 was \$15,000.

9. Commitments and contingencies

The Company is obligated under three office leases which expire on various dates through July 2012. The leases provide for the Company to pay for property tax and operating expense increases over base period amounts. The Company has pledged a bank account as collateral for a \$66,000 letter of credit that it has provided to a landlord.

Future aggregate minimum annual rent payments under these leases are approximately as follows:

Year Ending December 31,	
2005	\$ 246,000
2006	253,000
2007	224,000
2008	162,000
2009	142,000
Thereafter	<u>355,000</u>
	<u>\$ 1,382,000</u>

Rent expense, net of rental income of \$60,000, for the year ended December 31, 2004 was approximately \$259,000.

Pursuant to an agreement with its clearing broker, the Company is required to maintain net capital of at least \$150,000.