



05037699

SECUR. \_\_\_\_\_ COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: January 31, 2007  
Estimated average burden  
hours per response..... 12.00

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

SEC FILE NUMBER  
8-12769

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: Pyramid Funds Corporation

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

21 Everett Road Ext.

(No. and Street)

Albany, NY 12205

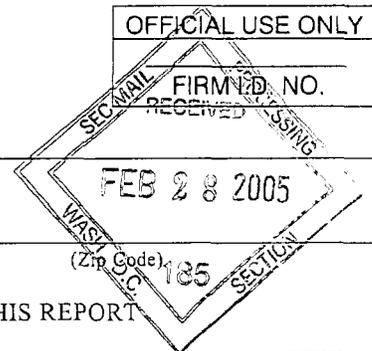
(City)

(State)

(Zip Code)

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

(Area Code - Telephone Number)



**B. ACCOUNTANT IDENTIFICATION**

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

Scott, Stackrow & Co., CPAs, P.C.

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

314 Hoosick Street, Troy, NY 12180

(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

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)

SEC 1410 (06-02)

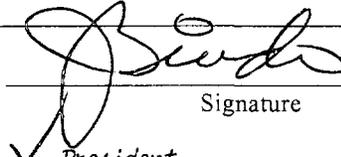
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

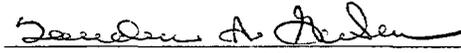
TTH 3/14

OATH OR AFFIRMATION

I, Joseph Biondo, II, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Pyramid Funds Corporation, 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:

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

  
\_\_\_\_\_  
Signature  
President  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Notary Public

SANDRA A. GATUS  
Notary Public, State of New York  
No. 01GA6005305  
Qualified in Albany County  
Commission Expires April 13, 2006

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 Proprietors' 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 15c3-3 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).

**PYRAMID FUNDS CORPORATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2004 AND 2003**



**PYRAMID FUNDS CORPORATION**

**TABLE OF CONTENTS**

**DECEMBER 31, 2004 AND 2003**

	<u>PAGE</u>
<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
Balance sheets	2
Statements of income and comprehensive income	3
Statements of changes in retained earnings	4
Statements of cash flows	5
Notes to financial statements	6-9
<b>Independent Auditor's Report on Additional Information</b>	10
<b>Additional Information</b>	
Statement of financial condition	Schedule I
Statement of income	Schedule II
Computation of net capital	Schedule III
Reconciliation of net capital	Schedule IV
Computation of basic net capital requirements	Schedule V
Statement of changes in stockholders' equity	Schedule VI
Statement of cash flows -- with Security Investments stated at market value	Schedule VII
Notes to Form X-17A-5 (Focus Report)	Schedule VIII
<b>Independent Auditor's Report on Internal Control Required by SEC Rule 17a-5</b>	20-21

**INDEPENDENT AUDITOR'S REPORT**



To the Board of Directors  
Pyramid Funds Corporation  
Albany, New York

We have audited the accompanying balance sheets of Pyramid Funds Corporation as of December 31, 2004 and 2003, and the related statements of income and comprehensive income, changes in retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion of these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pyramid Funds Corporation as of December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Scott, Stackrow & Co. CPAs, P.C.*

Troy, New York  
February 21, 2005

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	<u>2004</u>	<u>2003</u> (Restated)
<b>Current Liabilities</b>		
Accounts payable	\$ 13,642	\$ 16,401
Accrued payroll	10,975	8,251
Profit sharing payable	-	20,517
Other current liabilities	25,324	13,154
<b>Total Current Liabilities</b>	<u>49,941</u>	<u>58,323</u>
<b>Other Liabilities</b>		
Officer loan payable	-	369
<b>Total Liabilities</b>	<u>49,941</u>	<u>58,692</u>
<b>Stockholders' Equity</b>		
Common stock - no par value, 200 shares authorized 56.66 shares issued and outstanding	5,000	5,000
Retained earnings	319,050	308,830
Unrealized gain (loss) on marketable equity securities	50,442	29,512
Less: Treasury Stock, 53.34 shares at cost	(10,510)	(10,510)
<b>Total Stockholders' Equity</b>	<u>363,982</u>	<u>332,832</u>
 <b><u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>	 <u>\$ 413,923</u>	 <u>\$ 391,524</u>

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

Page 2

**PYRAMID FUNDS CORPORATION**  
**STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
<b>Income</b>		
Commission income	\$ 621,955	\$ 669,071
Interest and dividends	1,480	2,021
Gain (loss) on sale of marketable securities	(8,465)	-
Management fee income	66,000	80,000
<b>Total Income</b>	<u>680,970</u>	<u>751,092</u>
<b>Operating Expenses</b>		
Payroll expense	153,165	172,638
Payroll expense - officers	104,800	144,400
Payroll tax expense	21,577	28,675
Commissions	164,141	130,421
Group medical/dental	45,082	44,811
Profit sharing plan	-	20,517
Office	42,799	48,669
Meals and entertainment	10,436	9,090
Travel promotion	41,437	30,188
Vehicle expense	12,462	23,387
Professional fees	9,279	12,525
Utilities and telephone	10,018	9,989
Interest expense	622	3,853
Advertising	-	667
Rent	12,000	12,000
Depreciation	12,508	2,009
Insurance	6,242	6,515
Donations	890	1,420
Dues and subscriptions	7,029	2,508
Assessment and training fees	5,185	5,650
Miscellaneous	10,978	15,875
<b>Total Operating Expenses</b>	<u>670,650</u>	<u>725,807</u>
<b>Net Income Before Provision for Taxes</b>	10,320	25,285
<b>Income Tax Expense</b>	100	393
<b>Net Income</b>	10,220	24,892
<b>Other Comprehensive Income</b>		
Unrealized gain on available for sale securities, net of reclassification adjustment for loss included in net income	20,930	30,396
<b>Comprehensive Income</b>	<u>\$ 31,150</u>	<u>\$ 55,288</u>
<b>Accumulated Comprehensive Income (Loss), beginning</b>	\$ 29,512	\$ (884)
<b>Other Comprehensive Income</b>	20,930	30,396
<b>Accumulated Comprehensive Income, ending</b>	<u>\$ 50,442</u>	<u>\$ 29,512</u>

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

Page 3

**PYRAMID FUNDS CORPORATION**  
**STATEMENTS OF CHANGES IN RETAINED EARNINGS**  
**FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (RESTATED)**

	<u>2004</u>	<u>2003</u>
Retained Earnings, beginning	\$ 308,830	\$ 380,227
Net Income	10,220	24,892
Shareholder distribution	<u>-</u>	<u>(96,289)</u>
Retained Earnings, ending	<u>\$ 319,050</u>	<u>\$ 308,830</u>

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

Page 4

**PYRAMID FUNDS CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (RESTATED)**

	<u>2004</u>	<u>2003</u> (Restated)
<b>Cash Flows From Operating Activities</b>		
Net income	\$ 10,220	\$ 24,892
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	12,509	2,009
(Gain) loss on sale of marketable securities	8,465	-
(Increase) decrease in:		
Accounts receivable	219	(10,274)
Prepaid expenses	3,772	560
Prepaid income taxes	516	393
Increase (decrease) in:		
Accounts payable	(2,760)	1,807
Accrued payroll	2,724	284
Other current liabilities	(8,347)	33,671
<b>Net Cash Provided by Operating Activities</b>	<u>27,318</u>	<u>53,342</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of marketable securities	(11,789)	(37,784)
Proceeds from sale of marketable securities	9,256	-
Purchase of fixed assets	(4,924)	(54,465)
Loan receivable	517	6,079
<b>Net Cash Used by Investing Activities</b>	<u>(6,940)</u>	<u>(86,170)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from (repayment of) shareholder loan	(18,590)	23,969
Shareholder distribution	-	(102,089)
<b>Net Cash Used by Financing Activities</b>	<u>(18,590)</u>	<u>(78,120)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,788	(110,948)
<b>Cash and Cash Equivalents, January 1,</b>	<u>1,702</u>	<u>112,650</u>
<b>Cash and Cash Equivalents, December 31,</b>	<u>\$ 3,490</u>	<u>\$ 1,702</u>
<b><u>Supplemental Disclosures of Cash Flow Information</u></b>		
Cash paid during the year for:		
Interest	\$ 622	\$ 1,089
Taxes	-	-

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

Page 5

**PYRAMID FUNDS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004 AND 2003**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Pyramid Funds Corporation is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**Business Activity**

The Company provides brokerage services for mutual funds and annuities from its location in Albany, New York.

**Marketable Equity Securities**

The Company's marketable securities consist of equity securities that have a readily determinable fair market value. Management determines the appropriate classification of its investments at the time of purchase and reevaluates such determination at each balance sheet date.

Since the Company does not intend to sell these securities in the near term, they are classified as "available for sale" and accordingly, are carried at fair value, with unrealized gains and losses reported as a separate component within the stockholders' equity section of the balance sheets. Realized gains and losses on all marketable securities are determined by specific identification and are charged or credited to current earnings.

**Income Taxes**

The Company reports income for tax purposes on the cash basis.

The Company has elected, effective January 1, 1996, to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions the shareholders are liable for Federal and State income taxes on their respective share of the Company's taxable income. Therefore, no provision or liability except New York minimum franchise tax has been included in the financial statements.

**Depreciation**

Depreciation expense related to furniture, equipment and improvements is calculated using straight line and accelerated methods over their estimated useful lives.

**Allowance for Doubtful Accounts**

The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided.

**PYRAMID FUNDS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2004 AND 2003**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Property and Equipment are stated at cost. Major expenditures for property acquisitions and those expenditures which substantially increase useful lives are capitalized. Expenditures for maintenance, repairs and minor replacements are expended as incurred. When assets are retired or otherwise disposed of, their cost and related accumulated depreciation or amortization is removed from the accounts and resulting gains or losses are included in income.

**Cash Equivalents**

The Company considers all cash on hand and in banks, including in book overdraft positions, certificates of deposits and other highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Comprehensive Income**

Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income (SFAS 130) requires that total comprehensive income be reported in the financial statements. Total comprehensive income is presented in the Statement of Income and Comprehensive Income.

**Advertising**

The Company follows the policy of charging the costs of advertising to expense as incurred.

**Compensated Absences**

Employees of the Company are entitled to paid vacations, sick days and other time off depending on job classification, length of service and other factors. It is impracticable to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Company's policy is to recognize the costs of compensated absences when paid to employees.

**PYRAMID FUNDS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2004 AND 2003**

**NOTE 2 – RELATED PARTY TRANSACTIONS**

Various amounts have been advanced to/from the Company's officers and other businesses owned by the shareholders. There is no set repayment schedule and interest has been provided at various rates. The net amount due from officers and other businesses at December 31, 2004 and December 31, 2003 is \$62,946 and \$44,873, respectively.

The Company rents its facility on a month to month basis from a corporation owned by shareholders of the Company. Rent paid for 2004 and 2003 is \$12,000 and \$12,000, respectively.

The Company received management fees income from a company owned by the shareholders. Income for 2004 and 2003 are \$66,000 and \$80,000, respectively.

**NOTE 3 – MARKETABLE EQUITY SECURITIES**

Investments classified as available for sale are carried at the fair value and consist of the following at December 31, 2003:

	<u>Cost</u>	<u>Market</u>
1,977.821 shares - ASAF Marsico Capital Growth Fund	\$ 20,018	\$ 29,667
3032.677 shares - SunAmerica Focused Large-Value A	35,465	47,734
473.485 shares SunAmerica Focused 2000 CIA	5,000	8,438
1,000 shares - Walt Disney Co. (Dis.)	17,511	27,800
1,000 shares - General Electric Co. (GE)	23,991	36,500
250 shares - Intl. Business Machs (IBM)	19,808	24,645
500 shares - Weight Watchers Intl.Inc. (WTW)	21,862	20,535
400 shares - Intermagnetics General Corp	11,386	10,164
<b>Total</b>	<u>\$ 155,041</u>	<u>\$ 205,483</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2004:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Furniture and fixtures	\$ 31,207	\$ 29,550	\$ 1,657
Equipment	35,169	25,348	9,821
Leasehold improvements	17,514	16,602	912
Vehicles	48,403	9,840	38,563
<b>Total</b>	<u>\$ 132,293</u>	<u>\$ 81,340</u>	<u>\$ 50,953</u>

**PYRAMID FUNDS CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2004 AND 2003**

**NOTE 5 - GUARANTEES**

The company, along with its shareholders, are guarantors of a line of credit that a related company has with a local bank. The line of credit has a balance of \$0 at December 31, 2004. The line of credit has a \$60,000 limit, matures on September 1, 2005, and carries interest at prime rate (5.25% at December 31, 2004).

**NOTE 6 - COMMITMENTS**

The Company rents its office facility on a month to month basis. Total rents paid for the facility during 2004 and 2003 were \$12,000 and \$12,000, respectively. See Note 2.

**NOTE 7 - EMPLOYEE BENEFIT PLAN**

The Company sponsors a Simplified Employee Pension Plan covering substantially all employees who have one year of service and who are 21 years of age. Contributions are determined annually by the board of directors and may range from 0.00% - 25.0%. Contributions for the years ended December 31, 2004 and 2003 are \$0 and \$20,517, respectively.

**NOTE 8 - CLIENT DISBURSEMENT ACCOUNT**

The Company maintains a special bank account for the exclusive benefit of the customers of the Company, through which all transactions between the company and its customers are effectuated. The special bank account had a bank balance of \$66,903 and \$68,179 at December 31, 2004 and 2003, respectively, and a book balance of \$0 at December 31, 2004 and 2003.

**NOTE 9 - RESTATEMENT**

The financial statements at December 31, 2003 have been restated to reflect the correct classification of shareholder loans that were previously reported as distributions. The net effect is to increase retained earnings by \$24,434. The effect on loans due to shareholders is to decrease by \$24,434. There is no effect on net income by the restatement.

# SCOTT, STACKROW & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Robert H. Scott, CPA  
David M. Stackrow, CPA  
314 Hoosick Street  
Troy, New York 12180-2073  
Phone (518) 274-9081  
Fax (518) 274-9085  
e-mail: cpas@scottstackrow.com



To the Board of Directors  
Pyramid Funds Corporation  
Albany, New York

Our report on our audit of the basic financial statements of Pyramid Funds Corporation for 2004 and 2003 appears on page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information included in this report on Schedules I through VIII, inclusive, is presented for the purpose of additional analysis and as required by Rule 17a-5 of the Securities and Exchange Commission, and is not a required part of the basic financial statements. 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.

*Scott, Stackrow & Co. CPAs, P.C.*

Troy, New York  
February 21, 2005

**ADDITIONAL INFORMATION**

**PYRAMID FUNDS CORPORATION**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2004**

**SCHEDULE I**

**ASSETS**

**Assets**

Cash	\$ 3,490
Accounts receivable	88,276
Investments - Marketable securities, at market value	205,483
Prepaid expenses	2,775
Loans receivable - related companies	44,725
Loans receivable - officers	18,221
Property and equipment, net of depreciation	<u>50,953</u>

**TOTAL ASSETS** **\$ 413,923**

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Liabilities**

Accounts payable	\$ 13,642
Accrued payroll	10,975
Other current liabilities	<u>25,324</u>
<b>Total Liabilities</b>	<b><u>49,941</u></b>

**Stockholders' Equity**

Common stock	5,000
Retained earnings	<u>369,492</u>
<b>Total</b>	<b><u>374,492</u></b>

Less: Treasury stock	( <u>10,510</u> )
<b>Total Stockholders' Equity</b>	<b><u>363,982</u></b>

**TOTAL LIABILITIES AND**  
**STOCKHOLDERS' EQUITY** **\$ 413,923**

**PYRAMID FUNDS CORPORATION**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**SCHEDULE II**

**Revenues**

Commissions	\$ 621,955
Interest and dividends	1,480
Management fee income	66,000
Gain - realized and unrealized on firm securities investment account	<u>12,465</u>
<b>Total Revenues</b>	<b><u>701,900</u></b>

**Operating Expenses**

Payroll	279,542
Commissions	164,141
Other expenses	<u>227,067</u>
<b>Total Expenses</b>	<b><u>670,750</u></b>

**Net Income** **\$ 31,150**

PYRAMID FUNDS CORPORATION  
COMPUTATION OF NET CAPITAL  
DECEMBER 31, 2004

SCHEDULE III

Total ownership equity from statement of financial condition	\$ 363,982
Total non allowable	( <u>191,354</u> )
Net capital before haircuts on securities positions	172,628
Haircuts on trading securities	( <u>36,952</u> )
Net Capital	<u>\$ 135,676</u>

**PYRAMID FUNDS CORPORATION**  
**RECONCILIATION OF NET CAPITAL**  
**DECEMBER 31, 2004**

**SCHEDULE IV**

	<u>Capital Stock</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Total</u>
<b><u>STOCKHOLDERS' EQUITY</u></b>				
Balance, January 1, 2004	\$ 5,000	\$ 338,342	(\$ 10,510)	\$ 332,832
Add: Net income	<u>0</u>	<u>31,150</u>	<u>0</u>	<u>31,150</u>
Balance, December 31, 2004	<u>\$ 5,000</u>	<u>\$ 369,492</u>	<u>(\$ 10,510)</u>	<u>\$ 363,982</u>
<b><u>NET CAPITAL COMPUTATION</u></b>				
Balance, December 31, 2004 (above)	\$ 5,000	\$ 369,492	(\$ 10,510)	\$ 363,982
<b>Less: Non-allowable Equity:</b>				
Accounts receivable	0	( 74,680 )	0	( 74,680 )
Fixed assets, net	0	( 50,953 )	0	( 50,953 )
Deferred loans receivable	0	( 62,946 )	0	( 62,946 )
Other assets	<u>0</u>	<u>( 2,775 )</u>	<u>0</u>	<u>( 2,775 )</u>
Qualified Equity	5,000	178,138	( 10,510 )	172,628
<b>Less: Haircut on trading securities:</b>				
<b>Investments at market value:</b>				
Common Stocks (119,644 x 15%)	0	( 17,947 )	0	( 17,947 )
Mutual Funds (85,839 x 15%)	0	( 12,876 )	0	( 12,876 )
Money Market (3,299 x 2%)	0	( 65 )	0	( 65 )
Undue Concentration	<u>0</u>	<u>( 6,064 )</u>	<u>0</u>	<u>( 6,064 )</u>
	<u>\$ 5,000</u>	<u>\$ 141,186</u>	<u>(\$ 10,510)</u>	<u>\$ 135,676</u>

PYRAMID FUNDS CORORATION  
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT  
DECEMBER 31, 2004

SCHEDULE V

Minimum net capital requirement (6 2/3% of \$49,941) \$ 3,327

Minimum dollar net capital requirement  
of reporting broker or dealer and  
minimum net capital requirement 25,000

Net Capital Requirement \$ 25,000

Excess net capital \$ 110,676

Excess net capital at 1000% \$ 110,676

Computation of Aggregate Indebtedness

Total Liabilities \$ 49,941

Percentage of aggregate indebtedness to  
net capital \$49,941/\$135,676 0.3681

PYRAMID FUNDS CORPORATION  
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2004

SCHEDULE VI

Balance, beginning of year	\$ 332,832
Net Income	<u>31,150</u>
Balance, end of year	<u>\$ 363,982</u>

**PYRAMID FUNDS CORPORATION**  
**STATEMENT OF CASH FLOWS WITH SECURITY**  
**INVESTMENTS STATED AT MARKET VALUE**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**SCHEDULE VII**

**Cash Flows From Operating Activities**

Net income	\$ . 31,150
Non Cash items included in net income	
Depreciation	12,509
Gain on sale of marketable securities	( 12,465 )
(Increase) decrease in receivables/prepaid expenses	4,507
Increase (decrease) in payables	( 8,383 )
<b>Net Cash Provided by Operating Activities</b>	<u>27,318</u>

**Cash Flows From Investing Activities**

Purchase of marketable securities	( 11,789 )
Proceeds from sale of marketable securities	9,256
Purchase of fixed assets	( 4,924 )
Increase in loan receivable	517
<b>Net Cash Used by Investing Activities</b>	<u>( 6,940 )</u>

**Cash Flows From Financing Activities**

Repayment of proceeds from shareholder loan	( 18,590 )
---	------------

**Net Increase in cash and cash equivalents** 1,788

**Cash and cash equivalents, January 1, 2004** 1,702

**Cash and cash equivalents, December 31, 2004** \$ 3,490

**NOTES TO FORM X-17A-5 (FOCUS REPORT)**  
**DECEMBER 31, 2004**

**NET CAPITAL REQUIREMENTS**

The quarterly unaudited Form X-17A-5, Focus Report, Part II prepared by Pyramid Funds Corporation for the period ending December 31, 2004 was compared with the audited report at December 31, 2004. Differences resulted from year end adjusting entries.

Pursuant to provisions of Section O of the Securities Investors Act of 1970, as amended, Pyramid Fund Corporation has, as its collection agent the National Association of Security Dealers, Inc., and has a certificate of exclusion from the membership (Form S.I.P.C.-3). It is our opinion that the filing of Form S.I.P.C.-3 on January 2, 1980, is a continuous election and Pyramid Funds Corporation, in regard to its 2004 operation, continued to operate in accordance with its exclusion under Section 3(a)2 of the Securities Investors Act of 1970.

**NOTE 1 - MARKETABLE SECURITIES**

Investments are carried at market value as required by the National Association of Securities Dealers, Inc.

Investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>
1,977.821 shares ASAF Marsico Cap Growth Fund	\$ 20,018	\$ 29,667
3,032.677 shares SunAmerica Focused Large Capital Fund - Value A	35,465	47,734
473.485 shares SunAmerica Focused 2000 CLA	5,000	8,438
1,000 shares Walt Disney Co.	17,511	27,800
1,000 shares General Electric Co.	23,991	36,500
250 shares Intl. Business Machs	19,808	24,645
500 shares Weight Watchers Intl. Inc.	21,862	20,535
400 shares Intermagnetics General Corp	11,386	10,164
Total	<u>\$ 155,041</u>	<u>\$ 205,483</u>

**NOTE 2 - RECONCILIATION OF ORIGINAL FOCUS REPORT**  
**FOR DECEMBER 31, 2004 TO AUDITED REPORT**

The differences between the Focus report originally filed for the quarter ended December 31, 2004 and the audited Focus report are as follows:

**PYRAMID FUNDS CORPORATION**  
**NOTES TO FORM X - 17A-5 (FOCUS REPORT) (CONTINUED)**  
**DECEMBER 31, 2004**

**NOTE 2 - RECONCILIATION OF ORIGINAL FOCUS REPORT (CONTINUED)**

	<u>ASSETS</u>			
	<u>Focus</u>	<u>Audited</u>	<u>Variance</u>	<u>Explanation</u>
	<u>Report</u>	<u>Finances</u>		
Cash	\$ 3,498	\$ 3,490	( \$ 8 )	Year-end adjustment
A/R	85,341	88,276	2,935	Adjustments to year-end actual
Securities	205,483	205,483	0	
Property	46,028	50,953	4,925	Year-end reclassification and depreciation adjustment
Prepaid Expenses	0	2,775	2,775	Year-end adjustment
Loan receivable related company	44,725	62,946	18,221	Reclassification of distributions
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 385,075</u></b>	<b><u>\$ 413,923</u></b>	<b><u>\$ 28,848</u></b>	

	<u>LIABILITIES &amp; EQUITY</u>			
Accounts Payable	\$ 13,642	13,642	0	
Accrued Payroll	10,975	10,975	0	
Other current liabilities	9,846	25,324	15,478	Rent and payroll tax accruals
Officer Loan Payable	15,455	0	( 15,455 )	Reclassification of distributions
Total Liabilities	<u>49,918</u>	<u>49,941</u>	<u>23</u>	
Prior Retained Earnings	313,908	338,342	24,434	Reclassification of distributions
Profit & Loss	32,259	31,150	( 1,109 )	Net Profit & Loss effect of Adjusting Journal Entries
Distributions	( 5,500 )	( 0 )	5,500	Reclassification of distributions
Total Retained Earnings	<u>340,667</u>	<u>369,492</u>	<u>28,825</u>	
Common Stock	5,000	5,000	0	
Treasury Stock	( 10,510 )	( 10,510 )	0	
Total Equity	<u>335,157</u>	<u>363,982</u>	<u>( 28,825 )</u>	
<b><u>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</u></b>	<b><u>\$ 385,075</u></b>	<b><u>\$ 413,923</u></b>	<b><u>( \$ 28,848 )</u></b>	



INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL ACCOUNTING CONTROL REQUIRED BY  
SEC RULE 17a-5

To the Board of Directors  
Pyramid Funds Corporation  
Albany, New York

In planning and performing our audit of the financial statements and supplemental schedules of Pyramid Funds Corporation for the year ended December 31, 2004, we considered its internal control, including control activities 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 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 tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-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 15c3-3. 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 quarterly securities examinations, counts, verifications, and comparisons
2. 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

The management of the Company is responsible for establishing and maintaining an 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 an internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that 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 the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. 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, error 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.

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 components does not reduce to a relatively low level the risk that errors or fraud 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 internal control, including control activities 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 information and use of the Board of Directors, management, the SEC, the New York Stock Exchange 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 for anyone other than these specified parties.

Troy, New York  
February 21, 2005

*Scott, Stackrow & Co. CPAs, P.C.*