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Washington, D.C. 20549

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

SEC FILE NUMBER  
8- **40855**

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 01/01/2004 AND ENDING 12/31/2004  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Pillar Financial Services Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

1600 SOUTH MAIN STREET, #335

(No. and Street)

WALNUT CREEK

CA

94596

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
HAITHAM AHSOO (HUTCH) (925) 356-6780

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

DAVID VOLKAR, CPA

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

2261 MORELLO AVENUE, SUITE E, PLEASANT HILL

CA

94523-1812

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

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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)

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OATH OR AFFIRMATION

I, HAITHAM ASHOO, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of PILLAR FINANCIAL SERVICES, INC., as of DECEMBER 31, 20 04, 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:

N/A



Haitham Ashoo  
Signature  
President & CEO  
Title

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

SUBSCRIBED AND SWORN TO BEFORE ME

THIS 23<sup>rd</sup> DAY OF February 2005  
BY Haitham & Ashoo

Natasha Doktorova  
NOTARY PUBLIC

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).

PILLAR FINANCIAL SERVICES, INC.  
RECONCILIATION OF DIFFERENCES BETWEEN AUDITED  
AND UNAUDITED NET CAPITAL  
DECEMBER 31, 2004

	UNAUDITED	AUDITED	DIFFERENCES
Total Assets	\$ 58,574	\$ 58,305	\$ (269)
Less Total Liabilities	(26,571)	(30,488)	(3,917)
Less Non-allowable Assets	(21,775)	(21,506)	269
<b>NET CAPITAL</b>	<b>\$ 10,228</b>	<b>\$ 6,311</b>	<b>\$ (3,917)</b>
Total Assets			
To reflect increase in prepaid taxes			\$ 1,418
To reflect decrease in Investment NASDAQ			(813)
To reflect adjustment increase in depreciation			(874)
			\$ (269)
Total Assets			\$ (269)
Total Liabilities			
To reflect the increase in corporate taxes payable			(3,917)
Total Liabilities			\$ (3,917)
Non allowable Assets			
To reflect increase in prepaid taxes			\$ (1,418)
To reflect decrease in Investment NASDAQ			813
To reflect adjustment increase in depreciation			874
			\$ 269
Total Non-allowable Assets			\$ 269

**David H. Volkar**

**Accounting Corporation**

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**REPORT ON INTERNAL CONTROL STRUCTURE  
BASED SOLELY ON THE UNDERSTANDING OBTAINED AND  
CONTROL ASSESSMENT MADE AS PART OF AN AUDIT OF THE  
FINANCIAL STATEMENTS**

Pillar Financial Services, Inc.  
1600 S. Main Street, suite 335  
Walnut Creek, CA 94596

I have audited the financial statements of Pillar Financial Services, Inc., for the year ended December 31, 2004, and have issued my report thereon dated February 21, 2005.

I conducted the audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing my audit of the financial statements of Pillar Financial Services, Inc., I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance in the internal control structure.

The management of Pillar Financial Services, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and the transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate

because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, I have the following recommendations and comments. Management has and should continue to follow through on basic internal control procedures:

- a) marking invoices paid with the check number and date; and
- b) obtaining proper documentation.

Management should coordinate classification and documentation of expenses more closely with the bookkeeping service so as to maintain proper classification of transactions. Management should follow through on ensuring that that the corporate minutes and state papers are maintained. The filing of the financial statements and all other procedures were done properly. Compliance with the NASD rules and guidelines (the main governing entity) appears to be in order. In addition, improvement in record keeping is shown by the discontinued usage of a cash clearing account. While the basis business structure and practices remained the same, several new account categories were used which more closely identified the expenses for management information. It has only a minor effect on the financial statement presentation and a negligible effect on the audit report. The overall internal control structure is adequate and provides a basis to render an opinion on the financial statement taken as a whole.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, also considered to be material weaknesses as defined above. However, I believe none of the reportable conditions described above is a material weakness.

The report is intended for the information of the management of Pillar Financial Services, Inc.

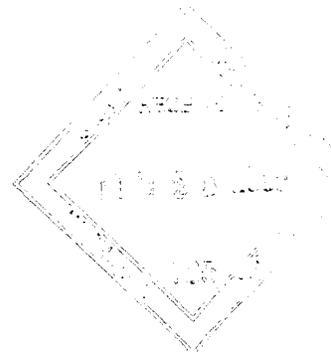


DAVID H. VOLKAR  
Certified Public Accountant  
Pleasant Hill CA 94523

February 21, 2005

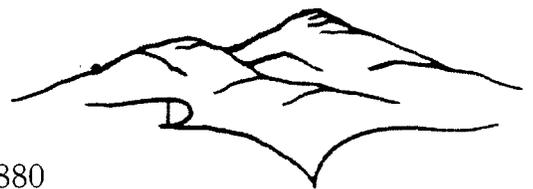
**PILLAR FINANCIAL  
SERVICES, INC.**

AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2004



**David H. Volkar**  
**Accounting Corporation**

2261 Morello Ave • Ste E • Pleasant Hill CA 94523-1880



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**PILLAR FINANCIAL SERVICES, INC.**

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**INDEPENDENT AUDITOR'S REPORT**

Pillar Financial Services, Inc.  
1600 S. Main Street, Suite 335  
Walnut Creek, CA 94596

I have audited the accompanying balance sheet of **Pillar Financial Services, Inc.**, as of **December 31, 2004 & 2003**, and the related statements of income and expenses, changes in stockholder equity, cash flows and computation of net capital for the years then ended. These statements are the responsibility of the management of **Pillar Financial Services, Inc.** My responsibility is to express an opinion on these financial statements based upon my audit.

I conducted the audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above, present fairly in all material respects the financial position of Pillar Financial Services, Inc. as of December 31, 2004 & 2003, and the results of its operations, changes in stockholder equity, cash flows and computation of net capital for the years then ended in conformity with generally accepted accounting principles.

DAVID H. VOLKAR  
Certified Public Accountant

February 21, 2005

PILLAR FINANCIAL SERVICES, INC.  
BALANCE SHEET - ASSETS  
DECEMBER 31, 2004 AND 2003

	2004	2003
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash (Note 4)	\$ 15,430	\$ 5,947
Concessions Receivable Current (Note 1)	21,369	38,299
Concessions Receivable Prior (Note 1)	-	-
Accounts Receivable - Other	-	100
Investment-NASDAQ (Note 5)	1,626	2,439
Security Deposit (Note 3)	4,600	4,600
Prepaid Expenses & Taxes	1,418	3,773
	<b>\$ 44,443</b>	<b>\$ 55,158</b>
<b>FIXED ASSETS:</b>		
Office Equipment & Furniture (Note 1)	\$ 31,305	\$ 31,305
Computer Equipment	17,188	17,188
Leasehold Improvements	878	878
Accumulated Depreciation	(35,509)	(28,461)
	<b>13,862</b>	<b>20,910</b>
<b>TOTAL ASSETS</b>	<b>\$ 58,305</b>	<b>\$ 76,068</b>

The accompanying footnotes are an integral part of these  
financial statements

PILLAR FINANCIAL SERVICES, INC.  
BALANCE SHEET  
LIABILITIES AND SHAREHOLDER EQUITY  
DECEMBER 31, 2004 AND 2003

	2004	2003
<b>LIABILITIES AND SHAREHOLDER EQUITY</b>		
<b>LIABILITIES:</b>		
Accounts Payable	\$ 13,538	\$ 11,415
Income Tax Payable (Note 6)	3,917	4,145
Pension Contribution Accrual (Note 7)	12,942	-
Payroll Taxes Payable	91	56
Credit Cards	-	663
Notes Payable (Note 8)	-	18,032
	<b>\$ 30,488</b>	<b>\$ 34,311</b>
<b>Total Liabilities</b>		
 <b>SHAREHOLDER EQUITY:</b>		
Capital Stock (Note 9)	\$ 8,060	\$ 8,060
Paid In Capital	10,133	10,133
Retained Earnings	9,624	23,564
	<b>27,817</b>	<b>41,757</b>
<b>Total Shareholder Equity</b>		
 <b>TOTAL LIABILITIES AND SHAREHOLDER EQUITY</b>	<b>\$ 58,305</b>	<b>\$ 76,068</b>

The accompanying footnotes are an integral part of these  
financial statements

PILLAR FINANCIAL SERVICES, INC.  
STATEMENT OF INCOME AND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2004

	2004	2003
<b>INCOME:</b>		
Sales	\$ 743,726	\$ 645,375
TOTAL INCOME	\$ 743,726	\$ 645,375
<b>EXPENSES:</b>		
Detail of Expenses (Page 5)	961,399	614,682
NET INCOME <LOSS> FROM OPERATIONS	\$ (217,673)	\$ 30,693
<b>OTHER INCOME:</b>		
Interest	3,471	-
TOTAL OTHER INCOME	3,471	-
<b>EXPENSES OTHER THAN FROM OPERATIONS:</b>		
Gain <Loss> from Sale of Assets (Note 5 and Note 10)	\$ 248,037	\$ (813.00)
Federal Corporation Income Tax	(6,397)	(4,957)
State Corporation Income Tax	(1,378)	(2,795)
TOTAL EXPENSES OTHER THAN OPERATIONS:	\$ 240,262	\$ (8,565)
NET INCOME <LOSS>	\$ 26,060	\$ 22,128

The accompanying footnotes are an integral part  
of these financial statements

PILLAR FINANCIAL SERVICES, INC.  
 DETAIL OF EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2004

EXPENSES:	2004	2003
Advertising	\$ 999	\$ 4,711
Accounting and Legal	33,391	7,149
Bank Charges	21	17
Depreciation and Amortization	7,048	7,434
Dues and Subscriptions	2,686	2,995
Entertainment	12,706	1,843
Freight	49	1,654
Gifts & Promotion	1,927	-
Insurance	34,114	23,900
Interest Expense	311	387
License & Taxes	382	1,645
Mailing Lists	293	1,322
Meetings & Seminars Marketing	12,276	55,628
Office Supplies	11,615	11,863
Outside Services	9,590	4,875
Outside Computer Services	17,458	8,458
Pension Contributions	90,054	29,656
Printing	-	2,451
Postage	4,305	11,989
Rent	62,421	56,933
Repairs & Maintenance	259	938
Salaries	615,606	345,990
Software	481	929
Supplies	79	519
Telephone	3,685	1,115
Taxes Payroll/Employer	26,930	22,637
Taxes – Property	305	337
Training	280	-
Travel	11,738	7,189
Uniforms	390	-
Utilities	-	118
<b>TOTAL EXPENSES FROM OPERATIONS</b>	<b>\$ 961,399</b>	<b>\$ 614,682</b>

The accompanying footnotes are an integral part of these  
 financial statements

PILLAR FINANCIAL SERVICES, INC.  
STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2004

	2004	2003
Capital Stock	\$ 8,060	\$ 8,060
Paid in Capital	10,133	10,133
Retained Earnings	23,564	30,421
<b>TOTAL STOCKHOLDER EQUITY, Beginning of Year</b>	<b>\$ 41,757</b>	<b>\$ 48,614</b>
<b>NET INCOME &lt;LOSS&gt;</b>	<b>\$ 26,060</b>	<b>\$ 22,128</b>
Corporate Dividends Paid	(40,000)	(28,985)
Refund of Federal Taxes	-	-
Change to Capital Stock	-	-
Purchase of Capital Stock	-	-
<b>TOTAL CHANGES TO STOCKHOLDER EQUITY</b>	<b>\$ (13,940)</b>	<b>\$ (6,857)</b>
Capital Stock	\$ 8,060	\$ 8,060
Paid in Capital	10,133	10,133
Retained Earnings	9,624	23,564
<b>TOTAL STOCKHOLDER EQUITY End of Year</b>	<b>\$ 27,817</b>	<b>\$ 41,757</b>

The accompanying footnotes are an integral part  
of these financial statements

PILLAR FINANCIAL SERVICES, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:	2004	2003
Net Income <Loss>	\$ 26,060	\$ 22,128
Adjustment to Reconcile Net Income to Net Cash provided by operating activities:		
Depreciation and Amortization	7,048	7,434
Changes in Assets and Liabilities:		
Concessions Receivable – current	16,930	82,916
Concessions Receivable – prior	-	-
Employee Advances	100	(100)
Security Deposit	-	-
Prepaid Expenses	2,355	(2,072)
Accounts Payable	2,123	9,264
Income Taxes Payable	(228)	(192)
Accrued Pension Payable	12,942	(2,754)
Accrued Payroll Taxes	35	(50,347)
	<b>\$ 67,365</b>	<b>\$ 66,277</b>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Assets	\$ -	\$ (1,266)
Investment in NASDAQ Stock/Warranty	813	813
	<b>\$ 813</b>	<b>\$ (453)</b>
<b>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes Payables	\$ (18,032)	\$ (6,968)
Credit Cards Payable	(663)	(28,357)
Capital Stock Investment	-	-
Dividends Paid	(40,000)	(28,985)
	<b>\$ (58,695)</b>	<b>\$ (64,310)</b>
<b>NET CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES</b>		
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>9,483</b>	<b>1,514</b>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<b>5,947</b>	<b>4,433</b>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b>\$ 15,430</b>	<b>\$ 5,947</b>

The accompanying footnotes are an integral part  
of these financial statements

PILLAR FINANCIAL SERVICES, INC  
 COMPUTATION OF NET CAPITAL  
 DECEMBER 31, 2004

1. Total ownership equity from Statement of Financial Condition	\$ 27,817
2. Deduct ownership equity not allowable	<u>-</u>
3. Total ownership equity qualified for Net Capital	27,817
4. Add: Liabilities subordinated to claims	<u>-</u>
5. Total capital & allowable subordinated liabilities	27,817
6. Deductions and/or charges:	
A) Total non-allowable assets	21,506
7. Other additions and/or allowable credits	<u>-</u>
8. Net capital before haircuts on securities position	6,311
9. Haircuts on securities	<u>-</u>
10. Net Capital	<u><u>\$ 6,311</u></u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

11. Minimum net capital required	2,033
12. Minimum dollar net capital requirement	5,000
13. Net capital requirement	5,000
14. Excess Net Capital	1,311
15. Excess Net Capital at 1000%	3,262

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total liabilities	30,488
19. Total aggregate indebtedness	30,488
20. Percentage of aggregate indebtedness to net capital	483.09%
21. Percentage of debt to debt-equity total	52.29%

PILLAR FINANCIAL SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of Pillar Financial Services, Inc. is presented to assist in the understanding of 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.

Nature of Operation

Pillar Financial Services, Inc. operates as a retirement, investment and financial planning company. They do investment advising and portfolio management for their clients.

Revenue Recognition

Revenue transactions are recorded on trade dates on an accrual basis. The Concessions Receivable - Current account is for commissions and management fees earned and that are outstanding for 30 days or less. The Concessions Receivable - Prior month account is for commissions earned and those are past due 31 days or more.

Property and Computer Equipment

Property and equipment are carried at cost. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives: 5 years for property and computer equipment. When assets have been discontinued in service, they are removed from the depreciation schedule.

Provision for Income Tax

Pillar Financial Services, Inc. is registered as California C Corporation and accordingly files Forms 1120 and 100 with the federal and state governments, respectively.

PILLAR FINANCIAL SERVICES, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 2 - Computation of Net Capital

	<u>Dec. 31, 2004</u>	<u>Dec. 31, 2003</u>
Total Assets	\$ 58,305	\$ 77,044
Less - Liabilities	< 30,488>	< 34,311>
Less - Non-allowable Assets	<u>&lt; 21,506&gt;</u>	<u>&lt; 31,822&gt;</u>
Net Capital	<u>\$ 6,311</u>	<u>\$ 9,935</u>

The required minimum net capital for Pillar Financial Services, Inc is \$ 5,000.

NOTE 3 - Office Space Lease

The corporation headquarters is located at 1600 S. Main Street # 335, Walnut Creek, CA. It is leased on a three-year arrangement. There is a security deposit of \$ 4,600 paid and on record.

NOTE 4 - Cash in Bank

Fidelity	\$ 39
Wells Fargo Bank Checking	<u>15,392</u>
Total Cash in Bank	<u>\$ 15,430</u>

NOTE 5 - NASDAQ Stock Warrants

On June 28, 2000, Pillar Financial Services, Inc. purchased 300 warrants for a net price of \$ 3,252.11. The warrants give Pillar the right to purchase shares of NASDAQ, Inc. stock if and when they go public and issue stock. The NASDAQ has not gone public and/or authorized stock issuances to date and therefore the warrants have suspended value. It is carried on the financial statements at cost because the NASDAQ does intend to issue stock in the future. 25% more of the warrants expired June 28, 2004. Therefore, 25% of the cost of \$ 3,252.11, which is \$ 813.03 is written off as a capital loss, being expired warrants.

PILLAR FINANCIAL SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 6 - Income Tax Provision

The income tax is shown on the financial statements as Federal tax \$5,672. and California tax \$1,378. There is \$ 1,945 depreciation on the Federal tax return; this is \$ 5,103 less than what has been deducted on the financial statements and California tax return. The 2001 Federal NOL of \$ 23,460 was also carried forward and utilized in the 2002 taxable income computation. The California NOL was suspended for two years by California Tax Law and carried forward to future years. The California NOL is utilized by & 22,879 in 2004 taxable income computation.

NOTE 7 - Pension Plan

The Company provides a SEP - IRA pension for employees who meet the 3 years employment law requirement. As of year end 2004, there are 3 employees who meet the requirement. The SEP - IRA are funded at 25.00%. As of December 31, 2004 there is a balance payable to the SEP-IRA of \$ 12,941.38. It has subsequently been paid.

NOTE 8 - Notes Payable

Pillar Financial Services, Inc. has an unsecured line of credit of \$ 25,000 with Key West Bank for revolving credit. It is renewable annually and subject to the prime interest rate. It is currently at a zero balance.

NOTE 9 - Capital Stock

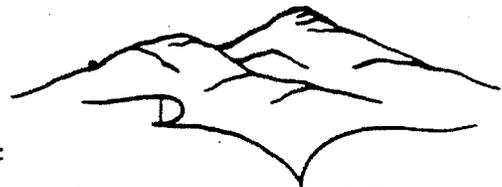
Pillar Financial Services, Inc. incorporated in August 10, 1988 and authorized 1000 shares of one class of common stock par value \$ 10.00 to be issued. At the company's inception, an existing company was exchanged into capital stock of 500 shares with a capital basis of \$ 15,133. This is now reflected as \$ 5,000 capital stock and \$ 10,133 additional paid in capital. There have been 306 shares of stock issued to an employee at par value \$ 10.00 per share. Thus, there are now 806 shares of stock issued and outstanding for capital stock basis of \$ 8,060 and paid in capital of \$ 10,133.

NOTE 10 - Client Data Transition

In July 2004, Pillar Financial Services, Inc received an investment fee for transitioning some of their clients to another asset management firm.

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**Accounting Corporation**  
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**INDEPENDENT AUDITOR'S REPORT  
ON ADDITIONAL INFORMATION**

Pillar Financial Services, Inc.  
1600 South Main Street, suite 335  
Walnut Creek, CA 94596

My report on the audit of the basic financial statements of **Pillar Financial Services, Inc.** for the year ending December 31, 2004 is stated on page 1 of this report. I conducted the audit in accordance with generally accepted auditing standards. The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The annual audited report X-17 A-5 part III and the schedule of reconciliation of differences between audited and audited net capital is presented for purposes of additional analysis and is not a required part of the basic financial statements. They are required by the National Association of Security Dealers (NASD). Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DAVID H. VOLKAR  
Certified Public Accountant  
Pleasant Hill, CA 94523

February 21, 2005