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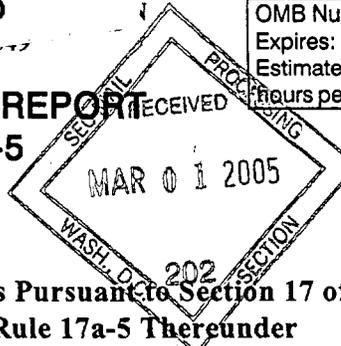


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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III



SEC FILE NUMBER
8-50451

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 01/01/04 AND ENDING 12/31/04
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **Pedestal Capital Markets, Inc.**
 ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
233 Broadway Rm. 3510

OFFICIAL USE ONLY
FIRM I.D. NO.

NEW YORK **NY** **10279**
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT **212-587-6667**
Paul Ehrenstein
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Untracht Early and Associates, LLC

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

325 Columbia Turnpike **Florham Park** **NJ** **07932**
(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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*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)

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BB

3/23/05 S.S.

OATH OR AFFIRMATION

I, Paul Ehrenstein, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Pedestal Capital Markets, 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:

Paul Ehrenstein
Signature

VICE PRESIDENT
Title

DIERDRE STEINHAUS AINBINDER
Notary Public, State of New York
No. 01AI4899711
Qualified in Nassau County
Commission Expires July 6, 2005
Dierdre Steinhaus Ainsbinder
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).

Pedestal Capital Markets, Inc.

December 31, 2004

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Pedestal Capital Markets, Inc.

We have audited the accompanying statement of financial condition of Pedestal Capital Markets, Inc., (the "Company") as of December 31, 2004, and the related statements of operations, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 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 Pedestal Capital Markets, Inc. at December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I and II 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.

Untracht Early & Associates, LLC

Florham Park, New Jersey
February 21, 2005

Pedestal Capital Markets, Inc.
Statement of Financial Condition
December 31, 2004

Assets

Cash	\$	41,692
Deposit with clearing broker		74
Other assets		<u>1,363</u>
Total assets	\$	<u>43,129</u>

Liabilities and Stockholders' Equity

Accrued expenses	\$	<u>13,125</u>
Total liabilities		<u>13,125</u>
Common stock (\$.01 par value; 1,000 shares authorized, issued and outstanding)		10
Paid-in capital		26,122,166
Accumulated deficit		<u>(26,092,172)</u>
Total stockholders' equity		<u>30,004</u>
Total liabilities and stockholders' equity	\$	<u>43,129</u>

See accompanying notes to financial statements.



Pedestal Capital Markets, Inc.
Statement of Operations
For the Year Ended December 31, 2004

Interest income	\$ <u> 1</u>
Expenses	
Clearance fees	1,653
Professional fees	36,500
Other expenses	<u>4,634</u>
Total expenses	<u>42,787</u>
Net loss	\$ <u><u>(42,786)</u></u>

See accompanying notes to financial statements.



Pedestal Capital Markets, Inc.
Statement of Changes in Stockholders' Equity
For the Year Ended December 31, 2004

	<u>Common Stock</u>		<u>Paid-in</u>	<u>Accumulated</u>		<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Deficit</u>		
Balances at						
January 1, 2004	1,000	\$ 10	26,057,256	(26,049,386)	\$	7,880
Paid-in capital	-	-	65,000	-		65,000
Distributions	-	-	(90)	-		(90)
Net loss	-	-	-	(42,786)		(42,786)
Balances at						
December 31, 2004	<u>1,000</u>	<u>\$ 10</u>	<u>26,122,166</u>	<u>(26,092,172)</u>	<u>\$</u>	<u>30,004</u>

See accompanying notes to financial statements.



Pedestal Capital Markets, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2004

Cash flows from operating activities:	
Net loss	\$ <u>(42,786)</u>
Adjustments to reconcile net loss to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Deposit with clearing broker	1,653
Other assets	(85)
Accrued expenses	<u>9,000</u>
Total adjustments to net loss	<u>10,568</u>
Net cash used in operating activities	<u>(32,218)</u>
Cash flows from financing activities:	
Paid-in capital	65,000
Distributions	<u>(90)</u>
Net cash provided by financing activities	<u>64,910</u>
Net increase in cash	32,692
Cash - beginning of year	<u>9,000</u>
Cash - end of year	\$ <u><u>41,692</u></u>

See accompanying notes to financial statements.



Pedestal Capital Markets, Inc.
Notes to Financial Statements
December 31, 2004

(1) Organization and business

Pedestal Capital Markets, Inc. (the "Company") was incorporated under the laws of the State of Delaware on April 27, 1999. Pedestal Capital Markets, Inc. is an introducing broker-dealer and is registered with the Securities and Exchange Commission and is a member of the National Association of Securities Dealers.

(2) Summary of significant accounting policies

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 and disclosures in the financial statements. Actual results could differ from those estimates.

Income taxes

The Company uses the liability method of accounting for income taxes, as set forth in the Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

(3) Income taxes

The Company previously filed consolidated federal income tax returns with its former parent and has cumulative net operating losses on a separate company basis for both federal and state tax purposes. The availability of those losses to offset future income is substantially diminished due to provisions of the Internal Revenue Code that limit the application of losses against income earned after a substantial change in ownership.



Pedestal Capital Markets, Inc.
Notes to Financial Statements
December 31, 2004

(3) Income taxes (continued)

In addition, the Company has separate net operating loss carryforwards for 2002 through 2004 which are available to offset future taxable income. The loss carryforwards will begin to expire in 2022.

Management does not anticipate that any material amount of loss carryforward will be available to be used in the near future and, accordingly, has provided for a full valuation allowance with respect to such losses as of December 31, 2004.

(4) Net capital requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2004, the Company had net capital of \$28,640, which was \$23,640 in excess of its required net capital of \$5,000. The Company's aggregate indebtedness to net capital ratio was 0.46.



Pedestal Capital Markets, Inc.
Computation of Net Capital under Rule 15c3-1
of the Securities and Exchange Commission
December 31, 2004

Schedule I

Computation of net capital

Stockholders' equity	\$ 30,004
Less non-allowable assets	<u>1,363</u>
Net capital before haircuts	28,641
Haircuts - other securities	<u>1</u>
Net capital	\$ <u><u>28,640</u></u>
Aggregate indebtedness	\$ <u><u>13,125</u></u>

Computation of basic net capital requirement

Minimum net capital required (greater of \$5,000 or 6-2/3% of aggregate indebtedness)	\$ <u><u>5,000</u></u>
Excess net capital	\$ <u><u>23,640</u></u>
Ratio of aggregate indebtedness to net capital	<u><u>0.46</u></u>

There are no material differences between the computation of net capital as computed above and as reported by the Company in Part IIA of Form X-17a-5 as of December 31, 2004.



Pedestal Capital Markets, Inc.
Information Relating to the Possession or
Control Requirements under Rule 15c3-3
December 31, 2004

Schedule II

The Company is exempt from the requirements of Rule 15c3-3 under Section (k)(2)(ii) of the rule.





INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

To the Board of Directors of
Pedestal Capital Markets, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Pedestal Capital Markets, Inc. (the "Company") 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 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

We note that the Company ceased operations during August 2001 and is currently dormant.

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 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 generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control 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 internal control would not necessarily disclose all matters in internal control 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 error 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. The Company ceased operations in August 2001 and due to the fact that there was minimal activity since then, we noted no matters involving internal control, including procedures 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, and other regulatory agencies that 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.

Untacht Early & Associates, LLC

Florham Park, New Jersey
February 21, 2005

