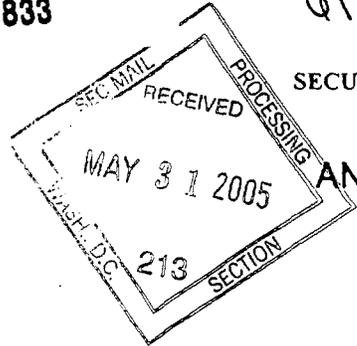




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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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- 17615

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 04/01/04 AND ENDING 03/31/05
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Pflueger & Baerwald, Inc.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
220 Sansome Street, Suite 700
.. (No. and Street)
San Francisco CA 94104-2722
(City) (State) (Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Paul J. Ruby (415) 421-4171
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Maloney, Kent Paul, Smith Maloney Accountancy Corp.
(Name - if individual, state last, first, middle name)
4535 Missouri Flat Road, Suite 2D, PO Box 1068, Placerville, CA 95667
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED
JUN 16 2005
JUN 16 2005

FOR OFFICIAL USE ONLY
THOMSON 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)

retalis

OATH OR AFFIRMATION

I, Paul J. Ruby, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Pflueger & Baerwald, Inc., as of March 31, 2005, 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:

State of California, County of San Francisco

Subscribed and sworn to (or affirmed) before me this 16th day of May, 2005, by Paul RUBY, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

P. J. Ruby
Signature
President
Title

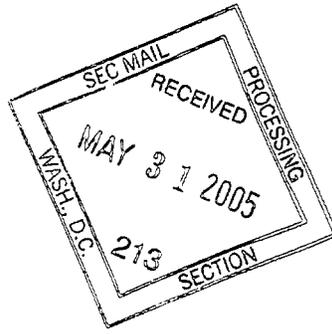
Jacob Koff
Jacob Koff, Notary Public
Notary Public



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).



PFLUEGER & BAERWALD INC.
FINANCIAL STATEMENTS
MARCH 31, 2005



The Board of Directors
Pflueger & Baerwald Inc.
San Francisco CA 94104

Independent Auditors' Report

We have audited the accompanying balance sheet of Pflueger & Baerwald Inc. as of March 31, 2005, and 2004, and the related statements of income and 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 on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion and the procedures meet Security and Exchange Commission objectives.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pflueger & Baerwald Inc. as of March 31, 2005, and 2004, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Placerville, CA
May 25, 2005

PFLUEGER & BAERWALD INC.

BALANCE SHEET

MARCH 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current assets:		
Cash	\$ 1,243,270	\$ 1,506,340
Accounts receivable:		
Customers	8,635,621	7,193,856
Brokers, Dealers and Clearing Organizations	8,150	
Other	39,797	14,543
Secured demand notes receivable (note 9)	300,000	300,000
Investments at cost (market value \$8,643,612) (note 14)	8,418,000	6,988,158
Prepaid expenses, deposits and dividends receivable	58,839	57,143
Deferred income tax expense	168	356
Total current assets	<u>18,703,845</u>	<u>16,060,396</u>
Memberships:		
Pacific Stock Exchange, at cost (market value \$0)		5,700
National Securities Clearing Corp., at cost	95,917	60,917
Total memberships	<u>95,917</u>	<u>66,917</u>
Fixed assets:		
Furniture and equipment, net of accumulated depreciation of \$ 95,225	4,305	1,620
	<u>\$ 18,804,067</u>	<u>\$ 16,128,633</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Payable to banks	\$ 3,200,000	\$ 3,500,000
Payable to customers	11,957,841	11,017,636
Payable to other brokers and dealers		
Payable to clearing house	30,783	4,334
Payable to officers	2,384,993	388,257
Other current liabilities	62,427	59,706
Total current liabilities	<u>17,636,044</u>	<u>14,969,933</u>
Other liabilities:		
Subordinated borrowings (note 10)	300,000	300,000
Total liabilities	<u>17,936,044</u>	<u>15,269,933</u>
Stockholders' equity:		
Common stock, par value \$1.00; 75,000 shares authorized; 10,666 shares issued and outstanding	10,666	10,666
Additional paid-in capital	250,593	250,593
Retained earnings	606,764	597,441
Total stockholders' equity	<u>868,023</u>	<u>858,700</u>
	<u>\$ 18,804,067</u>	<u>\$ 16,128,633</u>

See accompanying notes.

PFLUEGER & BAERWALD INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

	<u>2,005</u>	<u>2004</u>
REVENUES		
Commissions	\$ 819,089	\$ 943,073
Interest	454,260	326,869
Revenues from bond account transactions	32,455	50,603
Revenue from mutual fund transactions	42,907	31,203
Service charges	5,195	2,915
Trading gains (losses)	116	144
Other	26,295	24,406
Total revenues	<u>1,380,317</u>	<u>1,379,213</u>
EXPENSES		
Salaries and commissions	585,223	614,489
Pension contributions	43,283	59,732
Interest	148,237	82,871
Rent	84,600	85,754
Taxes	63,703	64,972
Insurance	78,180	75,858
Depreciation	2,259	2,521
Other	361,926	371,259
Total expenses	<u>1,367,411</u>	<u>1,357,456</u>
Net income before income taxes	<u>12,906</u>	<u>21,757</u>
Provision for income taxes:		
Federal:		
Current	2,630	3,841
Deferred	(168)	(356)
	<u>2,462</u>	<u>3,485</u>
California	1,121	2,371
Total provision for income taxes	<u>3,583</u>	<u>5,856</u>
Net income	9,323	15,901
Retained earnings, beginning of year	597,441	581,540
Retained earnings, end of year	<u>\$ 606,764</u>	<u>\$ 597,441</u>
Earnings per share (10,666 shares outstanding)	<u>\$ 0.87</u>	<u>\$ 1.49</u>

See accompanying notes.

PFLUEGER & BAERWALD INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

	<u>2,005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 9,323	\$ 15,901
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,259	2,521
(Increase) decrease in accounts receivable	(1,475,169)	(2,364,003)
(Increase) decrease in investments and prepaid expenses	(1,431,350)	(1,801,029)
Increase (decrease) in current liabilities	2,966,111	4,868,485
Net cash provided (used) by operating activities	<u>71,174</u>	<u>721,875</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(4,944)	(2,051)
Assessment for NSCC Participation Fund	(35,000)	50,000
Demutualization of Pacific Stock Exchange Seat	5,700	
Net cash provided (used) by investing activities	<u>(34,244)</u>	<u>47,949</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans from bank	36,785,000	3,400,000
Repayment of loans	(37,085,000)	(3,400,000)
Net cash provided (used) by financing activities	<u>(300,000)</u>	<u>-</u>
Net increase (decrease) in cash	(263,070)	769,824
Cash, beginning of year	<u>1,506,340</u>	<u>736,516</u>
Cash, end of year	<u>\$ 1,243,270</u>	<u>\$ 1,506,340</u>
Supplemental Information:		
Cash paid during the year for:		
Interest	<u>\$ 17,139</u>	<u>\$ 53,492</u>
Income Taxes	<u>\$ 2,630</u>	<u>\$ 3,841</u>

See accompanying notes.

PFLUEGER & BAERWALD INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

Note 1 -- Business activity

Pflueger and Baerwald (The Firm) is a California corporation offering securities brokerage services to investors out of its office in downtown San Francisco. The firm has been serving its investors since 1911 and is licensed in California as well as in several other states.

Note 2 -- Summary of significant accounting policies

- a. Revenues and expenses are reported on the basis of the accrual method of accounting.
- b. Assets and liabilities, including investments, are accounted for at acquisition cost.
- c. Securities transactions and related revenues and expenses are recorded on a settlement date basis, generally the third business day following the transaction date.

Note 3 -- Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 4 -- Property and equipment -- depreciation policy

The Firm provides for depreciation on assets by the straight-line and double-declining methods at rates calculated to amortize the cost of the assets over their estimated useful lives ranging from five to ten years.

Note 5--Income taxes

Income taxes are provided for all items included in the income statement regardless of the period when such items are reportable for income tax purposes. Deferred Federal income taxes are provided on the current year's California Franchise Tax which is not deductible for Federal purposes until the following year.

Note 6 -- Retirement plans

The Firm has established a profit-sharing plan and a money-purchase pension plan for full-time employees. Those employees who are wholly compensated by commissions do not become eligible for benefits until commissions earned during the year exceed \$125,000.

The profit-sharing plan was established in 1975. The Firm made no contribution to this plan for the current fiscal year.

The pension plan was established in 1981. The Firm contributes 10% of each eligible employee's compensation to this plan each year. The Firm's contribution for the current year was \$43,283.

Note 7 -- Concentration of credit risk

At March 31, 2005, the Firm had \$1,242,670 in two accounts at a bank which is insured up to a maximum of \$100,000 by a government agency.

Note 8 -- Related party transactions

Secured demand notes receivable, notes payable to officers and subordinated borrowings reported on the balance sheet are due to and from stockholders and other related parties.

Note 9--Secured demand notes receivable

The demand notes of \$300,000 are non-interest bearing and are secured by securities with a market value at year-end of \$434,395. These notes are used by The Firm as collateral for its short-term borrowings. \$200,000 is due from shareholders and \$100,000 from an outsider.

Note 10--Subordinated borrowings

Long-term notes payable of \$300,000 are subordinated to claims of general creditors. \$100,000 is due on these notes during each of the next three fiscal years. Interest is payable at rates from 2% to 4% per year. \$200,000 is due to shareholders and \$100,000 to an outsider.

Note 11--Lease commitments

The Firm leases its office space under an operating lease which expires on October 31, 2005. The annual rental for the current fiscal year was \$84,600. The new lease provides for monthly rent at \$7,050, or \$84,600 on an annual basis with no increases to offset the increases in the lessor's direct operating expenses and property taxes.

Note 12--Net capital requirements

As a member of the National Association of Security Dealers, Inc., The Firm is subject to certain minimum capital requirements. NASD Rule 15c3-1 requires that member firms aggregated indebtedness, as defined by regulation, not exceed 15 times net capital, as defined. Minimum capital must be a minimum of \$250,000.

At March 31, 2005, The Firm's net capital ratio was 7.04 to 1. It's net capital, including subordinated debt, was \$1,166,960. Required net capital was \$547,605.

Note 13--Filings with the Securities and Exchange Commission

The Firm is required to file Form X-17A-5 annually with the Securities and Exchange Commission. Part III of this filing is available for public inspection at The Firm's office or at the Regional Office of the Securities and Exchange Commission.

Note 14—Investment securities

The following is a summary of investment securities at March 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
15c3-3 Reserve account:		
U.S. Government obligations, at cost	\$8,392,587	\$6,968,438
Gross unrealized interest	<u>39,828</u>	<u>17,182</u>
Marketable U.S. Treasury securities, at fair value	<u>8,432,415</u>	<u>6,985,620</u>
Investment securities:		
Marketable equity securities, at cost	25,299	19,596
Gross unrealized gains	<u>185,898</u>	<u>132,847</u>
Marketable equity securities, at fair value	<u>211,197</u>	<u>152,443</u>
Trading securities:		
Marketable equity securities, at cost	114	124
Gross unrealized losses	<u>-114</u>	<u>-124</u>
Marketable equity securities, at fair value	<u>0</u>	<u>0</u>
Total investments-		
At cost	8,418,000	6,988,158
Gross unrealized gains and losses	<u>225,612</u>	<u>149,905</u>
Investments at fair market value	<u>\$8,643,612</u>	<u>\$7,138,063</u>
Changes in the unrealized gains(losses) on investments during the years ending March 31, 2005 and 2004 as reflected in stockholders' equity:		
Stockholders' equity, reflecting cost basis	\$868,023	\$858,700
Adjustment for unrealized gains(losses)	<u>185,646</u>	<u>135,005</u>
Stockholders' equity, reflecting fair market value	<u>\$1,053,669</u>	<u>\$993,705</u>