



**PINNACLE VALUE FUND
A SERIES OF
BERTOLET CAPITAL TRUST**

**SEMI-ANNUAL
REPORT**

June 30, 2005

Pinnacle Value Fund Semi Annual Report

June 30, 2005

Dear Fellow Shareholders,

As can be seen from the box scores below, stocks trended sideways for the first six months ending slightly in the red. While the economic news was generally OK, advances in corporate profits haven't been enough to drive the market higher. The market also faces an increasingly strong headwind as the Fed ratchets up short term interest rates making money market funds and CDs an attractive alternative to equities. Higher oil prices appear to be finally impacting the economy and little progress is being made on our growing budget and trade deficits. Despite this backdrop, valuations remain high with the S&P 500 trading at 20 times earnings, 3.3 times book value and yielding 1.9 %. Investors are focused on reward not risk, the Russell 2000 trades near its all time high and huge pools of capital remain dedicated to small and micro-cap securities.

While the stock market remains an extremely challenging place to make money, our year to date results were respectable on both an absolute and relative basis:

Total Return	<u>YTD 2005</u>	<u>2004</u>	<u>2003</u>
Pinnacle Value Fund*	4.6%	19.6%	13.7%
Russell 2000**	-1.2	18.3	47.3
S&P 500**	-0.8%	10.9%	28.7%

* Fund inception April 1, 2003; ** Includes dividend reinvestment

We ended the period 58% invested and averaged about 60% invested for the six months. Our benchmark, the Russell 2000, rose slightly during the first couple months before declining 10% in March/April. We did some selective buying but just as quickly the Russell rebounded and closed the period near its all time high. It remains a challenge to put our cash to work at reasonable prices. Holding large amounts of cash equivalents is difficult but not as painful as doing something dumb. Fortunately, the interest we're earning on our cash has almost doubled in the last year to about 2.6%.

June 30 Fund net assets were about \$12,000,000 up from \$7,600,000 at Dec. 31, 2004.

This reflects portfolio appreciation as well as additional share purchases from new and existing shareholders. We currently own 43 positions across a variety of industries with an average market cap of about \$88 million. We are constantly looking at new ideas but are mindful of the old adage "well bought is well sold". This is especially true of the securities market where paying too much can turn a good investment into a mediocre one.

When to Sell?

Some of you have asked how we decide to sell. Selling is generally more difficult than buying. Buying is always an option allowing an investor to wait for just the right "pitch". But once you own a security, you're committed. This reminds me of the chicken and the pig who were trying to decide what contribution to make to a farmhouse charity event. The chicken stated, "Let's offer them ham and eggs!" The pig replied, "Not so fast. For you that's an option, for me it's a commitment."

While we prefer to hold a position for several years, sometimes a sale (partial or full) is the right choice. Generally, there're four circumstances when we'll sell a position:

1. We make a mistake or the fundamentals begin to deteriorate. Sometimes we make an error in our facts, reasoning or judgement causing us to alter our outlook on a firm's prospects. Other times our analysis is correct but something unexpected happens causing the fundamentals to deteriorate. When either happens, we'll normally do a sanity check to see if there's any way to resurrect the position. If not, it's gone.

2. The security price reaches our target. Whenever we purchase a security, we always have a target price that could be reached if events unfold as we expect. The target price is adjusted up or down depending on future operating results. For example, if we expect earnings to rebound from a cyclical trough, we'll model the expected earnings per share and assign a reasonable PE multiple to arrive at a target price. If this progression unfolds as expected, we'll normally sell part of our position as the target is reached.

3. The catalyst(s) we expect to materialize and drive the share price higher doesn't occur. For example, we may buy a security because we believe a new CEO has a reasonable game plan for turning the company around. However, this is often more easily said than done. Corporate inertia can be very stubborn at times. If a new CEO isn't making any progress after 2-3 years (it sometimes takes that long) and has no prospect for doing so, we'll generally begin selling the stock. However, if the CEO is making progress and earnings are rebounding but the share price isn't, we'll hang in there. Eventually, the share price always catches up with the earnings.

4. We find a better relative value elsewhere. If a stock we own rises to 90-95% of what we think it's worth and another, which we don't own, is trading at 30-40% of true value, we'll sell the former and buy the latter. We prefer a wide margin of safety and want the risk of falling off a pancake, not the high wire.

We try not to get too emotional in our investing. More money has been lost in the stock market by investors listening to their emotions than for any other reason. This may involve an untimely buy after a substantial price rise has already occurred or an untimely sale after a long decline has already occurred. The market has a way of trapping those who act too late. We try to be greedy when others are fearful and fearful when others are greedy. Often times one must go against the crowd to be successful (but with good reason!).

By now you should have received your June 30 quarterly statement reflecting our results to date. The Fund celebrated its second year anniversary on April 1- a special thanks to all loyal shareholders! Our ticker/symbol is now PVFIX. As always, if you have any questions about your account or the Fund don't hesitate to call or write.

Thank you for your continued support and enthusiasm.

John E. Deysher
President and Portfolio Manager
212-508-4537

Pinnacle Value Fund
1414 Sixth Ave-900
New York, NY 10019

TOP 10 POSITIONS**% net assets**

1. MVC Capital- Business Development Company	7.2%
2. United Retail – Mall based women’s clothing retailer	4.8
3. Quaker Fabrics- Fabric for upholstered furniture	4.2
4. Regency Affiliates- Real estate, aggregates, power generation	3.8
5. Cadus- Cash rich shell with substantial NOLs	3.4
6. Conrad Ind.- Gulf of Mexico shipbuilding & repair	2.6
7. RG Barry- Women’s footwear	2.5
8. Aristotle Conv. Pfd.- Education materials & supplies	2.5
9. Ameritrans Capital Pfd- Specialty Finance	2.5
10. Southern Energy Homes- Manufactured Homes & Components	<u>2.3</u>
Total	35.8%

YTD TOP 5 WINNERS (realized & unrealized gains)

1. United Retail Group	\$250,390
2. RG Barry	218,700
3. Paulson Financial	122,780
4. Unifi	71,850
5. Southern Energy Homes	<u>49,440</u>
Total	\$713,160

YTD TOP 5 SINNERS (realized & unrealized losses)

1. Conrad Ind.	\$146,190
2. American Locker Group	69,900
3. Cathay Merchant	13,450
4. Delta Woodside Ind.	6,990
5. Cadus	<u>4,960</u>
Total	\$241,490

Security Classifications

Cash & Equivalents	37.8%
Industrial Goods & Services	22.4
Consumer Goods & Services	13.2
Financial Services/ Insurance	7.6
Business Development Cos.	7.4
Conglomerates	6.9
Auction Market Preferreds	3.4
Put options- Russell 2000 Index	<u>1.3</u>
Total	100.0%

Schedule of Investments (Unaudited)

June 30, 2005

Shares/Principal Amount	Basis	Market Value	% of Assets
COMMON STOCKS			
Aerospace & Defense			
4,000 Sifco Industries, Inc. *	\$ 7,600	\$ 14,600	0.12%
Apparel/Accessories			
4,800 Delta Apparel	36,805	62,064	
200 Velcro Industries NV	2,449	2,706	
	<u>39,254</u>	<u>64,770</u>	0.54%
Beverages			
50,000 Pyramid Brewery *	92,773	93,500	0.78%
Business Development Cos.			
200 Capital Southwest	11,508	17,934	
86,500 MVC Capital	756,418	865,000	
	<u>767,926</u>	<u>882,934</u>	7.40%
Conglomerate			
40,700 Argan, Inc. *	235,802	223,850	
80,400 Regency Affiliates *	470,074	456,672	
5,400 United Capital Corp. *	103,571	140,130	
	<u>809,447</u>	<u>820,652</u>	6.87%
Electric Housewares & Fans			
2,200 National Presto Industries, Inc.	89,068	96,954	0.81%
Electromedical Equipment			
65,800 Novoste *	56,932	64,484	0.54%
Financial Services			
266,310 Cadus Corp. *	421,513	402,128	
60,000 Dynabazaar *	18,786	19,200	
29,700 Kent Financial Services, Inc. *	63,834	82,566	
24,200 LQ Corp. *	41,906	46,222	
5,800 Paulson Financial*	34,871	73,602	
3,000 Refac *	14,856	18,300	
6,850 Webfinancial Corp. *	62,599	74,528	
	<u>658,365</u>	<u>716,546</u>	6.00%
Footwear			
62,000 Barry R.G. Corp. *	117,835	300,700	2.52%
Furniture & Fixtures			
13,900 Reconditioned Systems*	24,980	31,275	0.26%
Industrial Instruments For Measurement, Display, and Control			
37,000 Electronic Sensors	155,516	184,630	1.55%
Insurance			
16,600 SCPIE Holdings, Inc. *	146,925	189,074	1.58%
IT Services			
34,000 Technology Solutions Company *	29,422	18,360	0.15%
Mailboxes & Lockers			
51,100 American Locker Group *	331,026	261,121	2.19%
Manufactured Housing			
500 Liberty Homes, Inc.	2,085	2,550	
48,000 Southern Energy Homes *	106,489	275,520	
	<u>108,574</u>	<u>278,070</u>	2.33%

* Non-Income producing securities.

The accompanying notes are an integral part of the financial statements

Schedule of Investments (Unaudited)

June 30, 2005

Shares/Principal Amount	Basis	Market Value	% of Assets
Motor Vehicle Parts & Accessorie			
8,000 Transpro, Inc. *	\$ 60,272	\$ 50,320	0.42%
Patent Owners & Lessors			
68,500 Opti, Inc. *	101,770	115,765	0.97%
Ship & Boat Building & Repairing			
234,322 Conrad Industries, Inc. *	439,867	304,619	2.55%
Real Estate Investment Trusts			
30 USA Real Estate Investors Trust *	14,490	16,650	0.14%
Retail			
6,000 Deb Shops, Inc.	111,276	173,820	
74,300 United Retail Group, Inc. *	158,314	572,110	
	269,590	745,930	6.24%
Textile Mill Products			
201,980 Delta Woodside Industries, Inc. *	166,133	131,287	
121,000 Quaker Fabric *	481,214	494,890	
64,600 Unifi, Inc. *	160,786	273,904	
	808,133	900,081	7.53%
Total for Common Stock	\$ 5,129,765	\$ 6,151,035	51.47%
Auction Market Preferreds			
4 Aim Select Real Estate, Inc. Fund Pfd - W7	100,000	100,000	
4 Advent Claymore Conv. Sec. Inc. Fund Pfd - M7	100,000	100,000	
4 Pioneer High Income Trust Pfd - M7	100,000	100,000	
4 Western Asset Premium Bond Fund Pfd - M7	100,000	100,000	
Total for Auction Market Preferred Stock	\$ 400,000	\$ 400,000	3.35%
Convertible Preferreds			
22,200 Ameritrans Capital Corp. Pfd	257,417	295,482	
33,935 Aristotle Corp. Convertible Pfd - I	263,769	296,592	
4,000 First Union Real Estate Convertible Pfd - A	96,090	99,280	
Total for Convertible Preferred Stock	\$ 617,276	\$ 691,354	5.79%
Put Contracts			
19,500 Ishares Russell 2000 Index Jan '07 *	162,300	150,150	1.27%
SHORT TERM INVESTMENTS**			
Money Market Fund			
4,015,093 First American Govt Obligation Fund CI Y 2.53%	4,015,093	4,015,093	33.61%
Repurchase Agreements			
500,000 US Bank Repo 2.92% 2/1/2006	500,000	500,000	4.18%
Total for Short Term Investments	\$ 4,515,093	\$ 4,515,093	37.78%
Total Investments	\$ 10,824,434	\$ 11,907,632	99.65%
Other Assets less Liabilities		42,160	0.35%
Net Assets		\$ 11,949,792	100.00%

* Non-Income producing securities. ** Interest rate shown applicable at June 30, 2005

The accompanying notes are an integral part of the financial statements

Statement of Assets and Liabilities (Unaudited)

June 30, 2005

Assets:

Investment Securities at Market Value	\$ 11,907,632
(Identified Cost \$10,824,434)	

Receivables:

Cash	100,000
Dividends and Interest	25,249
Prepaid Expenses	6,564
Securities Sold	94,044

Total Assets	12,133,489
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Liabilities:

Payables:

Advisor Fees	34,772
Accrued Expenses	7,948
Securities Purchased	140,977

Total Liabilities	183,697
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Net Assets	\$ 11,949,792
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Net Assets Consist of:

Paid-In Capital	\$ 10,310,551
Accumulated Undistributed Net Investment Income	24,042
Accumulated Realized Gain on Investments - Net	532,001
Unrealized Appreciation in Value of Investments Based on Identified Cost - Net	1,083,198

Net Assets	\$ 11,949,792
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Net Asset Value and Redemption Price

Per Share (\$11,949,792/889,588 shares outstanding) , no par value, unlimited shares authorized	\$ 13.43
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Statement of Operations

For the six months ended June 30, 2005 (Unaudited)

Investment Income:

Dividends	\$ 54,798
Interest	<u>45,249</u>
Total Investment Income	100,047

Expenses: (Note 2)

Investment Advisor Fees	63,552
Transfer Agent & Fund Accounting Fees	14,770
Audit Fees	5,250
Insurance Fees	4,345
Custodial Fees	2,264
Legal Fees	11,430
Trustee Fees	2,076
Printing & Mailing Fees	1,517
Miscellaneous Fees	1,097
Registration Fees	<u>2,680</u>
Total Expenses	108,981
Reimbursed Expenses	<u>(32,976)</u>
Net Expenses	<u>76,005</u>

Net Investment Income 24,042

Realized and Unrealized Gain (Loss) on Investments:

Realized Gain on Investments	230,658
Change in Unrealized Appreciation on Investments	<u>272,398</u>
Net Realized and Unrealized Gain on Investments	<u>503,056</u>

Net Increase in Net Assets from Operations \$ 527,098

Statement of Changes in Net Assets (Unaudited)

	Six Months	Year
	Ended	Ended
	<u>6/30/2005</u>	<u>12/31/2004</u>
From Operations:		
Net Investment Income (Loss)	\$ 24,042	\$ (9,850)
Net Realized Gain on Investments	230,658	596,346
Net Unrealized Appreciation	<u>272,398</u>	<u>571,336</u>
Increase in Net Assets from Operations	<u>527,098</u>	<u>1,157,832</u>
From Distributions to Shareholders:		
Net Realized Gain from Security Transactions	<u>0</u>	<u>(346,674)</u>
From Capital Share Transactions:		
Proceeds From Sale of Shares	3,819,119	2,091,288
Shares issued in Reinvestment of Dividends	0	339,414
Cost of Shares Redeemed	<u>(28,976)</u>	<u>(334,085)</u>
Net Increase from Shareholder Activity	<u>3,790,143</u>	<u>2,096,617</u>
Net Increase in Net Assets	<u>4,317,241</u>	<u>2,907,775</u>
Net Assets at Beginning of Period	7,632,551	4,724,776
Net Assets at End of Period	<u>\$ 11,949,792</u>	<u>\$ 7,632,551</u>
Share Transactions:		
Issued	297,324	176,425
Reinvested	-	26,853
Redeemed	<u>(2,232)</u>	<u>(28,122)</u>
Net increase in shares	295,092	175,156
Shares outstanding beginning of period	<u>594,496</u>	<u>419,340</u>
Shares outstanding end of period	<u><u>889,588</u></u>	<u><u>594,496</u></u>

The accompanying notes are an integral part of the financial statements

Financial Highlights

Selected data for a share outstanding throughout the period.

	(Unaudited) Six Months Ended <u>6/30/2005</u>	Year Ended <u>12/31/2004</u>	4/1/2003* to <u>12/31/2003</u>
Net Asset Value -			
Beginning of Period	\$ 12.84	\$ 11.27	\$ 10.00
Net Investment Income (Loss)	0.03	(0.02)	(0.09)
Net Gains or (Losses) on Securities (realized and unrealized)	<u>0.56</u>	<u>2.23</u>	<u>1.46</u>
Total from Investment Operations	<u>0.59</u>	<u>2.21</u>	<u>1.37</u>
Distributions from Capital Gains	<u>0.00</u>	<u>(0.64)</u>	<u>(0.10)</u>
Paid-in Capital from Redemption Fees (Note 2) (a)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net Asset Value -			
End of Period	<u>\$ 13.43</u>	<u>\$ 12.84</u>	<u>\$ 11.27</u>
Total Return	4.60 %	19.65 %	13.71 %
Ratios/Supplemental Data			
Net Assets - End of Period (Thousands)	\$ 11,950	\$ 7,633	\$ 4,725
Before Reimbursement			
Ratio of Expenses to Average Net Assets	2.14%	2.17%	4.00% **
Ratio of Net Income (Loss) to Average Net Assets	(0.18)%	(0.54)%	(3.38)% **
After Reimbursement			
Ratio of Expenses to Average Net Assets	1.49%	1.79%	1.78% **
Ratio of Net Income (Loss) to Average Net Assets	0.47 %	(0.16)%	(1.16)% **
Portfolio Turnover Rate	26.89%	71.66%	68.44%

* Commencement of operations.

** Annualized

(a) Less than \$0.01 per share

Notes to Financial Statements (Unaudited)
June 30, 2005**1.) ORGANIZATION:**

Pinnacle Value Fund ("Fund") is registered under the Investment Company Act of 1940 as an open-end investment management company and is the only series of the Bertolet Capital Trust, a Delaware business trust organized Jan. 1, 2003 ("Trust"). The Declaration of Trust authorizes the Board of Trustees to issue an unlimited number of Fund shares. Each Fund share has equal voting, dividend, distribution, and liquidation rights. The Fund's investment objective is long term capital appreciation with income as a secondary objective.

2.) SIGNIFICANT ACCOUNTING POLICIES**SECURITY VALUATION:**

The Fund will primarily invest in equities and convertible securities. The investments in securities are carried at market value. Securities traded on any exchange or on the NASDAQ over-the-counter market are valued at the last quoted sale price. Lacking a last sale price, a security is valued at its last bid price except when, in the Adviser's opinion, the last bid price does not accurately reflect the security's current value. When market quotations are not readily available, when the Adviser determines the last bid price does not accurately reflect the current value or when restricted securities are being valued, such securities are valued as determined in good faith by the Adviser, in conformity with guidelines adopted by and subject to review of the Board of Trustees.

Fixed income securities generally are valued by using market quotations, but may be valued on the basis of prices furnished by a pricing service when the Adviser believes such prices accurately reflect the fair market value of such securities. A pricing service utilizes electronic data processing techniques based on yield spreads relating to securities with similar characteristics to determine prices for normal institutional-size trading units of debt securities without regard to sale or bid prices. When prices are not readily available from a pricing service, or when restricted or illiquid securities are being valued, securities are valued at fair value as determined in good faith by the Adviser, subject to review of the Board of Trustees. Short term investments in fixed income securities with maturities of less than 60 days when acquired, or which subsequently are within 60 days of maturity, are valued by using the amortized cost method of valuation.

SHORT TERM INVESTMENTS:

The Fund may invest in money market funds and short term high quality debt securities such as commercial paper, repurchase agreements and certificates of deposit. Money market funds typically invest in short term instruments and attempt to maintain a stable net asset value. While the risk is low, these funds may lose value.

SECURITY TRANSACTIONS AND INVESTMENT INCOME:

The Company records security transactions based on a trade date. Dividend income is recognized on the ex-dividend date, and interest income is recognized on an accrual basis. Discounts and premiums on securities purchased are amortized over the lives of the respective securities.

Notes to Financial Statements (Unaudited)
June 30, 2005

INCOME TAXES:

Federal income taxes. The Company's policy is to continue to comply with the requirements of the Internal Revenue Code that are applicable to regulated investment companies and to distribute all its taxable income to its shareholders. Therefore, no federal income tax provision is required.

Distribution to shareholders. Distributions to shareholders, which are determined in accordance with income tax regulations, are recorded on the ex-dividend date.

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 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.

Reclassification of Capital Accounts. The Fund accounts and reports for distributions to shareholders in accordance with the American Institute of Certified Public Accountant's Statement of Position 93-2; Determination, Disclosure and Financial Statement Presentation of Income, Capital and Return of Capital Distributions by Investment Companies.

The Fund imposes a redemption fee of 1.00% on shares redeemed within one year of purchase. The charge is assessed on an amount equal to the Net Asset Value of the shares at the time of redemption. The redemption fee is deducted from the proceeds payable to the shareholder. For the six months ended June 30, 2005, no redemption fees were returned to the Fund through shareholder redemptions.

3.) INVESTMENT ADVISORY AGREEMENT

The Fund has entered into an investment advisory agreement ("Agreement") with Bertolet Capital LLC ("Adviser"). Under the Agreement, Adviser receives a fee equal to the annual rate of 1.25% of the Fund's average daily net assets. For the six months ended June 30, 2005, the Adviser waived \$32,976 of its fee. An officer and trustee of the Fund is also an officer and trustee of the Adviser.

The Agreement provides for an expense reimbursement from the Adviser, if the Fund's total expenses, exclusive of taxes, interest on borrowings, dividends on securities sold short, brokerage commissions and extraordinary expenses exceed 1.49% of the Fund's average daily net assets through Dec.31, 2005.

Adviser will be entitled to reimbursement of fees waived or reimbursed by the Adviser to the Fund. Fees waived or expenses reimbursed during a given year may be paid to the Adviser during the following three year period to the extent that payment of such expenses does not cause the Fund to exceed the expense limitation. At June 30, 2005, cumulative unreimbursed fees paid/or waived by Advisor on behalf of the Fund is \$100,430. Adviser may recapture \$44,571 no later than Dec. 31, 2006, \$22,883 no later than Dec. 31, 2007 and \$32,976 no later than Dec. 31, 2008.

Notes to Financial Statements (Unaudited)
June 30, 2005

4.) PURCHASES AND SALES OF SECURITIES

For the six months ended June 30, 2005, purchases and sales of investment securities other than U.S. Government obligations and short-term investments aggregated \$2,475,177 and \$855,137 respectively.

5.) FEDERAL TAX INFORMATION

Net Investment income/(loss) and net realized gains/(losses) differ for financial statement and tax purposes due to differing treatments of wash sale losses deferred and losses realized subsequent to Oct. 31 on the sale of securities.

The tax character of distributions paid during the year ended Dec. 31, 2004 is as follows:

	2004
Short Term Capital Gain	\$ 182,841
Long Term Capital Gain	\$ 163,833

As of June 30, 2005, the components of accumulated earnings/(losses) on a tax basis were as follows:

Costs of investments for federal income tax purposes	\$10,824,434
Gross tax unrealized appreciation	\$1,437,135
Gross tax unrealized depreciation	(353,937)
Net tax unrealized appreciation	1,083,198
Accumulated realized gain on investments –net	\$532,001
Accumulated Earnings	\$1,615,199

PROXY VOTING

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities and information regarding how the Fund voted those proxies during the twelve month period ended June 30, 2005, are available without charge upon request by calling the Fund at 1-877-369-3705 or visiting www.pinnaclevaluefund.com or www.sec.gov.

QUARTERLY PORTFOLIO HOLDINGS

The Fund files a schedule of investments with the SEC for the first and third quarter of each fiscal year on Form N-Q. The Fund's first and third fiscal quarters end on March 31 and September 30. The Form N-Q filing must be made within 60 days of the end of the quarter, and the Fund's first Form N-Q was filed with the SEC on November 29, 2004. The Fund's Forms N-Q are available on the SEC's website at <http://sec.gov>, or may be reviewed/copied at the SEC's Public Reference Room in Washington, DC (call 1-800-732-0330 for hrs). Copies are also available by calling the Fund at 1-877-369-3705.

Supplemental Information (Unaudited)

The following table provides biographical information with respect to each Trustee.

Name, Age	Position with Fund	Term of Office Length of Time Served	Principal Occupation During Past 5 Years	Other Directorships
Interested Trustee				
John E. Deysler, CFA (50)	Trustee	Unlimited Since Inception	President, Secretary, Treasurer Pinnacle Value Fund Principal, Portfolio Manager Royce & Associates	None
Independent Trustees				
Edward P. Breau, CFA (72)	Trustee	Unlimited Since Inception	Private Investor	None
Richard M. Connelly (49)	Trustee	Unlimited Since Inception	Associate General Counsel JG Wentworth (finance)	None
James W. Denney (40)	Trustee	Unlimited Since Inception	President, Mohawk Asset Management	Director, Electric City Funds

TRUSTEES AND SERVICE PROVIDERS

Trustees: Edward P. Breau, Richard M. Connelly, James W. Denney, John E. Deysler

Transfer Agent: Mutual Shareholder Services, 8869 Brecksville Rd-C, Brecksville OH 44141

Custodian: US Bank, 425 Walnut St., Cincinnati OH 45202

Independent Auditors: Tait, Weller & Baker, 1818 Market St, Suite 2400, Philadelphia PA 19103

Legal Counsel: Law Offices of Stephanie A. Djinis, 1749 Old Meadow Rd.-310, McLean, VA 22102

Board Approval of Investment Advisory Agreement

The investment advisory agreement (“Agreement”) between the Trust and Bertolet Capital LLC (“Adviser”) was last renewed at a Board of Trustees meeting in March, 2005. At the meeting the Board considered factors material to the Agreement renewal including the nature and quality of services provided, the Adviser’s experience and the reasonableness of fees charged.

The Trustees gained extensive knowledge about the Fund and Adviser through periodic Board meetings and reports. The Board reviewed the Fund’s performance for 2004 (its first full year of operation) and since inception relative to its benchmark and peers. It was noted that the Fund’s cash position has remained high since inception due to a dearth of reasonably priced investment ideas and that under these circumstances, the Adviser performed well and in accordance with the Fund’s investment objectives and strategies.

The Trustees reviewed the Fund’s successful increase in asset size resulting from both appreciation and new shareholder accounts. They considered the overall reputation of the Adviser and the quality of service providers overseen by the Adviser on behalf of the Fund. The Trustees evaluated the Adviser’s compliance procedures and internal control systems. Adviser management assured the Trustees that Adviser would continue to have the expertise and resources needed to provide advisory services required by the Fund.

The Trustees examined the fees paid to the Adviser and the Fund’s overall expense ratio relative to similar funds offering similar services. The Trustees reviewed the Adviser’s substantial experience in small and micro-cap research/portfolio management and the labor intensive nature of such endeavors. It was noted that Adviser provides many administrative, compliance and marketing services to the Fund. The Board noted the Adviser’s agreement to reimburse the Fund and cap expenses at 1.79% for the first 3 years. It was noted that while under no obligation to do so, Adviser voluntarily reduced the expense cap to 1.49% for 2005.

The Trustees considered the Adviser’s profitability with respect to the Fund and potential economies of scale that might be achieved if Fund growth continued and whether existing fees might therefore require adjustment. The Trustees did not believe that current asset levels justified any modification of existing fee levels. In light of Adviser’s performance, its providing of administrative, compliance, marketing and other services and the reasonableness of overall Fund expenses relative to its peers, the Trustees believed the retention of the Adviser was in the best interest of shareholders. As a result, the entire Board, with Independent Trustees voting separately, approved the Agreement’s renewal.

Expense Example

As a shareholder of the Fund, you incur various expenses including management fees. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. You may also incur redemption fees which are not shown in this section but may result in higher total costs. The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period, January 1, 2005 through June 30, 2005.

Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratios and an assumed rate of return of 5% per year before expenses, which are not the Fund's actual returns. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in this Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Pinnacle Value Fund	Beginning Account Value January 1, 2005	Ending Account Value June 30, 2005	Expenses Paid During the Period* January 1, 2005 to June 30, 2005
Actual	\$1,000.00	\$1,045.95	\$7.54
Hypothetical (5% Annual Return before expenses)	\$1,000.00	\$1,017.36	\$7.43

* Expenses are equal to the Fund's annualized expense ratio of 1.49%, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).