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<b>OMB APPROVAL</b>	
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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

<b>SEC FILE NUMBER</b>
8-15900

**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 11/01/04 AND ENDING 10/31/05  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER DEALER:

Fred Alger & Company, Incorporated

<b>OFFICIAL USE ONLY</b>
FIRM ID. NO.

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

30 Montgomery Street  
(No. and Street)

Jersey City  
(City)

New Jersey  
(State)

07302  
(Zip Code)

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

Robert Kincl

(201) 547-3600

(Area Code — Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

BDO Seidman, LLP

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

330 Madison Avenue  
(Address)

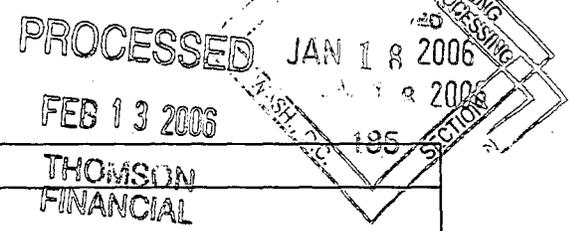
New York  
(City)

New York  
(State)

10017  
(Zip Code)

CHECK ONE:

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



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).

*Handwritten signature and date*  
2/10/06

OATH OR AFFIRMATION

I, Robert Kincel, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Fred Alger & Company, Incorporated and Subsidiary, as of October 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:

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

Robert Kincel  
Signature

Chief Financial Officer

Title

Barbara C Martin Hart

Notary Public

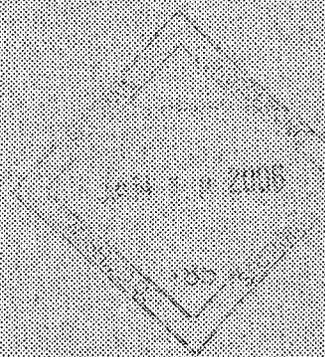
BARBARA C. MARTIN-HART  
NOTARY PUBLIC OF NEW JERSEY  
My Commission Expires July 21, 2008

This report\*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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 Statement Regarding the Computation of Net Capital Under Rule 15c3-1 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).

**Fred Alger & Company,  
Incorporated and Subsidiary**



**Consolidated Statement of Financial Condition**

October 31, 2005

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# **Fred Alger & Company, Incorporated and Subsidiary**

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**BDO Seidman, LLP**  
Accountants and Consultants

330 Madison Avenue  
New York, New York 10017  
Telephone: (212) 885-8000  
Fax: (212) 697-1299

## Independent Auditors' Report

Board of Directors  
Fred Alger & Company, Incorporated  
Jersey City, New Jersey

We have audited the accompanying consolidated statement of financial condition of Fred Alger & Company, Incorporated and its Subsidiary, ("Company"), a wholly-owned subsidiary of Alger Associates, Inc., as of October 31, 2005. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 9, the Company has received inquiries regarding mutual fund market timing and late trading practices from several regulators. On December 16, 2005, the Company and certain present and former members of the Company's senior management received from the staff (the "Staff") of the Securities and Exchange Commission ("SEC") a "Wells Notice", which indicates that the Staff intends to recommend that the SEC bring a civil enforcement action for possible violation of certain Federal securities laws. The Company is unable to predict the outcome of any possible enforcement action, whether the SEC may seek financial relief against the Company, or whether any SEC enforcement action will limit the Company's business or otherwise adversely affect the Company.

In our opinion, the consolidated statement of financial condition referred to above presents fairly, in all material respects, the consolidated financial position of Fred Alger & Company, Incorporated and its Subsidiary at October 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

*BDO Seidman, LLP*

January 9, 2006

# Fred Alger & Company, Incorporated and Subsidiary

## Consolidated Statement of Financial Condition

October 31, 2005

### Assets

Cash	\$ 4,948,590
Cash and security (at market) segregated under Federal and other regulations (Note 1)	1,674,438
Deposits with clearing organizations	7,500,462
Fail to deliver	5,344
Receivable from customers	227
Receivable from noncustomers	113,428
Management fees receivable (Notes 2(a))	5,706,241
Securities owned, at market (Note 3)	149,658,498
Receivables from affiliates (Notes 2(a) and 6)	2,736,227
Exchange memberships, at cost (last reported sales prices \$3,120,000)	96,250
Property and equipment, net (Note 4)	9,777,278
Prepaid expenses and other assets (Note 2(b))	8,225,629
	<b>\$190,442,612</b>

### Liabilities and Stockholder's Equity

#### Liabilities:

Deferred taxes, net (Note 6)	\$ 2,949,612
Payable to customers	37,168
Accrued expenses and other liabilities	14,566,092
	<b>17,552,872</b>

#### Commitments and contingencies (Notes 1, 5, 7, 8 and 9)

#### Stockholder's equity:

11% Series A cumulative preferred stock, \$100 par value - 5,000 shares authorized; 1,370 shares issued and no shares outstanding	137,000
Voting common stock, \$.10 par value - 1,000 shares authorized; 113.027 shares issued; 105.725 shares outstanding	11
Nonvoting common stock, \$.10 par value - 1,000 shares authorized and no shares issued or outstanding	-
Additional paid-in capital	20,272,997
Retained earnings	152,645,798
Less: Treasury stock, at cost; 7.302 shares voting common stock and 1,370 Series A shares cumulative preferred stock	(166,066)
	<b>172,889,740</b>
	<b>\$190,442,612</b>

*See accompanying summary of business and significant accounting policies  
and notes to consolidated statement of financial condition.*

# Fred Alger & Company, Incorporated and Subsidiary

## Summary of Business and Significant Accounting Policies

### **Organization and Principles of Consolidation**

Fred Alger & Company, Incorporated (“Company”) is a wholly-owned subsidiary of Alger Associates, Inc. (“Parent”). The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Fred Alger Management, Inc. (“Subsidiary”). Significant intercompany balances and transactions have been eliminated in consolidation.

### **Business**

The Company is a broker/dealer in securities registered with the Securities and Exchange Commission (“SEC”) under the Securities and Exchange Act of 1934, and is a member of various exchanges and the National Association of Securities Dealers (“NASD”). Its Subsidiary is registered under the Investment Advisers Act of 1940. The Company effects transactions principally for the Parent, itself and customers of the Subsidiary.

### **Securities Transactions**

Securities transactions and related expenses in the Company’s investment accounts are recorded on a trade date basis. Securities listed on a national exchange are valued at the last sales price on the date of valuation. Customers’ securities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis.

### **Receivable from and Payable to Customers**

Receivable from and payable to customers include amounts due on cash and margin transactions. Securities owned by customers are held as collateral for receivables. Such collateral is not reflected in the financial statements.

### **Management Fees**

Management fees are received monthly and quarterly, but are recognized as earned on a pro rata basis based on the terms of the customer agreements.

# Fred Alger & Company, Incorporated and Subsidiary

## Summary of Business and Significant Accounting Policies

### **Concentrations of Credit Risk**

The Company and its Subsidiary are engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company and its Subsidiary may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's and its Subsidiary's policy to review, as necessary, the credit standing of each counterparty.

### **Income Taxes**

The Company files its Federal and certain state and local income tax returns as a member of a consolidated group consisting of its parent, Alger Associates, Inc. ("Parent"), and the Parent's wholly-owned subsidiaries. Federal, state, and local income taxes are calculated as if the Company filed on a separate return basis, and the amount of current tax expense or benefit is either remitted to or received from the Parent. The amount of deferred taxes is recognized as of the date of the financial statements, utilizing enacted tax laws and rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of any change in the tax rate is recognized in income in the period that includes the enactment date of such change. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax liabilities or assets between years.

### **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 therein. Actual results could differ from those estimates.

# Fred Alger & Company, Incorporated and Subsidiary

## Notes to Consolidated Statement of Financial Condition

1. **Funds Segregated Under Federal and Other Regulations** Cash of \$701,000 and a security with a market value of \$973,438 have been segregated in special reserve accounts for the exclusive benefit of customers under Rule 15c3-3 of the SEC.

2. **Related Party Transactions**
- (a) The Subsidiary is the investment advisor to six registered investment companies: The Alger Fund, The Alger American Fund, Castle Convertible Fund, Inc., Spectra Fund, The U.S. China Growth Fund and The Alger Institutional Fund (collectively "Funds"). Certain trustees, directors and officers of the Funds are directors and officers of the Company.

At October 31, 2005, management fees receivable from the Funds for services rendered by the Subsidiary amounted to approximately \$4,218,000.

The Company earns fees derived from the distribution of the Funds in conjunction with a distribution plan under Rule 12b-1 of the Investment Company Act of 1940 ("12b-1 fees"), shareholder servicing fees, and contingent deferred sales charges (collectively "Mutual Fund Fees") from the Funds during the year ended October 31, 2005. At October 31, 2005, \$1,473,000 of these Mutual Fund Fees are included in receivable from affiliates.

- (b) At October 31, 2005, included in prepaid expenses and other assets, the Company has mortgage loans receivable from an officer totaling approximately \$3,070,000. The loans bear interest ranging from 1.6% to 5% and are due through July 1, 2027. The loans are secured by residential real estate.

# Fred Alger & Company, Incorporated and Subsidiary

## Notes to Consolidated Statement of Financial Condition

**3. Securities Owned at Market**      At October 31, 2005, securities owned at market:

Mutual funds	\$ 77,230,533
Corporate bonds	35,653,343
U.S. Government agency bonds	13,762,456
Money market funds	22,708,914
Preferred stock	299,952
Warrants	3,300
	\$149,658,498

The Company and Subsidiary own mutual fund and money market shares of The Alger Fund, The Alger American Fund, The Alger Institutional Fund, The U.S. China Growth Fund, common stock of Castle Convertible Fund, Inc. and Spectra Fund, related entities, having market values at October 31, 2005 of approximately \$39,135,000, \$1,470,000, \$3,347,000, \$12,990,000, \$1,617,000, and \$18,098,000, respectively, which are included in securities owned on the consolidated statement of financial condition.

**4. Property and Equipment, Net**      Property and equipment, net:

<i>October 31, 2005</i>		
	Useful lives	Amount
Leasehold improvements	3-7 years	\$ 8,047,250
Office machines	5 years	2,488,379
Furniture and fixtures	7 years	3,048,191
Computer software	5 years	1,885,818
		15,469,638
Less: Accumulated depreciation and amortization		(5,692,360)
		\$ 9,777,278

# Fred Alger & Company, Incorporated and Subsidiary

## Notes to Consolidated Statement of Financial Condition

5. **Regulatory Net Capital Requirements** The Company is subject to the SEC Uniform Net Capital Rule, which requires the maintenance of minimum regulatory net capital and requires that the ratio of aggregate indebtedness to regulatory net capital, both as defined, shall not exceed 15 to 1. As of October 31, 2005, the Company had regulatory net capital of \$118,422,141 and a regulatory net capital requirement of \$399,701. The Company's regulatory net capital ratio was .05 to 1.
6. **Income Taxes** Deferred income taxes arise principally as a result of unrealized gains and losses on securities held as of October 31, 2005, which are not includable in taxable income until realized or paid.
- The provision for Federal income taxes represents the Company's share of Federal income taxes allocated under a tax-sharing agreement with other members of a consolidated group. The amount due from Parent represents the excess payments made by the Company on behalf of its affiliates less the Company's allocated share of current Federal and certain state and local income tax expenses. The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. Statutory Federal income tax rate to pre-tax income primarily due to state and local income taxes and the reallocation of certain expenses under this tax-sharing agreement.
7. **Pension and Profit Sharing Plans** The Company sponsors a noncontributory, defined contribution, money purchase pension plan and a discretionary profit sharing plan. Each plan includes all officers and full-time employees who began employment prior to a plan entry date. These plans were frozen in 1993 and contributions have ceased.
- The Company also sponsors a contributory 401(k) plan. This plan includes all officers and full-time employees. The Company makes contributions to the plan equal to 100% of the amount contributed by the employee. The Company's practice is to fund its obligation under the plan currently.

# Fred Alger & Company, Incorporated and Subsidiary

## Notes to Consolidated Statement of Financial Condition

8. **Lease Commitments** Minimum annual rentals for office space under noncancelable operating leases approximate:

<i>Year ending October 31,</i>	
2006	\$3,054,000
2007	3,381,000
2008	3,386,000
2009	3,386,000
2010	3,300,000
Thereafter	11,756,000

Leases contain provisions for escalation based upon certain increases in costs incurred by the lessor.

9. **Regulatory Matters and Litigation**

The Company has responded to inquiries, document requests and/or subpoenas from regulatory authorities, including the United States Securities and Exchange Commission ("SEC"), the Office of the New York State Attorney General, the Attorney General of New Jersey, and the West Virginia Securities Commissioner, in connection with their ongoing investigations of practices in the mutual fund industry identified as "market timing" and "late trading".

On December 16, 2005, the Company received from the staff of the SEC (the "Staff") a "Wells Notice," which indicates that the Staff intends to recommend that the SEC bring a civil enforcement action for possible violations of certain Federal securities laws. The "Wells Notice" arose out of the SEC's ongoing investigations described above. Such notices were also received by the Subsidiary, as well as certain present and former members of the Company's senior management. The Company and the other recipients have the opportunity to respond to the notice before the Staff makes a formal recommendation. The Company and other recipients plan to submit a response to the Staff in January 2006.

# Fred Alger & Company, Incorporated and Subsidiary

## Notes to Consolidated Statement of Financial Condition

On August 31, 2005, the West Virginia Securities Commissioner (the "Commissioner") in an *ex parte* Summary Order to Cease and Desist and Notice of Right to Hearing concluded that the Company and the Subsidiary had violated the West Virginia Uniform Securities Act (the "Act"), and ordered the Company and the Subsidiary to cease and desist from further violations of the Act by engaging in the market-timing related conduct described in the order. The *ex parte* order provided notice to the Company and the Subsidiary of their right to a hearing with respect to the violations of law asserted by the Commissioner. Other firms unaffiliated with the Subsidiary were served with similar orders. The Company and the Subsidiary intend to request a hearing for the purpose of seeking to vacate or modify the order.

In addition, in 2003 and 2004, several purported class actions and shareholder derivative suits were filed against various parties in the mutual fund industry, including the Subsidiary, alleging wrongful conduct related to market timing and late trading. These cases were transferred to the U.S. District Court of Maryland (the "District Court") by the Judicial Panel on Multidistrict Litigation for consolidated pre-trial proceedings. In September 2004, consolidated amended complaints involving these cases were filed in the District Court. A subsequent civil lawsuit involving similar allegations was filed by the West Virginia Attorney General and was also transferred to the District Court.

The Company does not believe that the forgoing investigations and civil lawsuits will adversely affect the Company's or Subsidiary's ability to perform its management contracts with any of its clients. Furthermore, the Company believes that it will not be materially adversely affected by these matters.