

3/9



06002446

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

BTB 3/8



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- 26260

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 01/01/05 AND ENDING 12/31/2005  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: M. AMARICO, INC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
96 LIMEKILN ROAD

OFFICIAL USE ONLY  
FIRM I.D. NO.

WEST REDDING

CONNECTICUT

06896

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
MICHAEL AMARI (203) 938-3530  
(Area Code - telephone number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
GARGAN, JAMES M.

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

11 LAKE AVENUE EXTENTION

DANBURY

CONNECTICUT

06811

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED  
MF MAR 13 2006  
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)

Handwritten initials and date: MF 3/10/06

OATH OR AFFIRMATION

I, MICHAEL AMARI, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of M. AMARICO, INC., as of DECEMBER 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:

3/31/2010

Michael Amari
Signature

Title

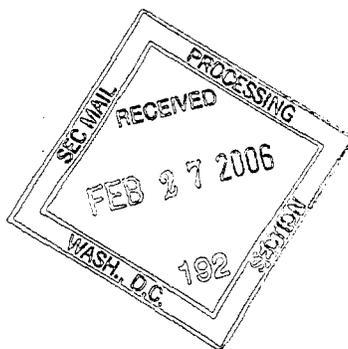
Elizabeth Suller
Notary Public

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 15c3-1 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).

**JAMES M. GARGAN, C.P.A.**



Lake Avenue Plaza  
11 Lake Avenue Extension  
Suite 1C  
Danbury, Connecticut 06811

(203) 744-2200  
(203) 744-0715  
Fax (203) 744-0716

To The Board of Directors  
M. Amarico, Inc.

I have examined the financial statements of M. Amarico, Inc. for the period ended December 31, 2005, and have issued my report thereon dated February 17, 2006. As part of my examination, I made a study and evaluation of the system as required by generally accepted auditing standards and Rule 17A-5 of the Securities and Exchange Commission. This study and evaluation included the accounting system, the procedures for safeguarding securities, and practices and procedures followed by the client in making the periodic computations of aggregate indebtedness and net capital under Rule 17A-3 (A) (11). Since the corporation claims exemption from compliance with Rule 15C3-3, I satisfied myself that all transactions were cleared through U.S. Clearing Corp. and no information came to my attention that the Corporation did not comply with this requirement. Rule 17A-5 states that the scope of the study and evaluation should be sufficient to provide assurance that any material weakness existing at the date of my examination would be disclosed. Under generally accepted auditing standards and Rule 17A-5, the purposes of such study and evaluation are to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures necessary for expressing an opinion on the financial statements and to provide a basis for reporting material weaknesses in internal auditing control.

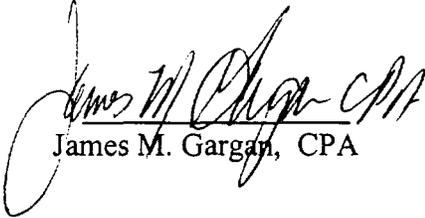
The objective of internal accounting control is to provide reasonable, but not absolute, assurance concerning the safeguarding of assets against loss from unauthorized use or disposition and concerning the reliability of financial records for preparing financial statements and maintaining accountability for assets. However, for the purpose of this report under Rule 17A-5, the determination of weakness to be reported was made without considering the practicability of corrective action by management within the framework of a cost/benefit relationship.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from the misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends on segregation of duties can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments

required in the preparations of financial statements. Further, projection of any evaluation of internal accounting control for future period is subject to the risk that the procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation of the system of internal accounting control for the period ended December 31, 2005, which was made for the purposes set forth in the first paragraph above, that may have existed during the period, disclosed no weaknesses that I believe to be material.

Danbury, Connecticut  
February 17, 2006

  
James M. Gargan, CPA

**AMES M. GARGAN, C.P.A.**



Lake Avenue Plaza  
11 Lake Avenue Extension  
Suite 1C  
Danbury, Connecticut 06811

(203) 744-2200  
(203) 744-0715  
Fax (203) 744-0716

To The Shareholder of  
M. Amarico, Inc.

I have examined the statement of financial condition of M. Amarico, Inc. as of December 31, 2005, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

In my opinion, the financial statements referred to above present fairly the financial position of M. Amarico, Inc. as of December 31, 2005, and the results of its operations and changes in financial position for the year then ended in conformity with generally accepted accounting principles.

My examination included the supplementary schedules 1-4 and in my opinion, they represent fairly the information included therein in conformity with the rules of the Securities and Exchange Commission.

A handwritten signature in cursive script, appearing to read 'James M. Gargan, C.P.A.'.

Danbury, Connecticut  
February 17, 2006

**M. Amarico, Inc.**  
**Statement of Financial Condition**  
**As of December 31, 2005**

Exhibit A

Assets

Current Assets

Cash and Cash Equivalents	\$ 90
Accounts Receivable	4,689
Interest Receivable	1,750
Securities Owned at Market Value (Cost \$120,879)	94,173
Prepaid Expenses & Deposits	<u>557</u>

**Total Current Assets** **\$101,259**

Fixed Assets

Automobiles	41,533
Furniture, Fixtures & Office Equip.	<u>29,614</u>
<u>Total</u>	\$71,147
Less: Accumulated Depreciation	<u>63,429</u>

Net Fixed Assets \$ 7,718

Other Assets

Cash Surrender Value Life Insurance 49,526

**Total Assets** **\$158,503**

**Liabilities and Stockholder's Equity**

Liabilities

Accounts Payable, Accrued Expenses and Taxes Payable (Schedule A-1)	\$ 3,035
Loan Payable	2,518
Shareholder's Loan	<u>17,880</u>
<u>Total Liabilities</u>	\$23,433

Commitments and Contingent Liabilities (Note 8)

Stockholders' Equity

Capital Stock Issued (Note 2)	\$ 50,000
Retained Earnings - Exhibit C	<u>85,070</u>

Total Stockholders' Equity (Exhibit D) \$135,070

Total Liabilities and Stockholders' Equity \$158,503

The accompanying notes to financial statements are an integral part of this report.

**M. Amarico, Inc.**  
**Accrued Expenses and Taxes Payable**  
**As of December 31, 2005**

Accounts Payable	1,798
Accrued Expenses and Payroll Taxes	607
Accrued Income Taxes	<u>630</u>
Total	<u>\$ 3,035</u>

The accompanying notes to financial statements are an integral part of this report.

**M. Amarico, Inc.**  
**Statement of Income**  
**For the Calendar Year 2005**

Revenue

Commissions etc.	\$150,016	
Profits (Loss) on Firm Trading Accounts	6,421	
Unrealized Gain (Loss) on Securities Held	(26,163)	
Interest and Dividends	<u>3,558</u>	
<b>Total Revenue</b>		<b><u>\$133,832</u></b>

Expenses

Officer's Salary	\$ 2,433	
Salary Expense	14,761	
Clearing Broker	78,709	
Payroll Taxes & Employee Benefits (Note 3)	12,807	
Telephone	3,065	
Insurance	4,662	
Membership Dues & Subscriptions	1,481	
Automobile Lease & Expenses	1,586	
Office Supplies & Expense	798	
Utilities & Other Occupancy	7,562	
Material & Repair Expense	1,199	
Professional Fee	8,870	
NASD & Other Regulatory Expenses	1,700	
Travel & Entertainment	2,040	
Quote Expense	2,947	
Postage	90	
Interest Expense	1,988	
General & Miscellaneous Expenses	<u>521</u>	
<b>Total Expenses</b>		<b><u>\$147,219</u></b>

Profit (Loss) Before Depreciation and Taxes	(13,387)
<u>Less:</u> Depreciation (Note 5)	3,485

Income (Loss) Before Taxes	\$(16,872)
Changes in Income Taxes (Note 6)	1,832

<u>Net Income (Loss)</u>	<b><u>\$ (18,704)</u></b>
--------------------------	---------------------------

The accompanying notes to financial statements are an integral part of this report.

**M. Amarico, Inc.**  
**Statement of Retained Earnings**  
**For the Calendar Year 2005**

Exhibit C

<u>Balance - Beginning of Year</u>	\$102,554	
<u>Add:</u> Net Income Per Exhibit B	(18,704)	
Cash Surrender Value Life Insurance	<u>1,220</u>	
<u>Balance - End of Year</u>		<u>\$85,070</u>

**Statement of Changes in Stockholders' Equity**

Exhibit D

<u>Balance - Beginning of Year</u>	\$152,554	
<u>Add:</u> Net Income (Loss) Per Exhibit B	(18,704)	
Cash Surrender Value of Life Insurance	<u>1,220</u>	
Balance - End of Year		<u>\$135,070</u>

The accompanying notes to financial statements are an integral part of this report.

**M. Amarico, Inc.**  
**Statement of Cash Flows**  
**For the Calendar Year 2005**

Exhibit E

Sources (Uses) of Cash

From Operations

Net Income (Loss)	\$ (18,704)
Depreciation	<u>3,485</u>

Cash (Uses) of Cash from Operating Activities	\$(15,219)
---	------------

Changes in Assets and Liabilities

Accounts Receivable	1,913
Accrued Expenses and Taxes	721
Bank Loan	(18,049)
Shareholder's Loan	3,640
Accrued Income Taxes	<u>600</u>

Net (Uses) of Cash from Operating Activities	\$ (11,175)
--	-------------

Cash Flow From Investing and Financing Activities

Purchase of Trade Securities	\$(5,640)
Decrease in Securities Value	26,164
Purchase of Fixed Assets	(578)

Net (User) of Cash from Investing and Financing	\$ 19,946
---	-----------

Net (Decrease) in Cash	\$(6,448)
------------------------	-----------

<u>Cash Beginning of Year</u>	6,538
-------------------------------	-------

<u>Cash End of Year</u>	\$ <u>90</u>
-------------------------	--------------

<u>Cash Paid During the Year for Income Taxes</u>	\$ <u>1,232</u>
---	-----------------

<u>Cash Paid During the Year for Interest</u>	\$ <u>1,988</u>
---	-----------------

The accompanying notes to financial statements are an integral part of this report.

**M. Amarico, Inc.**  
**Computation of Net Capital**  
**As of December 31, 2005**

Schedule 1

Total Stockholder's Equity Per Exhibit A		\$135,070
<u>Less: Non Allowable Assets</u>		
Prepaid Expenses & Deposits	\$ 557	
Net Fixed Assets	<u>7,718</u>	<u>\$ 8,275</u>
<u>Net Capital Before Haircuts on Securities Position</u>		\$126,795
<u>Less: Haircuts on Securities Position</u>	\$ 6,527	
US Treasury Obligations	<u>1,520</u>	
		<u>\$ 8,047</u>
<u>Net Capital</u>		<u>\$118,748</u>

The accompanying notes to financial statements are an integral part of this report.

**M. Amarico, Inc.**  
**Computation of Aggregate Indebtness and**  
**Percentage of Aggregate Indebtness to Net Capital**  
**As of December 31, 2005**

Aggregate Indebtness Liabilities

Accounts Payable	\$ 1,798
Accrued Expenses and Taxes Payable	607
Advanced Income Taxes	630
Loans Payable	<u>2,518</u>
 Total	 \$ 5,553

Percentage of Aggregate Indebtness to Net  
Capital

.05 to 1

The accompanying notes to financial statements are an integral part of this report.

**M. Amarico, Inc.**  
**Computation for Determination of Requirements**  
**Pursuant to Rule 15C3-4**

Schedule 2

Not Applicable\*

Information Relating to the Possession or Control  
Pursuant to Rule 15C3-3  
December 31, 2005

Schedule 3

Not Applicable\*

\* The above schedules numbered 2 and 3 are not applicable since the corporation claims an exemption from Rule 15C3-3 on the grounds that all customer transactions are cleared through ADP Clearing Corp. on a fully disclosed basis.

The accompanying notes to financial statements are an integral part of this report.

**M. Amarico, Inc.**  
**Reconciliation of Net Capital Computation**  
**As of December 31, 2005**

Schedule 4

<u>Net Capital Per Form X-17A-5 (Unaudited Focus Report Filed by Corporation)</u>	\$ 120,096
<u>Net Capital Per Schedule 1</u>	<u>118,748</u>
<u>Difference Decrease</u>	\$ (1,348)
<u>The Above difference is Reconciled as Follows-</u>	
Increase Cash	1
Decrease in Cash Surrender Value	(730)
Increase in Net Fixed Assets	(3,901)
Decrease in Depreciation	3,901
Increase in Bank Loan	(512)
Increase in Income Tax	(600)
Decrease in Payables	493
<b>Total Difference</b>	<b>\$ (1,348)</b>

The accompanying notes to financial statements are an integral part of this report.

**M. Amarico, Inc.**  
**Note to Financial Statements**  
**December 31, 2005**

Note 1 - Nature of Corporation's Business

The corporation conducts a retail stock brokerage business with its offices at 96 Limekiln Road, West Redding, CT. All customer transactions are fully disclosed through U.S. Clearing Corp. The agreement with U.S. Clearing is for M. Amarico, Inc. to deposit \$50,000 in a Good Faith Account at ADP Clearing Corp.

Note 2 - Capital Stock Issued

The corporation was incorporated in the state of Delaware on January 14, 1981. Subsequent to that date, Mr. Michael Amari purchased 100% of the capital stock in the Corporation for the sum of \$50,000.

Note 3 - Payroll Taxes and Employee Benefits

Contributions to the M. Amarico Pension Plan were not made in 2005 because the plan reached the Full funding Limitation under the rules of 1987 O.S.R.A. regulations. Pension accrual was reduced to reflect the Full Funding of the plan. The remaining pension provision on Amarico's books reflect an accrual of possible contribution for 2005 since actuarial reports are not finalized as of this audit date.

Note 4 - Insurance

The corporation has secured a Stockholders' Blanket Insurance Policy from Hartford Fire Insurance Co. for the term of one year commencing June 25, 2005 through June 25, 2006. The policy has a limit of \$60,000 and is subject to a loss deductible clause of \$5,000 per loss. The premium applicable to the year 2005 is reflected in Insurance Expense on Exhibit B. The corporation is a member of the Securities Investors Protection Corp. Assessments paid to same, are included in Insurance Expense on Exhibit B.

Note 5 - Depreciation

Included herein is the sum of \$3,485 for depreciation on equipment, vehicles, and is calculated under the Straight Line Method of Depreciation.

Note 6 - Income Taxes

Income taxes consists of the following:

<u>Current</u>		
	Federal	\$ 0
	State & Local	<u>1,832</u>
		\$ 1,832
<u>Deferred</u>		
	Federal	0
	State	<u>0</u>
		\$ 0

Deferred taxes are provided due principally to unrealized appreciation of securities. Reduction in deferred taxes is a result of recognized income from sale of securities. Deferred taxes are accrued due to timing differences and book to tax accounting for depreciation. There was no accrual for deferred taxes in 2005 since the amount was immaterial and results reflect a net loss to operations.

Note 7 - Net Income (Loss)

The Loss of \$(18,704) is arrived at after including net unrealized profit and losses from securities. Unrealized Loss on securities was \$26,163. The salaries, paid to non officers, for 2005 were \$14,761.

Note 8 - Commitments and Contingent Liabilities

The Company as of this date is unaware of any contingencies.

The accompanying notes to financial statements are an integral part of this report.