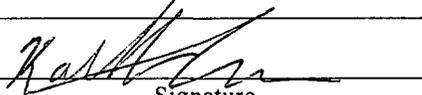




OATH OR AFFIRMATION

I, Kathleen A. Levasseur, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Merrimack Valley Investments, Inc., as of December 31, 2005, 20\_\_\_\_, 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:

Security Accounts of Principal Officers and Directors that are Classified  
as Customer Accounts (Debits \$869; Credits \$540)

  
Signature

President  
Title

  
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).

MERRIMACK VALLEY INVESTMENT, INC.  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2005

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# Rosatone & Bell, LLC

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*Certified Public Accountants, Auditors,  
Tax and Financial Consultants*

## Independent Auditors' Report

To the Board of Directors and Stockholders  
of Merrimack Valley Investment, Inc.  
Haverhill, Massachusetts

We have audited the accompanying statement of financial condition of Merrimack Valley Investment, Inc. as of December 31, 2005, and the related statements of income and retained earnings, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, 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 Merrimack Valley Investment, Inc. as of December 31, 2005, 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 supplementary information contained on Schedules I and II is presented for the purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of 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.

Haverhill, Massachusetts  
February 20, 2006

*Rosatone & Bell, LLC*

MERRIMACK VALLEY INVESTMENT, INC.  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2005

ASSETS

Cash	\$ 525,255
Cash Segregated Under SEC Regulations	239,697
Deposits with Clearing Organization and Others	30,600
Receivable from Customers and Non Customers	8,254
Prepaid & Deferred Expenses	1,458
Exchange Membership, at cost	5,000
Furniture, Fixtures & Leasehold Improvements (Note A)	3,249
Marketable Securities, at market value	<u>210,153</u>
TOTAL ASSETS	<u>\$ 1,023,666</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:

Payable to Customers and Non Customers	\$ 213,813
Payable to Clearing Organizations	4,962
Accrued & Deferred Expenses	<u>5,707</u>
	224,482

Commitments and Contingent Liabilities:

Liabilities Subordinated to Claims of General Creditors	368,420
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Stockholders Equity:

Common Stock, 1 cent par value, 1,000,000 sh. auth., 805,000 sh. issued, 360,000 outstanding	7,500
Additional Paid-In Capital	239,690
Retained Earnings	286,574
Less: Treasury Stock, 445,000 sh. at cost	<u>( 103,000)</u>
Total Stockholders' Equity	<u>430,764</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 1,023,666</u>

The accompanying notes are an integral part of these financial statements.

MERRIMACK VALLEY INVESTMENT, INC.  
 STATEMENT OF INCOME AND RETAINED EARNINGS  
 FOR THE YEAR ENDED DECEMBER 31, 2005

REVENUE:

Commissions	\$ 157,351
Service Fees and Shipping Charges	28,332
Trading Gains	29,697
Interest and Dividends	<u>25,115</u>
	240,495

EXPENSES:

Employee Compensation and Benefits	71,920
Registered Representatives' Compensation	1,387
Commissions, Clearing, Floor Brokerage	26,665
Communications	15,730
Taxes, Other than Income	8,899
Rent, Occupancy	40,000
Other Operating Expenses	<u>75,083</u>
	<u>239,684</u>

INCOME BEFORE INCOME TAXES	811
INCOME TAX (EXPENSE) BENEFIT	<u>( 1,624)</u>
NET INCOME (LOSS)	( 813)
RETAINED EARNINGS, JANUARY 1, 2005	<u>287,387</u>
RETAINED EARNINGS, DECEMBER 31, 2005	<u>\$ 286,574</u>

The accompanying notes are an integral part of these financial statements.

MERRIMACK VALLEY INVESTMENT, INC.  
STATEMENT OF CHANGES IN LIABILITIES  
SUBORDINATED TO CLAIMS OF GENERAL CREDITORS  
FOR THE YEAR ENDED DECEMBER 31, 2005

Subordinated Liabilities at January 1, 2005	\$ 383,412
Current Year Changes	<u>( 14,992)</u>
Subordinated Liabilities at December 31, 2005	<u>\$ 368,420</u>

The accompanying notes are an integral part of these financial statements.

MERRIMACK VALLEY INVESTMENT, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Income (Loss)	\$ ( 813)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	6,457
Deferred Taxes	( 244)
Unrealized Trading Gains	( 29,697)
(Increase) Decrease in Operating Assets:	
Deposits with Clearing Organizations	( 7,000)
Net Receivables from Customers and Non Customers	625
Prepaid Expense	( 754)
Securities Owned, net	16,002
Increase (Decrease) in Operating Liabilities:	
Payables to Customers and Non Customers	32,231
Net Payables to Brokers, Dealers and Clearing Organizations	1,966
Accrued Expenses	<u>( 2,201)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>16,572</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Fixed Assets	<u>( 533)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>( 533)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of Subordinated Liabilities	<u>( 14,992)</u>
NET CASH (USED) BY FINANCING ACTIVITIES	<u>( 14,992)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,047
CASH, JANUARY 1, 2005	<u>763,905</u>
CASH, DECEMBER 31, 2005	<u>\$ 764,952</u>

SUPPLEMENTAL DISCLOSURES TO STATEMENT OF CASH FLOWS

The Company had no noncash investing and financing activities for the year ended December 31, 2005.

No interest was paid for the year ended December 31, 2005. Income taxes paid for the year was \$2,622.

The accompanying notes are an integral part of these financial statements.

MERRIMACK VALLEY INVESTMENT, INC.  
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>COMMON STOCK</u>	<u>ADDITIONAL PAID-IN CAPITAL</u>	<u>TREASURY STOCK</u>	<u>RETAINED EARNINGS</u>
Balances at January 1, 2005	\$ 7,500	\$239,690	\$(103,000)	\$ 287,387
2005 Net Income (Loss)	_____	_____	_____	<u>( 813)</u>
Balances at December 31, 2005	<u>\$ 7,500</u>	<u>\$239,690</u>	<u>\$(103,000)</u>	<u>\$ 286,574</u>

The accompanying notes are an integral part of these financial statements.

MERRIMACK VALLEY INVESTMENT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

The Company, located in Haverhill, Massachusetts, is a securities broker-dealer involved in buying and selling of securities on the Boston Stock Exchange.

Basis of Accounting

The Company generally maintains its books and accounts on the accrual basis. There are no significant differences in income for financial and tax purposes.

Revenue and Expenses

Security transactions (and related commission revenue and expense) are recorded on a settlement date basis, generally the third business day following the transaction date.

Property and Equipment

Property and Equipment are stated at cost at the date of acquisition. Depreciation is computed under the straight-line method over the estimated useful lives of the assets. Costs of repairs and maintenance are charged to expense as incurred while costs of significant renewals and betterments are capitalized. Total property and equipment and accumulated depreciation at December 31, 2005 amounted to \$138,546 and \$135,297 respectively.

Marketable Securities

Marketable securities are valued at market value. The resulting difference between cost and market is included in income.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related to the difference in depreciation methods for financial reporting and income tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax benefits exist due to state net operating losses of \$4,650 available to offset taxable state income from future periods. These operating losses expire in 2007.

The income tax provision consists of the following:

Federal Income Tax , net	\$ 748
State Income Tax , net	876
	<u>\$ 1,624</u>

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B: CASH SEGREGATED UNDER SEC REGULATIONS

Cash of \$239,697 has been segregated in special reserve bank accounts for the benefit of customers under rule 15c3-3 of the Securities and Exchange Commission.

NOTE C: RECEIVABLE FROM AND PAYABLE TO BROKERS, DEALERS AND CLEARING ORGANIZATION

The components of receivables from and payables to brokers, dealers and clearing organizations consist of securities failed to receive and deliver at December 31, 2005 all of which are outstanding less than 30 days. "Fails" represent the value of securities which have not been received or delivered by settlement date.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE D: RECEIVABLE FROM AND PAYABLE TO CUSTOMERS

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

NOTE E: LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

The related party borrowings under subordination agreements at December 31, 2005 are as follows:

Subordinated notes, 9%, due January, 2006	\$ 5,000
Subordinated notes, 9%, due March, 2007	25,000
Subordinated notes, 9%, due October, 2008	20,000
Subordinated notes, 9%, due October, 2008	161,820
Subordinated notes, 9%, due October, 2008	<u>156,600</u>
	<u>\$ 368,420</u>

Maturities of liabilities subordinated to claims of general creditors are as follows:

<u>Year Ended</u> <u>December 31</u>	<u>Amount</u>
2006	\$ 5,000
2007	25,000
2008	<u>338,420</u>
	<u>\$ 368,420</u>

The subordinated borrowings are covered by agreements approved by the National Association of Securities Dealers, Inc. and are thus available in computing net capital under the Securities and Exchange Commission's uniform net capital rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

NOTE F: INFORMATION FOR POSSESSION OR CONTROL REQUIREMENTS

The Company had no fully paid and excess margin securities for which instructions to reduce the possession or control had been issued as of the report date.

NOTE G: NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15-c3-1), which requires the maintenance of minimum net capital. At December 31, 2005, the Company had net capital of \$759,031 which was \$509,031 in excess of its required net capital of \$250,000.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE H: LEASE OBLIGATION

The Company leases, under a tenancy-at-will lease agreement, premises and equipment from a related realty trust. The rent paid under this lease in 2005 was \$63,000.

The current lease obligation to the realty trust is \$3,333 per month for occupancy rent and \$1,917 per month for equipment lease.

NOTE I: PENSION AND PROFIT SHARING PLANS

The Company sponsors a defined contribution profit sharing plan that covers substantially all of its employees. Contributions are made at the discretion of the Board of Directors of the Company and are not to exceed 15% of the total compensation paid to eligible participants. No contributions were made to the plan for the year ended December 31, 2005.

SUPPLEMENTAL  
INFORMATION

SCHEDULE I  
MERRIMACK VALLEY INVESTMENT, INC.  
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE  
SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2005

NET CAPITAL

Total Stockholders' Equity Qualified for Net Capital		\$ 430,764
Add: Liabilities Subordinated to the Claims of General Creditors Allowable in Computation of Net Capital		<u>368,420</u>
Total Capital and Allowable Subordinated Liabilities		799,184
Deductions and/or Charges:		
Non-Allowable Assets		
Exchange Memberships	5,000	
Equipment and Improvements	3,249	
Other Assets	<u>1,541</u>	<u>9,790</u>
Net Capital Before Haircuts on Securities Positions		789,394
Haircuts on Securities:		
Trading and Investment Securities		
Stocks and Warrants	29,349	
Other Securities	<u>1,014</u>	<u>30,363</u>
Net Capital		<u>\$ 759,031</u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum Net Capital Required		<u>\$ 250,000</u>
Excess Net Capital		<u>\$ 509,031</u>
Excess Net Capital at 1000%		<u>\$ 758,696</u>

AGGREGATE INDEBTEDNESS

Total AI Liabilities from Statement of Financial Condition		\$ 224,469
Deduct: Adjustment Based on Deposits in Special Reserve Bank Accounts		<u>221,121</u>
Total Aggregate Indebtedness		<u>\$ 3,348</u>
Percentage of Aggregate Indebtedness to Net Capital		<u>0%</u>

SCHEDULE I (continued)  
MERRIMACK VALLEY INVESTMENT, INC.  
COMPUTATION OF NET CAPITAL UNDER RULE 15c3 OF THE  
SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2005

RECONCILIATION WITH COMPANY'S COMPUTATION

Net Capital, as reported in Company's Part II (unaudited) FOCUS report as of December 31, 2005	\$ 758,933
Audit Adjustments:	
Net (Decrease) in Total Ownership Equity	( 6,021)
Net Decrease in Non-Allowable Assets	6,083
Net Decrease in Haircuts on Securities	<u>36</u>
Net Capital Per Above	<u>\$ 759,031</u>

SCHEDULE II  
MERRIMACK VALLEY INVESTMENT, INC.  
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2005

CREDIT BALANCES

Free Credit Balances and Other Credit Balances in Customers' Security Accounts	\$ 213,800
Customer Securities Failed to Receive	<u>4,962</u>
	218,762

DEBIT BALANCES

Debit Balances in Customers' Cash Accounts Excluding Unsecured Accounts and Accounts Doubtful of Collection Net of Deductions Pursuant to Rule 15c3-3	<u>8,171</u>
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RESERVE COMPUTATION

Excess of Total Credits Over Total Debits	<u>\$ 210,591</u>
Excess of Total Credits Over Total Debits at 105%	<u>\$ 221,121</u>
Amount Held on Deposit in Reserve Bank Accounts	<u>\$ 239,697</u>

No material differences exist between the audited Computation of Rule 15c3-3 Reserve Requirements and the corresponding unaudited computation as done by Merrimack Valley Investment, Inc.

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# Rosatone & Bell, LLC

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*Certified Public Accountants, Auditors,  
Tax and Financial Consultants*

## SUPPLEMENTAL INDEPENDENT AUDITORS' REPORT

Board of Directors  
Merrimack Valley Investment, Inc.  
Haverhill, Massachusetts

In planning and performing our audit of the financial statements of Merrimack Valley Investment, Inc. for the year ended December 31, 2005 we considered its internal control structure, including procedures for safe-guarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance in the internal control structure.

Also, as required by rule 17a-5(g) (1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Merrimack Valley Investment, Inc. that we considered relevant to objectives stated in rule 17a-5(g), (1) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a) (11) and the reserve required by rule 15c3-3(e); (2) in making the quarterly securities examinations, counts, verifications and comparison, and the recording of differences required by rule 17a-13; (3) in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System; and (4) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures 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 Commission's above-mentioned objectives. Two of the objectives of the internal control structure 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 of disposition and that transactions are executed in 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 any internal control structure of the practices and procedures referred to above, error or irregularities 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 the internal control structure would not necessarily disclose all matters in the internal control structure 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 structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 the internal control structure, 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, 2005 to meet the Commission's objective.

This report is intended solely for the use of the Board of Directors, management, the Securities and Exchange Commission and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

Haverhill, Massachusetts  
February 20, 2006

*Rosatore & Bell LLP*