



OATH OR AFFIRMATION

I, ALAN R. MCFARLAND, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of MCFARLAND DEWEY SECURITIES CO.LP, 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:

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

  
Signature

MANAGING MEMBER  
Title

  
Notary Public

MAYRA MENDOZA  
Notary Public, State of New York  
No. 01ME5071753  
Qualified in Queens County  
Certificate Filed in New York County  
Commission Expires January 21, 2007

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).

McFARLAND DEWEY SECURITIES CO., L.P.

STATEMENT OF FINANCIAL CONDITION

December 31, 2005

# McFARLAND DEWEY SECURITIES CO., L.P.

## CONTENTS

---

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENT	
Statement of Financial Condition	2
NOTES TO FINANCIAL STATEMENT	3 - 4

# Marcum & Kliegman LLP

Certified Public Accountants & Consultants

A Limited Liability Partnership Consisting of Professional Corporations

## INDEPENDENT AUDITORS' REPORT

To the Partners of  
McFarland Dewey Securities Co., L.P.

We have audited the accompanying statement of financial condition of McFarland Dewey Securities Co., L.P. (the "Partnership") as of December 31, 2005 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Partnership'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 financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall of financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of McFarland Dewey Securities Co., L.P. as of December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

*Marcum & Kliegman LLP*

New York, New York  
February 20, 2006

# McFARLAND DEWEY SECURITIES CO., L.P.

## STATEMENT OF FINANCIAL CONDITION

December 31, 2005

### ASSETS

Cash	\$	156,258
Accounts receivable		8,274
Marketable security		4,850
Non-marketable securities, at fair value		788
Prepaid income taxes		<u>1,000</u>

TOTAL ASSETS \$ 171,170

### LIABILITIES AND PARTNERS' CAPITAL

#### LIABILITIES

Accrued expenses		22,451
Due to General Partner		<u>7,483</u>

TOTAL LIABILITIES \$ 29,934

#### PARTNERS' CAPITAL

General Partner		141,043
Limited Partners		<u>193</u>

TOTAL PARTNERS' CAPITAL 141,236

TOTAL LIABILITIES AND PARTNERS'  
CAPITAL \$ 171,170

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

# McFARLAND DEWEY SECURITIES CO., L.P.

## NOTES TO FINANCIAL STATEMENT

---

### NOTE 1 - Summary of Significant Accounting Principles

#### Nature of Business

McFarland Dewey Securities Co., L.P. (the "Partnership") is a registered broker and dealer in securities under the Securities Exchange Act of 1934, as amended, and is a member of the National Association of Securities Dealers, Inc.

The Partnership was formed on July 1, 1989 as a limited partnership under the laws of the State of Delaware for the purpose of engaging in the business of broker and dealer activities, principally as a financial advisor in the private placement of securities.

#### Securities Transactions

The marketable security is valued at the closing price on the last trading day of the year.

The non-marketable securities, which consist of warrants, are valued at fair value as determined in good faith management.

#### Income Taxes

As a Partnership, income or loss from the Partnership's activities is allocated among the partners based on their respective profit percentages, pursuant to the Partnership's operating agreement. No provision has been reflected for federal and state income taxes, since such taxes, if any, accrue to the partners. Income taxes relate to the New York City Unincorporated Business Tax ("NYCUBT"). Prepaid income taxes represent prepayments made towards New York City Unincorporated Business tax which are expected to be refunded.

#### Use of Estimates in the Financial Statement

The preparation of a financial statement 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 statement. Actual results could differ from these estimates.

#### Concentration of Credit Risk

The Company maintains cash with major financial institutions. Cash is insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$100,000 at each institution. At times, such amounts may exceed the FDIC limits. At December 31, 2005, the Company had balances in excess of the FDIC limits.

# McFARLAND DEWEY SECURITIES CO., L.P.

## NOTES TO FINANCIAL STATEMENT

---

### NOTE 2 - Securities Owned, at Fair Value

#### Marketable Security

The marketable security at December 31, 2005 consists of 24,252 shares of AmerAlia, Inc. common stock. The market value was \$4,850 at December 31, 2005.

#### Non-Marketable Securities

The Company owns warrants to purchase 112,500 shares of AmerAlia, Inc. common stock at an exercise price of \$1.00 per share that expire during June 2009 and are recorded at \$788, which is the fair value as determined in good faith by management.

### NOTE 3 - Related Party Transactions

The General Partner incurs various general and administrative expenses, such as occupancy and certain employee benefit costs, on behalf of the Partnership that are allocated to the Partnership. The following represents a summary of the transactions in the due to General Partner account for the period from January 1, 2005 to December 31, 2005:

Due to General Partner as of January 1, 2005	\$ --
Expense allocations charged from the General Partner	98,085
Payments made to the General Partner	(95,302)
Accounts receivable transferred from the General Partner	35,419
Investment in restricted stock utilized to repay due to the General Partner	(30,719)
Due to General Partner as of December 31, 2005	<u>\$ 7,483</u>

The limited partners are employees of the General Partner.

### NOTE 4 - Net Capital Requirements

The Partnership is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2005, the Company's net capital of \$130,446 was \$125,446 in excess of its required net capital of \$5,000. The Company's net capital ratio was 0.23 to 1 at December 31, 2005.