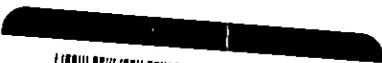


35



07002763

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

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART-III**

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: February 28, 2010  
Estimated average burden  
hours per response . . . 12.00

SEC FILE NUMBER  
8-36420

**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 JANUARY 1, 2006 AND ENDING DECEMBER 31, 2006.

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: MERRIMAN CURHAN FORD & CO.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

600 California Street, 9<sup>th</sup> Floor  
(No. and Street)

San Francisco  
(City)

California  
(State)

94108  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
John Hiestand (415) 248-5640

(Area Code - Telephone No.)

**PROCESSED**

MAR 07 2007

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Ernst & Young LLP

J THOMSON  
FINANCIAL

560 Mission Street, Suite 1600

(Name - of individual, state last, first, middle name)  
San Francisco

California

94105

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

- Certified Public Accountant
- Public Accountant
- Accountant not resident 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).

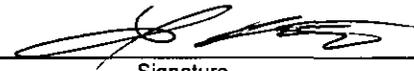
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

1/11/07

## OATH OR AFFIRMATION

I, John Hiestand, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Merriman Curhan Ford & Co., as of December 31, 2006, 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:

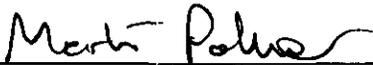
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



Signature

Chief Financial Officer

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 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 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).

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Merriman Curhan Ford & Co.

(A wholly owned subsidiary of MCF Corporation)

Year Ended December 31, 2006

with Report and Supplementary Report of

Independent Registered Public Accounting Firm

Merriman Curhan Ford & Co.  
(A wholly owned subsidiary of MCF Corporation)

Financial Statements  
and Supplemental Information

Year Ended December 31, 2006

**Contents**

Report of Independent Registered Public Accounting Firm.....	1
Financial Statements	
Statement of Financial Condition .....	2
Statement of Income .....	3
Statement of Changes in Stockholder's Equity .....	4
Statement of Cash Flows .....	5
Notes to Financial Statements.....	6
Supplemental Information	
Schedule I – Computation of Net Capital Pursuant to SEC Rule 15c3-1 .....	14
Schedule II – Statement Regarding SEC Rule 15c3-3.....	15
Supplementary Report of Independent Registered Public Accounting Firm on Internal Control.....	16

## Report of Independent Registered Public Accounting Firm

To the Stockholder and Board of Directors of  
Merriman Curhan Ford & Co.

We have audited the accompanying statement of financial condition of Merriman Curhan Ford & Co. (the Company) as of December 31, 2006, and the related statements of income, changes in stockholder's equity and cash flows for the year then ended. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 Merriman Curhan Ford & Co. at December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our 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.

*Ernst & Young LLP*  
*Ernst & Young LLP*

San Francisco, California  
February 12, 2007

Merriman Curhan Ford & Co.  
(A wholly owned subsidiary of MCF Corporation)

Statement of Financial Condition

December 31, 2006

**Assets**

Cash and cash equivalents	\$ 13,499,521
Securities owned:	
Marketable, at fair value	7,492,914
Not readily marketable, at estimated fair value	1,117,792
Deposit at clearing organization	354,427
Due from clearing broker	541,240
Accounts receivable	2,704,116
Equipment and fixtures, net	927,589
Receivable from affiliated companies	2,386,231
Prepaid expenses and other assets	863,931
Total assets	<u>\$ 29,887,761</u>

**Liabilities and stockholder's equity**

Liabilities:	
Accounts payable	\$ 1,058,886
Commissions and bonus payable	7,692,436
Accrued liabilities	2,066,514
Due to clearing and other brokers	11,114
Securities sold, not yet purchased	1,534,953
Capital lease obligations	777,514
Payable to affiliated companies	271,541
Total liabilities	<u>13,412,958</u>
Stockholder's equity:	
Common stock, 100,000 shares authorized; 45,919 shares issued and outstanding	35,000
Additional paid-in capital	13,016,352
Retained earnings	3,423,451
Total stockholder's equity	<u>16,474,803</u>
Total liabilities and stockholder's equity	<u>\$ 29,887,761</u>

*See accompanying notes to financial statements.*

Merriman Curhan Ford & Co.  
(A wholly owned subsidiary of MCF Corporation)

Statement of Income

Year Ended December 31, 2006

Revenue:	
Commissions	\$ 30,105,085
Principal transactions	(171,055)
Investment banking	21,190,786
Other	311,881
Total revenue	<u>51,436,697</u>
Operating expenses:	
Compensation and benefits	42,061,574
Brokerage and clearing fees	2,614,514
Professional services	1,614,457
Occupancy and equipment	1,659,624
Communications and technology	2,915,431
Depreciation and amortization	574,187
Travel and entertainment	2,712,763
Other	2,559,194
Total operating expenses	<u>56,711,744</u>
Operating loss	(5,275,047)
Interest income	447,624
Interest expense	(53,080)
Loss before income taxes	<u>(4,880,503)</u>
Income tax expense	-
Net loss	<u>\$ (4,880,503)</u>

*See accompanying notes to financial statements.*

Merriman Curhan Ford & Co.  
(A wholly owned subsidiary of MCF Corporation)

Statement of Changes in Stockholder's Equity

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Earnings</u>	<u>Stockholder's</u>
			<u>Capital</u>		<u>Equity</u>
Balances, December 31, 2005	45,919	\$ 35,000	\$ 9,471,456	\$ 8,303,954	\$ 17,810,410
Capital contribution from Parent in the form of stock-based compensation	-	-	3,544,896	-	3,544,896
Net loss	-	-	-	(4,880,503)	(4,880,503)
Balances, December 31, 2006	45,919	\$ 35,000	\$ 13,016,352	\$ 3,423,451	\$ 16,474,803

*See accompanying notes to financial statements.*

Merriman Curhan Ford & Co.  
(A wholly owned subsidiary of MCF Corporation)

Statement of Cash Flows

Year Ended December 31, 2006

**Operating activities**

Net loss	\$ (4,880,503)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	574,187
Unrealized loss on securities owned	2,172,407
Loss on disposal of equipment and fixtures	14,196
Stock-based compensation	3,544,896
Bad debt write-off	383,565
Change in operating assets and liabilities:	
Decrease in securities owned	167,814
Increase in restricted cash	(1,821)
Decrease in due from clearing broker	431,898
Increase in accounts receivable	(779,127)
Increase in receivable from affiliate	(1,460,652)
Decrease in prepaid expenses and other assets	130,100
Increase in accounts payable	196,403
Increase in commissions and bonus payable	2,968,196
Increase in accrued liabilities	24,843
Decrease in due to clearing and other brokers	(107,684)
Net cash provided by operating activities	<u>3,378,718</u>

**Investing activities**

Purchase of equipment and fixtures	<u>(3,045)</u>
Net cash used in investing activities	(3,045)

**Financing activities**

Debt service payments	<u>(353,911)</u>
Net cash used in financing activities	(353,911)

Net increase in cash and cash equivalents	3,021,762
Cash and cash equivalents at beginning of year	<u>10,477,759</u>
Cash and cash equivalents at end of year	<u>\$ 13,499,521</u>

**Supplementary disclosures of cash flow information**

Cash paid during the year:

Interest	\$ 53,080
Income taxes	\$ -

Non-cash investing and financing activities:

Acquisition of equipment and fixtures with capital lease	\$ 333,146
--	------------

*See accompanying notes to financial statements.*

Merriman Curhan Ford & Co.  
(A wholly owned subsidiary of MCF Corporation)

Notes to Financial Statements

December 31, 2006

**1. Description of Business**

Merriman Curhan Ford & Co. is an investment bank and securities broker-dealer focused on fast growing companies and institutional investors. The Company is registered with the Securities and Exchange Commission as a broker-dealer and is a member of the National Association of Securities Dealers, Inc. and Securities Investor Protection Corporation. The Company is a wholly owned subsidiary of MCF Corporation (AMEX:MEM). The Company's corporate office is located in San Francisco, California.

In December 2001, MCF Corporation acquired Spider Securities, Inc. and changed the name of the entity to RTX Securities Corporation. In 2003, RTX Securities Corporation changed its name to Merriman Curhan Ford & Co.

**2. Summary of Significant Accounting Policies**

**Basis and Presentation**

The accompanying financial statements are presented using accounting principles generally accepted in the United States, or US GAAP. The preparation of US GAAP basis financial statements requires management to make certain estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments purchased with original maturities of 90 days or less to be cash equivalents.

**Restricted Cash**

Restricted cash includes cash deposited with our clearing broker and cash collateral for a stand-by letter of credit with a commercial bank.

Merriman Curhan Ford & Co.  
(A wholly owned subsidiary of MCF Corporation)

Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**Securities Owned**

“Securities owned” and “Securities sold, but not yet purchased” in the statements of financial condition consist of financial instruments carried at fair value or amounts that approximate fair value, with related unrealized gains or losses recognized in the results of operations. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair values of the financial instruments are generally obtained from quoted market prices in active markets, broker or dealer price quotations, or alternative pricing sources with reasonable levels of price transparency. To the extent certain financial instruments trade infrequently or are non-marketable securities and, therefore, have little or no price transparency, the Company values these instruments based on management’s estimates. The fair value of these securities is subject to a high degree of volatility and may be susceptible to significant fluctuation in the near term. Securities that contain resale restrictions are stated at a discount to the value of readily marketable securities to reflect the restrictions. Stock warrants are carried at a discount to fair value as determined by using the Black-Scholes Option Pricing model due to illiquidity.

**Equipment and Fixtures**

Equipment and fixtures are reported at historical cost, net of accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over useful lives of three to five years. Leasehold improvements are amortized using the straight-line method over the lesser of the life of the lease or the service lives of the improvements.

**Commission and Principal Transactions Revenue**

Commission revenue includes revenue resulting from executing stock exchange-listed securities, over-the-counter securities and other transactions as agent for the Company’s clients. Principal transactions consist of a portion of dealer spreads attributed to the Company’s securities trading activities as principal in NASDAQ-listed and other securities, and include transactions derived from activities as a market-maker. Additionally, principal transactions include gains and losses resulting from market price fluctuations that occur while holding positions in trading security inventory.

Merriman Curhan Ford & Co.  
(A wholly owned subsidiary of MCF Corporation)

Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**Commission and Principal Transactions Revenue (continued)**

Commission revenue and related clearing expenses are recorded on a trade-date basis as security transactions occur. Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities and commodities transactions entered into for the account and risk of the Company are recorded on a trade-date basis.

**Investment Banking Revenue**

Investment banking revenue includes underwriting and private placement agency fees earned through the Company's participation in public offerings and private placements of equity and convertible debt securities and fees earned as financial advisor in mergers and acquisitions and similar transactions. Underwriting revenue is earned in securities offerings in which the Company acts as an underwriter and includes management fees, selling concessions and underwriting fees. Management fees are recorded on the offering date, selling concessions on settlement date, and underwriting fees at the time the underwriting is completed and the related income is reasonably determinable. Syndicate expenses related to securities offerings in which the Company acts as underwriter or agent are deferred until the related revenue is recognized. Merger and acquisition fees and other advisory service revenue are generally earned and recognized only upon successful completion of the engagement. Underwriting revenue is presented net of related expenses. Unreimbursed expenses associated with private placement and advisory transactions are recorded as expenses as incurred.

As co-manager for registered equity underwriting transactions, management must estimate the Company's share of transaction-related expenses incurred by the lead manager in order to recognize revenue. Transaction related expenses are deducted from the underwriting fee and therefore reduces the revenue that is recognized as co-manager. Such amounts are adjusted to reflect actual expenses in the period in which the Company receives the final settlement, typically 90 days following the closing of the transaction.

Merriman Curhan Ford & Co.  
(A wholly owned subsidiary of MCF Corporation)

Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**Income Taxes**

The Company is included in the consolidated federal and state income tax returns filed by MCF Corporation, the parent company of Merriman Curhan Ford & Co. Federal and state income taxes are calculated as if the Company filed a return on a separate basis. The amount of current and deferred taxes payable or refundable is recognized utilizing currently enacted tax laws and rates. Deferred tax assets and liabilities are determined based on temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect in the years in which temporary differences are expected to reverse. The net current and deferred tax asset or liability is settled through the intercompany account with MCF Corporation.

**Concentrations**

Substantially all of the Company's cash and cash equivalents are held at three major U.S. financial institutions. The majority of the Company's cash equivalents consist of short-term marketable securities. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand.

As of December 31, 2006, the Company owned 5,000,000 shares of Points International in its proprietary trading account with a fair market value of \$3,200,000. The Company did not own any concentrated security positions as of December 31, 2005.

During 2006, no single one sales professional and customer accounted for more than 10% of total revenue.

**Fair Value of Financial Instruments**

The carrying amounts of the Company's financial instruments, which include cash and cash equivalents, securities owned, cash deposited at clearing organization, accounts receivable, accounts payable, commissions and bonus payable, accrued liabilities and securities sold, not yet purchased, approximate their fair values due to their short maturities.

Merriman Curhan Ford & Co.  
(A wholly owned subsidiary of MCF Corporation)

Notes to Financial Statements (continued)

**3. Securities Owned**

The Company trades equity and debt securities for clients in a broker or dealer capacity. While trading activities are primarily generated by client order flow, the Company also takes selective proprietary positions based on expectations of future market movements and conditions. As of December 31, 2006, fair value of marketable equity securities owned by the Company was approximately \$7,493,000.

Securities owned that are not readily marketable consisted of notes receivable, convertible notes receivable, unregistered common stock and stock warrants. As of December 31, 2006, the discounted fair value of the securities owned that are not readily marketable was approximately \$1,118,000 based on management estimates.

**4. Equipment and Fixtures**

Equipment and fixtures consisted of the following:

	<u>December 31, 2006</u>
Computer equipment	\$ 702,302
Furniture and equipment	845,846
Software	151,821
Leasehold improvements	495,556
	<u>2,195,525</u>
Less accumulated depreciation	<u>(1,267,936)</u>
	<u>\$ 927,589</u>

Equipment and fixtures acquired with capital lease financing during 2006 was \$333,000.

**5. Deposit at Clearing Organization**

Deposit at clearing organization as of December 31, 2006, consists of cash and cash equivalents on deposit with the Company's clearing organization. The Company clears all of its brokerage transactions through another broker-dealer on a fully disclosed basis. Due from clearing broker amount relates to the aforementioned transactions. The Company monitors the credit standing of the clearing organization as deemed necessary.

Merriman Curhan Ford & Co.  
(A wholly owned subsidiary of MCF Corporation)

Notes to Financial Statements (continued)

**6. Employee Benefit Plans and Stock Based Compensation**

The Company has a 401(k) defined contribution plan. The 401(k) plan allows eligible employees to contribute up to 15% of their compensation, subject to a statutory prescribed annual limit. Employee contributions and earnings thereon vest immediately. Although the Company may make discretionary contributions to the 401(k) plan, none were made during 2006.

The Company's employees participate in the Parent's various incentive plans. The Company records its allocated share of the Parent's stock-based compensation cost as a capital contribution. The Parent's stock based compensation cost was \$3,836,781 for the year ended December 31, 2006, of which the Company's allocated cost was \$3,544,896.

**7. Related-Party Transactions**

From time to time, officers and employees of the Company may invest in private placements which the Company arranges and for which the Company charges investment banking fees.

**8. Income Taxes**

The Company is included in consolidated federal and state tax returns filed by MCF Corporation. The income tax expense recorded by the Company is based on its contribution to the earnings of the consolidated group. The Company did not recognize Federal income tax expense in 2006 due to the net loss incurred.

**9. Net Capital Requirements**

Merriman Curhan Ford & Co. is a broker-dealer subject to Rule 15c3-1 of the Securities and Exchange Commission, which specifies uniform minimum net capital requirements, as defined, for its registrants. As of December 31, 2006, Merriman Curhan Ford & Co. had regulatory net capital, as defined, of \$4,593,000, which exceeded the amount required by \$3,150,000. Merriman Curhan Ford & Co. is exempt from Rules 15c3-3 and 17a-13 under the Securities Exchange Act of 1934 because it does not carry customer accounts, nor does it hold customer securities or cash.

Merriman Curhan Ford & Co.  
(A wholly owned subsidiary of MCF Corporation)

Notes to Financial Statements (continued)

**10. Financial Instruments with Off-Balance-Sheet Risk and Credit Risk**

**Financial Instruments**

The Company trades securities that are primarily traded in the United States markets. As of December 31, 2006, the Company had not entered into any transactions involving financial instruments, such as financial futures, forward contracts, options, swaps, or derivatives, that would expose the Company to significant related off-balance-sheet risk.

In addition, the Company, from time to time, has sold securities it does not currently own in anticipation of a decline in the fair value of that security (securities sold, not yet purchased). When the Company sells a security short and borrows the security to make a delivery, a gain, limited to the price at which the Company sold the security short, or a loss, unlimited in size, is realized as the fair value of the underlying security decreases or increases, respectively.

Market risk is primarily caused by movements in market prices of the Company's trading and investment account securities. The Company's trading securities and investments are also subject to interest rate volatility and possible illiquidity in markets in which the Company trades or invests. The Company seeks to control market risk through monitoring procedures. The Company's principal transactions are primarily long and short equity and debt transactions.

**Credit Risk**

The Company functions as a introducing broker that places and executes customer orders. The orders are then settled by an unrelated clearing organization that maintains custody of customers' securities and provides financing to customers. Through indemnification provisions in agreements with clearing organizations, customer activities may expose the Company to off-balance-sheet credit risk. Financial instruments may have to be purchased or sold at prevailing market prices in the event a customer fails to settle a trade on its original terms or in the event cash and securities in customer margin accounts are not sufficient to fully cover customer obligations. The Company seeks to control the risks associated with customer activities through customer screening and selection procedures as well as through requirements on customers to maintain margin collateral in compliance with various regulations and clearing organization policies.

The Company is also exposed to credit risk as it relates to the collection of receivables from third parties, including lead managers in underwriting transactions and the Company's corporate clients related to private placements of securities and financial advisory services.

Merriman Curhan Ford & Co.  
(A wholly owned subsidiary of MCF Corporation)

Notes to Financial Statements (continued)

**10. Financial Instruments with Off-Balance-Sheet Risk and Credit Risk (continued)**

**Off-Balance Sheet Arrangements**

The Company was not a party to any off-balance-sheet arrangements during the year ended December 31, 2006. In particular, the Company does not have any interest in so-called limited purpose entities, which include special purpose entities and structured finance entities.

**11. Commitments and Contingencies**

The following is a table summarizing significant commitments as of December 31, 2006, consisting of future minimum lease payments under all non-cancelable capital and operating leases with initial or remaining terms in excess of one year.

	<u>Capital Leases</u>	<u>Operating Lease</u>
2007	\$ 441,195	\$ 1,895,909
2008	289,110	1,147,588
2009	114,075	716,016
2010	-	752,308
2011	-	670,311
Thereafter	-	-
Total commitments	<u>\$ 844,380</u>	<u>\$ 5,182,132</u>

The Company leases its San Francisco corporate office under a noncancelable operating lease which expires in August 2011. Future annual minimum lease payments related to its various operating leases are included in the table above. Rent expense was approximately \$1,043,000 in 2006.

Supplemental Information

Merriman Curhan Ford & Co.  
(A wholly owned subsidiary of MCF Corporation)

Schedule I – Computation of Net Capital Pursuant to SEC Rule 15c3-1

December 31, 2006

<b>Net capital</b>	
Total stockholder's equity, from Statement of Financial Condition	\$ 16,474,803
<b>Nonallowable assets</b>	
Accounts receivable, net	2,704,116
Equipment and fixtures, net	927,589
Receivable from affiliated companies	2,386,231
Prepaid expenses and other assets	863,931
Petty cash	1,600
Total nonallowable assets	<u>6,883,467</u>
Net capital before haircut on securities owned and blockage deductions	9,591,336
Discounts on securities owned	2,039,376
Blockage deductions	2,959,110
Net capital	<u>\$ 4,592,850</u>
<b>Computation of basic net capital requirement</b>	
Net capital requirement	1,443,000
Net capital in excess of requirement	<u>\$ 3,149,850</u>
Aggregate indebtedness:	
Accounts payable	\$ 1,058,886
Commissions and bonus payable	7,692,436
Accrued liabilities	2,066,514
Due to clearing and other brokers	11,114
Capital lease obligations	777,514
Payable to affiliated companies	271,541
Total aggregate indebtedness	<u>\$ 11,878,005</u>
Ratio of aggregate indebtedness to net capital	2.59 to 1

*There were no material differences between the audited Computation of Net Capital included in this report and the corresponding schedule included in the Company's unaudited and amended December 31, 2006 Part IIA FOCUS filing.*

Merriman Curhan Ford & Co.  
(A wholly owned subsidiary of MCF Corporation)

Schedule II – Statement Regarding SEC Rule 15c3-3

December 31, 2006

The Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(2)(ii) of that Rule.

Supplementary Report of  
Independent Registered Public Accounting Firm  
on Internal Control

## Supplementary Report of Independent Registered Public Accounting Firm on Internal Control Required by SEC Rule 17a-5

Board of Directors  
Merriman Curhan Ford & Co.

In planning and performing our audit of the financial statements of Merriman Curhan Ford & Co. (the Company), as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control), as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. The study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls 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 SEC's above-mentioned objectives. Two of the objectives of internal control 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 or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the 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 internal control and the practices and procedures referred to above, error or fraud 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities 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, as described in the second paragraph of this report, were adequate at December 31, 2006, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst + Young LLP*

February 12, 2007

*END*