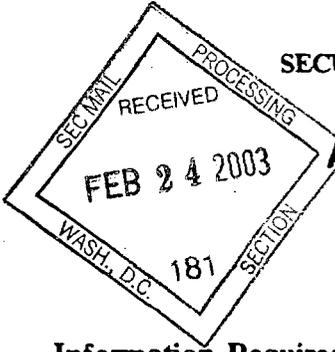


1311



BTB 3/3



SECURITIES 03001451 WASHINGTON  
Washington, D.C. 20549

| OMB APPROVAL                                      |                    |
|---|--------------------|
| OMB Number:                                       | 3235-0123          |
| Expires:  | September 30, 1998 |
| Estimated average burden hours per response . . . | 12.00              |

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

| SEC FILE NUMBER |
|-----------------|
| 8-17277         |

**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, 2002 AND ENDING December 31, 2002  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

MERRIMACK VALLEY INVESTMENT, INC.

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

109 Merrimack Street

(No. and Street)

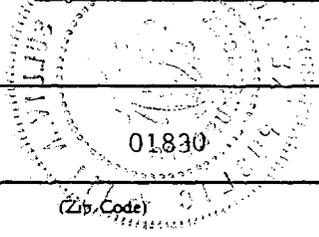
Haverhill

MA

(City)

(State)

| OFFICIAL USE ONLY |
|-------------------|
| FIRM ID NO        |



01830

(Zip Code)

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

Kathleen A. Levasseur

(978) 374-0561

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

John A. Rosatone, P.C.

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

116 Summer Street

Haverhill

MA

01831

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

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

**PROCESSED**

**MAR 13 2003**

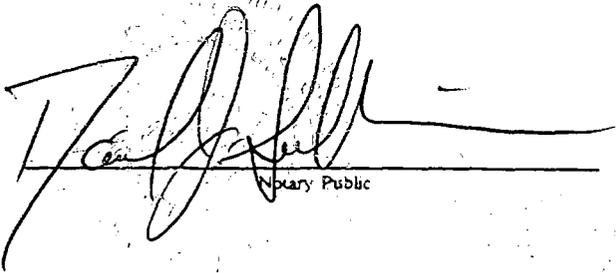
| FOR OFFICIAL USE ONLY |
|-----------------------|
| THOMSON FINANCIAL     |

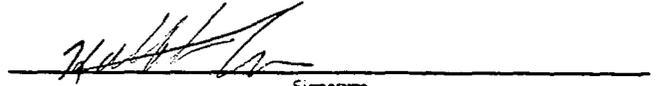
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

## 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, 2002, 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 (Credits: \$142)

  
\_\_\_\_\_  
Secretary Public

  
\_\_\_\_\_  
Signature  
President  
\_\_\_\_\_  
Title

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).

MERRIMACK VALLEY INVESTMENT, INC.  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2002

## CONTENTS

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# John A. Rosatone, P.C.

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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, 2002, 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. 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 generally accepted auditing standards. 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, 2002, and the results of its operations and its cash flows for the year then ended, in conformity with 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 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 and Exchange Commission. 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 17, 2003

*John A. Rosatone, P.C.*

MERRIMACK VALLEY INVESTMENT, INC.  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2002

ASSETS

|   |                          |
|---|--------------------------|
| Cash  | \$ 562,203               |
| Cash Segregated Under SEC Regulations                 | 189,634                  |
| Deposits with Clearing Organization and Others        | 30,000                   |
| Receivable from Customers and Non Customers           | 6,913                    |
| Prepaid Expenses                                      | 726                      |
| Deferred Income Taxes                                 | 19,010                   |
| Exchange Membership, at cost                          | 5,000                    |
| Furniture, Fixtures & Leasehold Improvements (Note A) | 29,212                   |
| Marketable Securities, at market value                | <u>107,207</u>           |
| <b>TOTAL ASSETS</b>                                   | <b><u>\$ 952,905</u></b> |

LIABILITIES AND STOCKHOLDERS' EQUITY

|   |                                |
|---|--------------------------------|
| Payable to Customers and Non Customers  | \$ 103,836                     |
| Payable to Clearing Organizations   | 15,601                         |
| Accrued Expenses  | <u>5,562</u><br><u>124,999</u> |
| Liabilities Subordinated to Claims of General Creditors   | <u>453,412</u>                 |
| Stockholders Equity   |                                |
| Common Stock, 1 cent par value, 1,000,000 sh.<br>auth., 805,000 sh. issued, 360,000 outstanding | 7,500                          |
| Additional Paid-In Capital  | 239,690                        |
| Retained Earnings   | 230,304                        |
| Less: Treasury Stock, 445,000 sh. at cost   | <u>( 103,000)</u>              |
| Total Stockholders' Equity  | <u>374,494</u>                 |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b><u>\$ 952,905</u></b>       |

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, 2002

REVENUE:

|                                   |                |
|-----------------------------------|----------------|
| Commissions                       | \$ 172,625     |
| Service Fees and Shipping Charges | 30,609         |
| Interest and Dividends            | <u>25,455</u>  |
|                                   | <u>228,689</u> |

EXPENSES:

|  |                |
|--|----------------|
| Employee Compensation and Benefits       | 76,651         |
| Registered Representatives' Compensation | 2,357          |
| Commissions, Clearing, Floor Brokerage   | 28,934         |
| Communications                           | 13,981         |
| Taxes, Other than Income                 | 8,155          |
| Rent, Occupancy                          | 24,000         |
| Other Operating Expenses                 | <u>121,465</u> |
|  | <u>275,543</u> |

|                                      |                   |
|--------------------------------------|-------------------|
| INCOME (LOSS) BEFORE INCOME TAXES    | ( 46,854)         |
| INCOME TAX (EXPENSE) BENEFIT         | <u>10,879</u>     |
| NET INCOME (LOSS)                    | ( 35,975)         |
| RETAINED EARNINGS, JANUARY 1, 2002   | <u>266,279</u>    |
| RETAINED EARNINGS, DECEMBER 31, 2002 | <u>\$ 230,304</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, 2002

|   |                   |
|---|-------------------|
| Subordinated Liabilities at January 1, 2002   | \$ 438,420        |
| Current Year Changes                          | <u>14,992</u>     |
| Subordinated Liabilities at December 31, 2002 | <u>\$ 453,412</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, 2002

|  |                      |
|--|----------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>   |                      |
| Net Income (Loss)  | \$( 35,975)          |
| Adjustments to Reconcile Net Income to Net Cash<br>Provided by Operating Activities: |                      |
| Depreciation   | 12,285               |
| Unrealized Trading Losses  | 61,747               |
| Decrease in Deposits with Clearing Organizations                                     | 10,000               |
| Decrease in Net Receivables from Customers and Non Customers                         | 790                  |
| Decrease in Prepaid Expense  | 407                  |
| (Increase) in Deferred Tax Benefit   | ( 11,853)            |
| Increase in Payables to Customers and Non Customers                                  | 32,847               |
| (Decrease) in Net Payables to Brokers, Dealers and<br>Clearing Organizations         | ( 42,420)            |
| (Decrease) in Accrued Expenses   | <u>( 968)</u>        |
| <br>NET CASH PROVIDED BY OPERATING ACTIVITIES  | <br><u>26,860</u>    |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>   |                      |
| Purchase of Firm Trading Securities  | ( 14,992)            |
| Purchase of Fixed Assets   | <u>( 1,044)</u>      |
| <br>NET CASH (USED) BY INVESTING ACTIVITIES  | <br><u>( 16,036)</u> |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>   |                      |
| Proceeds from Subordinated Liabilities   | <u>14,992</u>        |
| <br>NET CASH PROVIDED BY FINANCING ACTIVITIES  | <br><u>14,992</u>    |
| <br>NET INCREASE IN CASH AND CASH EQUIVALENTS  | <br>25,816           |
| CASH, JANUARY 1, 2002  | <u>729,021</u>       |
| CASH, DECEMBER 31, 2002  | <u>\$ 754,837</u>    |

SUPPLEMENTAL DISCLOSURES TO STATEMENT OF CASH FLOWS

Noncash investing and financing activities for the year ended December 31, 2002 consisted of the following:

|  |                  |
|--|------------------|
| Net Write-Down to Market Value of<br>Dealer Inventory Securities | <u>\$ 61,747</u> |
|--|------------------|

No interest was paid for the year ended December 31, 2002.  
Income taxes paid for the year ended December 31, 2002 was \$567.

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, 2002

|                                  | <u>COMMON<br/>STOCK</u> | ADDITIONAL<br><u>PAID-IN<br/>CAPITAL</u> | <u>TREASURY<br/>STOCK</u> | <u>RETAINED<br/>EARNINGS</u> |
|----------------------------------|-------------------------|--|---------------------------|------------------------------|
| Balances at January 1,<br>2002   | \$ 7,500                | \$239,690                                | \$(103,000)               | \$ 266,279                   |
| 2002 Net Income (Loss)           | _____                   | _____                                    | _____                     | <u>( 35,975)</u>             |
| Balances at December 31,<br>2002 | <u>\$ 7,500</u>         | <u>\$239,690</u>                         | <u>\$(103,000)</u>        | <u>\$ 230,304</u>            |

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

MERRIMACK VALLEY INVESTMENT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

The Company 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, 2002 amounted to \$135,452 and \$106,240 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.

The income tax provision consists of the following:

|                                 |                  |
|---------------------------------|------------------|
| Federal Income Tax Benefit, net | \$ 7,477         |
| State Income Tax Benefit, net   | <u>3,402</u>     |
|                                 | <u>\$ 10,879</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 \$189,634 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, 2002 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 borrowings under subordination agreements at December 31, 2002 are as follows:

|  |                   |
|--|-------------------|
| Subordinated notes, 9%, due July 2003      | \$ 45,000         |
| Subordinated notes, 9%, due February, 2005 | 112,000           |
| Subordinated notes, 9%, due July, 2005     | 83,017            |
| Subordinated notes, 9%, due August, 2005   | 143,403           |
| Subordinated notes, 9%, due February 2004  | 20,000            |
| Subordinated notes, 4%, due March 2004     | 25,000            |
| Subordinated notes, 9%, due April 2004     | 10,000            |
| Subordinated notes, 9%, due August 2005    | 9,992             |
| Subordinated notes, 9%, due September 2005 | <u>5,000</u>      |
|  | <u>\$ 453,412</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 Commissions 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, 2002, the Company had net capital of \$759,044 which was \$509,044 in excess of its required net capital of \$250,000.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE H: LEASE OBLIGATION

The Company leases premises and equipment from a related realty trust. The rent paid under this lease in 2002 was \$35,000.

The current lease obligation to the realty trust is \$2,000 per month for occupancy rent and \$1,000 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, 2002.

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, 2002

NET CAPITAL

|  |                   |
|--|-------------------|
| Total Stockholders' Equity Qualified for<br>Net Capital  | \$ 374,494        |
| Add: Liabilities Subordinated to the Claims of<br>General Creditors Allowable in Computation<br>of Net Capital | <u>453,412</u>    |
| Total Capital and Allowable Subordinated Liabilities   | 827,906           |
| Deductions and/or Charges  |                   |
| Non-Allowable Assets   |                   |
| Exchange Memberships   | 5,000             |
| Equipment and Improvements   | 29,212            |
| Other Assets   | <u>19,736</u>     |
|  | <u>53,948</u>     |
| Net Capital Before Haircuts on Securities<br>Positions   | 773,958           |
| Haircuts on Securities   |                   |
| Trading and Investment Securities  |                   |
| Stocks and Warrants  | 13,892            |
| Other Securities   | <u>1,022</u>      |
|  | <u>14,914</u>     |
| Net Capital  | <u>\$ 759,044</u> |

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

|                              |                   |
|------------------------------|-------------------|
| Minimum Net Capital Required | <u>\$ 250,000</u> |
| Excess Net Capital           | <u>\$ 509,044</u> |
| Excess Net Capital at 1000%  | <u>\$ 758,040</u> |

AGGREGATE INDEBTEDNESS

|  |                 |
|--|-----------------|
| Total AI Liabilities from Statement of Financial<br>Condition            | \$ 124,999      |
| Deduct: Adjustment Based on Deposits in Special<br>Reserve Bank Accounts | <u>118,167</u>  |
| Total Aggregate Indebtedness   | <u>\$ 6,832</u> |
| Percentage of Aggregate Indebtedness to Net Capital                      | <u>1%</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, 2002

RECONCILIATION WITH COMPANY'S COMPUTATION

|  |                   |
|--|-------------------|
| Net Capital, as reported in Company's Part II<br>(unaudited) FOCUS report as of December<br>31, 2002 | \$ 763,085        |
| Audit Adjustments:   |                   |
| Net (Decrease) in Total Ownership Equity   | ( 4,921)          |
| Net Decrease in Non-Allowable Assets   | 861               |
| Net Decrease in Haircuts on Securities   | <u>19</u>         |
| Net Capital Per Above  | <u>\$ 759,044</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, 2002

CREDIT BALANCES

|   |               |
|---|---------------|
| Free Credit Balances and Other Credit Balances<br>in Customers' Security Accounts | \$ 103,694    |
| Customer Securities Failed to Receive   | <u>15,601</u> |
|   | 119,295       |

DEBIT BALANCES

|  |              |
|--|--------------|
| Debit Balances in Customers' Cash Accounts<br>Excluding Unsecured Accounts and Accounts<br>Doubtful of Collection Net of Deductions<br>Pursuant to Rule 15c3-3 | <u>6,755</u> |
|--|--------------|

RESERVE COMPUTATION

|  |                   |
|--|-------------------|
| Excess of Total Credits Over Total Debits            | <u>\$ 112,540</u> |
| Excess of Total Credits Over Total Debits at<br>105% | <u>\$ 118,167</u> |
| Amount Held on Deposit in Reserve Bank Accounts      | <u>\$ 189,634</u> |

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# John A. Rosatone, P.C.

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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, 2002 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, 2002 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 17, 2003

*John A. Rasitore, P.C.*