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SECURITIES  
Washington, DC  
**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

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FACING PAGE  
**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/07 AND ENDING 12/31/07  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **Barrett Securities, Inc.**

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

777 Third Avenue

(No. and Street)

New York

New York

10017

(City)

(State)

(Zip Code)

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

Bonnie Sachs

212-888-6400

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

PROCESSED

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

Citrin Cooperman & Company, LLP

MAR 20 2008  
THOMSON  
FINANCIAL

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

529 Fifth Avenue

New York

New York

10017

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

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

Securities and Exchange Commission  
RECEIVED

FEB 29 2008

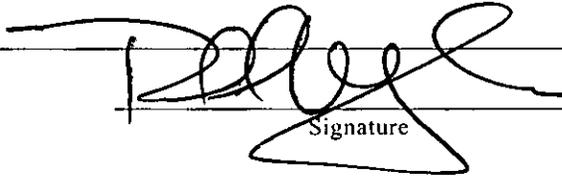
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Office of Compliance Inspection  
and Examinations

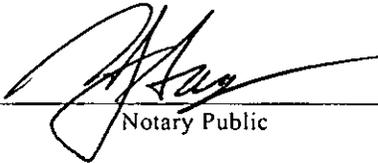
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

3/17

OATH OR AFFIRMATION

I, Ralph Worthington, IV, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Barrett Securities, Inc., as of December 31, 2007, 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 Executive 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 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.

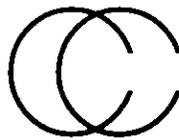
\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**BARRETT SECURITIES INC.**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**REPORT PURSUANT TO RULE 17a-5(d)**  
**YEAR ENDED DECEMBER 31, 2007**

**BARRETT SECURITIES INC.**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**TABLE OF CONTENTS**

	<u>Page</u>
Facing Page, Form X-17a-5, Part III	1a-b
<b>INDEPENDENT AUDITORS' REPORT</b>	2
<b>FINANCIAL STATEMENTS</b>	
Statement of financial condition	3
Statement of operations	4
Statement of changes in shareholder's equity	5
Statement of cash flows	6
Notes to financial statements	7-8
<b>SUPPLEMENTARY INFORMATION</b>	
Computation of net capital under Rule 15c3-1 of the Securities and Exchange Commission	9
Other information	10
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5(g)(1) FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3</b>	11-12



# Citrin Cooperman & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Shareholder  
Barrett Securities Inc.

We have audited the accompanying statement of financial condition of Barrett Securities Inc. (the "Company") as of December 31, 2007, and the related statements of operations, changes in shareholder's equity, 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 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, 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 Barrett Securities Inc. as of December 31, 2007, 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 information contained in the supplementary schedules on pages 9-10 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 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.

*Citrin Cooperman & Company, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

February 26, 2008

**BARRETT SECURITIES INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2007**

**ASSETS**

Cash	\$ 7,457
Cash held at clearing broker-dealer	38,939
Investments in securities, at market value	<u>24,745</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>71,141</u></b>

**LIABILITIES AND SHAREHOLDER'S EQUITY**

Liabilities:	
Accrued expenses	\$ <u>6,620</u>
Shareholder's equity:	
Common stock, \$.01 par value; 200 shares authorized, 100 shares issued and outstanding	1
Additional paid-in capital	62,499
Retained earnings	<u>2,021</u>
Total shareholder's equity	<u>64,521</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>\$ <u>71,141</u></b>

See accompanying notes to financial statements.

**BARRETT SECURITIES INC.**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

Income:	
Income received from regulatory agency	\$ 35,000
Trading income	9,350
Dividends	737
Other income	<u>45</u>
Total income	<u>45,132</u>
Operating expenses:	
Professional fees	6,225
Dues and fees	<u>1,754</u>
Total operating expenses	<u>7,979</u>
Income before provision for income taxes	37,153
Provision for income taxes	<u>(2,820)</u>
<b>NET INCOME</b>	<b><u>\$ 34,333</u></b>

See accompanying notes to financial statements.

**BARRETT SECURITIES INC.**  
**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	Common Stock		Additional paid-in capital	Retained earnings (deficit)	Total
	Shares	Amount			
Balance - beginning	100	\$ 1	\$ 62,499	\$ (32,312)	\$ 30,188
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,333</u>	<u>34,333</u>
<b>BALANCE - ENDING</b>	<u><u>100</u></u>	<u><u>\$ 1</u></u>	<u><u>\$ 62,499</u></u>	<u><u>\$ 2,021</u></u>	<u><u>\$ 64,521</u></u>

See accompanying notes to financial statements.

**BARRETT SECURITIES INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

Cash flows from operating activities:	
Net income	\$ 34,333
Adjustments to reconcile net income to net cash used in operating activities:	
Changes in assets and liabilities:	
Cash held at clearing broker-dealer	(35,737)
Investments in securities, at market value	(9,350)
Accrued expenses	<u>2,275</u>
Net cash used in operating activities	(8,479)
Cash - beginning	<u>15,936</u>
<b>CASH - ENDING</b>	<b><u>\$ 7,457</u></b>
Supplemental disclosure of cash flow information:	
Income taxes paid	<u>\$ 455</u>

See accompanying notes to financial statements.

BARRETT SECURITIES INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Barrett Securities Inc. (the "Company") is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). The Company was formed on July 30, 1998. The by-laws of the Company were amended on May 6, 2000. The Company is engaged in a single line of business as a securities broker-dealer, which comprises several classes of services, including principal and agency transactions.

The Company operates under the provisions of Rule 15c3-3 of the SEC and, accordingly, is exempt from the remaining provisions of that rule. The Company provides brokerage services to both institutional and individual investors and, as required by Rule 15c3-3, clears its securities transactions on a fully disclosed basis through an unrelated clearing broker-dealer. The clearing broker-dealer carries all of the customer accounts and maintains and preserves all related books and records.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's 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 statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Securities Transactions

Principal transactions are recorded on a trade-date basis.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

Marketable securities are stated at fair value as determined by quoted market prices. Securities not readily marketable are stated at fair value as determined by management.

Revenue Recognition

Commission revenues associated with transactions in securities are recorded on a trade-date basis.

Deferred Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Temporary differences relate primarily to net operating loss carryforwards of approximately \$32,000, which were used in 2007. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce the deferred tax assets to their estimated net realizable value.

**BARRETT SECURITIES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 2. NET CAPITAL REQUIREMENTS**

The Company is subject to the SEC's Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and that the ratio of aggregate indebtedness to net capital, both as defined, not exceed 15 to 1. Net capital and aggregate indebtedness change from day to day. At December 31, 2007, the Company had regulatory net capital of \$57,302, which exceeded the Company's minimum net capital requirement of \$5,000. The Company's ratio of aggregate indebtedness to net capital was 0.12 to 1 as of December 31, 2007.

**NOTE 3. RELATED-PARTY TRANSACTIONS**

The Company's sole shareholder is the president of an affiliated broker-dealer with whom the Company shares office space. The Company is not a signatory to the underlying agreement, nor has it guaranteed any amounts due under that agreement. For 2007, the Company was not required to pay the affiliate for the use of its facilities. In addition, the Company expects to continue to use the facilities free of charge for the foreseeable future. No amounts have been reflected in the accompanying financial statements for the facility-sharing arrangement.

**NOTE 4. INCOME TAXES**

The Company's current-year tax provision includes \$1,850 for federal taxes and \$970 for state and local taxes.

The Company had available net operating loss carryforwards for federal, state and local income tax purposes of approximately \$32,000, which was fully utilized in 2007 to offset income. The income tax provision differs from the amount determined by applying the applicable federal income rate to pretax income primarily because of the reversal of the valuation allowance of approximately \$16,000.

**NOTE 5. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK**

As a securities broker-dealer, the Company is engaged in buying and selling securities for a diverse group of institutional and individual investors. The Company's transactions are collateralized and are executed with and on behalf of banks, brokers and dealers, and other financial institutions. The Company introduces these transactions for clearance to another broker-dealer on a fully disclosed basis.

The Company's exposure to credit risk associated with non-performance of customers in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets, which may impair both the customers' ability to satisfy their obligations to the Company and the Company's ability to liquidate the collateral at an amount equal to the original contracted amount. The agreement between the Company and its clearing broker-dealer provides that the Company is obligated to assume any exposure related to such nonperformance by its customers. The Company seeks to control the aforementioned risks by requiring customers to maintain margin collateral in compliance with various regulatory requirements and the clearing broker-dealer's internal guidelines. The Company monitors its customer activity by reviewing information it receives from its clearing broker-dealer on a daily basis and by requiring customers to deposit additional collateral or reduce positions when necessary.

**SUPPLEMENTARY INFORMATION**

**BARRETT SECURITIES INC.**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**  
**DECEMBER 31, 2007**

Net capital:	
Shareholder's equity	\$ <u>64,521</u>
Deductions:	
Haircuts on marketable securities	(4,491)
Undue concentration	<u>(2,728)</u>
Total deductions	<u>(7,219)</u>
<b>NET CAPITAL</b>	<b>\$ <u>57,302</u></b>
Aggregate indebtedness:	
Accrued expenses	\$ <u>6,620</u>
Computation of basic net capital requirement:	
6 2/3% of aggregate indebtedness	\$ <u>441</u>
Minimum net capital required	\$ <u>5,000</u>
Excess net capital	\$ <u>52,302</u>
Excess net capital at 1000%	\$ <u>56,640</u>
Ratio of aggregate indebtedness to net capital	<u>0.12 to 1</u>
Reconciliation with the Company's computation (included in Part II of Form X-17a-5 as of December 31, 2007:	
Net capital as reported in the Company's Part II (unaudited) FOCUS report	\$ 59,595
Net effect of audit adjustments related to:	
Miscellaneous adjustment for haircuts	(18)
Tax accrual	<u>(2,275)</u>
<b>NET CAPITAL, AS ADJUSTED</b>	<b>\$ <u>57,302</u></b>

See independent auditors' report.

**BARRETT SECURITIES INC.  
OTHER INFORMATION  
DECEMBER 31, 2007**

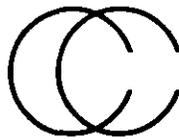
**Computation for Determination of the Reserve Requirements Under Rule 15c3-3 of the SEC:**

The Company operates under the exemptive provisions of paragraph (k)(2)(ii) of SEC Rule 15c3-3. All customer securities transactions are cleared through another broker-dealer on a fully disclosed basis.

**Information Relating to Possession or Control Requirements Under Rule 15c3-3 of the SEC:**

The Company has complied with the exemptive requirements of SEC Rule 15c3-3 and did not maintain possession or control of any customer funds or securities as of December 31, 2007.

See independent auditors' report.



# Citrico Cooperman & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5(g)(1) FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3

To the Shareholder  
Barrett Securities Inc.

In planning and performing our audit of the financial statements and supplementary schedules of Barrett Securities Inc. (the "Company") as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's 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. This 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, comparisons, and recordation of differences required by Rule 17a-13.
2. 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.

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 or 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 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, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the Financial Industry Regulatory Authority, Inc., 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.

*Citron Cooperman & Company, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

February 26, 2008

END