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Securities and Exchange Commission

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FEB 27 2009

ANNUAL AUDITED REPORT

FORM X-17A-5

PART III

SEC FILE NUMBER
8-44856

Office of Compliance Inspection
and Examinations

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 01/01/08 AND ENDING 12/31/08
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Barrett & Company

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

42 Weybosset Street

(No. and Street)

Providence

(City)

RI

(State)

02903

(Zip Code)

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

Wilson G. Saville

(401)351-1000

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Batchelor, Frechette, McCrory, Michael & Co.

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

40 Westminister Street

(Address)

Providence

(City)

RI

(State)

02903

(Zip Code)

CHECK ONE:

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

* 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, Wilson G. Saville, 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 & Company, as of December 31, 2008, 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:

Wilson G. Saville

Signature

Title

Carol G. Salinas

Notary Public
My Commission expires 6-26-09



This report** contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (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.
- (o) Independent Auditor's Report on Internal Control

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

BARRETT & COMPANY

STATEMENTS OF FINANCIAL CONDITION
December 31, 2008 and 2007

ASSETS	2008	2007
Cash and cash equivalents	\$ 173,999	\$ 112,890
Receivables from clearing organizations	59,152	64,431
Securities owned, at market value	35,093	118,128
Memberships in exchanges, at cost	-	350
Furniture and office equipment, at cost, less accumulated depreciation of \$149,498 and \$132,817 at December 31, 2008 and 2007, respectively	44,100	60,781
Other assets	211	102
	\$ 312,555	\$ 356,682
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Securities sold, but not yet purchased, at market value	\$ 9,744	\$ 18,715
Accounts payable and accrued expenses	31,154	66,365
	40,898	85,080
STOCKHOLDERS' EQUITY		
Common stock, no par value, 1,000 shares authorized, 244 shares outstanding at December 31, 2008 and 2007	275,000	275,000
Additional paid-in capital	278,386	278,386
Retained deficit	(253,319)	(253,374)
	300,067	300,012
Less cost of treasury stock, 25 shares	(28,410)	(28,410)
	271,657	271,602
	\$ 312,555	\$ 356,682

See Notes to Financial Statements

BARRETT & COMPANY
STATEMENTS OF INCOME
Years Ended December 31, 2008 and 2007

	2008	2007
REVENUES		
Commissions	\$ 1,291,611	\$ 1,496,356
Gain on firm's securities trading accounts	5,025,034	5,742,481
Profits from underwriting and selling groups	-	83,892
Margin interest	43,532	93,140
Other revenue	552,652	233,329
	6,912,829	7,649,198
EXPENSES		
Stockholder officers' compensation and benefits	1,438,203	2,020,517
Employee compensation and benefits	4,143,785	4,636,270
Clearance charges paid to nonbrokers	284,528	281,902
Communications	181,417	190,527
Occupancy and equipment costs	188,635	189,668
Regulatory fees and expenses	31,417	23,004
Taxes, other than income taxes	159,293	177,888
Other operating expenses	151,139	133,734
	6,578,417	7,653,510
NET INCOME (LOSS)	\$ 334,412	\$ (4,312)

See Notes to Financial Statements

BARRETT & COMPANY

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2008 and 2007

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Retained Earnings (Deficit)	Total Stockholders' Equity
Balances at January 1, 2008	244	\$ 275,000	\$ 278,386	\$ (28,410)	\$ (253,374)	\$ 271,602
Net income	-	-	-	-	334,412	334,412
Stockholders' distributions	-	-	-	-	(334,357)	(334,357)
Balances at December 31, 2008	244	\$ 275,000	\$ 278,386	\$ (28,410)	\$ (253,319)	\$ 271,657
Balances at January 1, 2007	244	\$ 275,000	\$ 278,386	\$ (28,410)	\$ (249,062)	\$ 275,914
Net loss	-	-	-	-	(4,312)	(4,312)
Balances at December 31, 2007	244	\$ 275,000	\$ 278,386	\$ (28,410)	\$ (253,374)	\$ 271,602

See Notes to Financial Statements

BARRETT & COMPANY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 334,412	\$ (4,312)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	16,681	12,810
Gain on redemption of exchange membership	(334,007)	-
Change in assets and liabilities:		
(Increase) decrease in:		
Receivables from clearing organizations	5,279	44,549
Securities owned, at market value	83,035	(67,877)
Other assets	(109)	(98)
Increase (decrease) in:		
Securities sold, but not yet purchased, at market value	(8,971)	9,423
Accounts payable and accrued expenses	(35,211)	10,206
Net cash provided by operating activities	61,109	4,701
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from redemption of exchange membership	334,357	-
Capital expenditures	-	(27,353)
Net cash provided by (used in) investing activities	334,357	(27,353)
CASH FLOWS FROM FINANCING ACTIVITY		
Distributions to stockholders	(334,357)	-
Net cash used in financing activity	(334,357)	-
Net increase (decrease) in cash	61,109	(22,652)
CASH AND CASH EQUIVALENTS		
Beginning	112,890	135,542
Ending	\$ 173,999	\$ 112,890

See Notes to Financial Statements

BARRETT & COMPANY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company, located in Providence, Rhode Island, with customers located mainly throughout New England, is in the business of purchasing and selling securities and is a market-maker in certain securities.

The Company operates under the provisions of Paragraph (k)(2)(ii) of Rule 15c3-3 of the Securities and Exchange Commission and, accordingly, is exempt from the remaining provisions of that Rule. Essentially, the requirements of Paragraph (k)(2)(ii) provide that the Company clear all transactions on behalf of customers on a fully disclosed basis with a clearing broker/dealer, and promptly transmit all customer funds and securities to the clearing broker/dealer. The clearing broker/dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker/dealer.

A summary of the Company's significant accounting policies follows:

Cash equivalents: For purposes of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents consist of a money market fund.

Income recognition: Securities transactions and the related commission revenues and expenses are recorded on a settlement date basis. The effect of not recording these transactions on a trade date basis as required by generally accepted accounting principles is not material to these financial statements.

Marketable investment securities: Marketable investment securities are valued at market. Securities not readily marketable are valued at fair value as determined by management.

Income taxes: The Company, with the consent of its stockholders, has elected to be an "S" Corporation under the Internal Revenue Code. In lieu of paying corporate income taxes, the stockholders are taxed individually on the Company's taxable income. Therefore, no provision or liability for federal or state income taxes has been made.

Property, equipment and depreciation: Property and equipment are stated at cost. Depreciation is computed using the straight-line method for financial reporting purposes. The depreciation expense and accumulated depreciation for the year ended December 31, 2008 were \$16,681 and \$149,498, respectively, and for the year ended December 31, 2007, \$12,810 and \$132,817, respectively.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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 statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising costs: The Company charges advertising costs to expense as incurred. Advertising costs for the years ended 2008 and 2007 were \$3,942 and \$475, respectively.

BARRETT & COMPANY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 2. CASH

The Company maintains its cash accounts in one commercial bank. At times, the amount in the accounts may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash. The amount on deposit at December 31, 2008 exceeded the insurance limits by approximately \$148,000.

Note 3. NFS AGREEMENT

Barrett & Company has an agreement with National Financial Services, LLC (NFS). Under this agreement, NFS clears transactions on a fully disclosed basis for accounts of Barrett & Company and of the Company's customers which are introduced by the Company and accepted by NFS. NFS maintains stock records and other records on a basis consistent with generally accepted practices in the securities industry and maintains copies of such records in accordance with the FINRA and SEC guidelines for record retention. NFS is responsible for the safeguarding of all funds and securities delivered to and accepted by it. NFS prepares and sends to customers monthly or quarterly statements of account. Barrett & Company does not generate and/or prepare any statements, billings or compilations regarding any account. The Company examines all monthly statements of account, monthly statements of clearing services and other reports provided by NFS and notifies NFS of any error. NFS charges the Company for clearing services. NFS also collects all commissions on behalf of the Company and makes payments to the Company for its share of commissions. This agreement between the two parties can be terminated by giving ninety days prior written notice to the other party.

The Company carries its receivable from NFS at cost. If a customer of the Company did not pay NFS a commission, the assets of that customer's account would be liquidated to cover any amount owed for the commission. Any shortfall between the value of the assets and the amount owed for the commission would have to be absorbed by the Company as bad debt. The Company has deemed an allowance for such a loss as unnecessary, since historically these losses have been minimal and immaterial.

Note 4. OPERATING LEASES

The Company leases office space in Providence, Rhode Island, certain office equipment, and a vehicle under operating lease agreements. The Providence office space is leased from a related party (See Note 8). The various leases expire through June 2012. Total lease expense for the years ended December 31, 2008 and 2007 was \$133,258 and \$130,579, respectively.

At December 31, 2008, future minimum lease payments for the office space, equipment, and vehicle were as follows:

Years ending December 31	
2009	\$ 133,362
2010	132,445
2011	32,354
2012	6,606
	<u>\$ 304,767</u>

BARRETT & COMPANY

**NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007**

Note 5. CASH AND SECURITIES SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS

The Company is exempt from segregated reserve bank accounts for the benefit of customers under Rule 15c3-3 as all transactions are cleared through another broker/dealer on a fully disclosed basis.

Note 6. NET CAPITAL REQUIREMENT

Pursuant to the net capital provision of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2008, the Company had net capital and net capital requirements of \$221,735 and \$100,000 respectively. At December 31, 2007, the Company had net capital and net capital requirements of approximately \$197,650 and \$100,000, respectively. The Company's net capital ratios (aggregate indebtedness to net capital) at December 31, 2008 and 2007 were .14 to 1 and .34 to 1, respectively.

Note 7. STATEMENT PURSUANT TO PARAGRAPH (d) OF RULE 17a-5

There are no material differences between the computation of net capital and the corresponding computation prepared by and included in the Company's unaudited Part IIA Focus Report filing as of December 31, 2008 and 2007.

Note 8. RELATED PARTY TRANSACTIONS

The Company has entered into the following transactions with related parties:

The Company leases its Providence office space from Wilcox Partners, a Rhode Island real estate partnership. The partnership is owned by the stockholders of the Company and a stockholder's son. The space is leased under a noncancelable lease that expires in February, 2010. Rent expense related to the lease amounted to \$108,000 for the years ended December 31, 2008 and 2007.

Pursuant to Section IX of the agreement to offer clearing and execution services by National Financial Services, LLC (NFS), Barrett & Company must maintain a balance of \$250,000 in an escrow account. Shareholders of the Company have pledged certain personally owned marketable securities to fulfill this obligation.

Note 9. PENSION PLAN

The Company has a noncontributory 401(k) plan. The Plan's assets are held by National Financial Services, LLC (NFS).

BARRETT & COMPANY

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

Note 10. OFF-BALANCE-SHEET RISK AND CONCENTRATION OF CREDIT RISK

As discussed in Note 3, the Company's customer securities transactions are introduced on a fully-disclosed basis with National Financial Service, LLC (NFS). NFS carries all of the accounts of the customers of the Company and is responsible for execution, collection of and payment of funds, and receipt and delivery of securities relative to customer transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein NFS may charge any losses it incurs to the Company. The Company seeks to minimize the risk through procedures designed to monitor the credit worthiness of its customers and insure that customer transactions are executed properly by NFS.

BARRETT & COMPANY

SCHEDULE I

**COMPUTATION OF AGGREGATE INDEBTEDNESS AND NET CAPITAL UNDER
RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION
December 31, 2008 and 2007**

	2008	2007
AGGREGATE INDEBTEDNESS		
Other accrued expenses	\$ 31,154	\$ 66,365
Total aggregate indebtedness	<u>\$ 31,154</u>	<u>\$ 66,365</u>
Minimum required net capital	<u>\$ 100,000</u>	<u>\$ 100,000</u>
NET CAPITAL		
Stockholders' equity	\$ 271,657	\$ 271,602
Deductions:		
Exchange memberships	-	350
Furniture and office equipment, net of accumulated depreciation	44,100	60,781
Other assets	211	102
Haircuts on securities owned	5,611	12,718
Net capital	<u>221,735</u>	<u>197,651</u>
Minimum required net capital	100,000	100,000
Capital in excess of minimum requirement	<u>\$ 121,735</u>	<u>\$ 97,651</u>
Ratio of aggregate indebtedness to net capital	<u>0.14 to 1</u>	<u>0.34 to 1</u>

BARRETT & COMPANY

SCHEDULE II

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENT
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION
December 31, 2008 and 2007**

The Company has been exempt from Rule 15c3-3 because all customer transactions are cleared through another broker/dealer, National Financial Services, LLC (NFS), on a fully disclosed basis.

BARRETT & COMPANY

SCHEDULE III

**INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS UNDER
RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION**

December 31, 2008 and 2007

All customer transactions are cleared through National Financial Services, LLC (NFS) on a fully disclosed basis. Thus, testing of the system and procedures to comply with the requirement to maintain physical possession or control of customers' fully paid and excess margin securities, was not applicable.

BARRETT & COMPANY

SCHEDULE IV

**SCHEDULE OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION FOR
CUSTOMERS' REGULATED COMMODITY FUTURES AND OPTIONS ACCOUNTS
December 31, 2008 and 2007**

SEGREGATION REQUIREMENTS	N/A
FUNDS ON DEPOSIT IN SEGREGATION	N/A

TO THE BOARD OF DIRECTORS

BARRETT & CO.

DECEMBER 31, 2008

To the Board of Directors
Barrett & Company
Providence, Rhode Island

In planning and performing our audit of the financial statements of Barrett & Company (the Company) as of and for the years ended December 31, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control structure 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 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 an internal control structure 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 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 SEC's above-mentioned objectives. Two of the objectives of an 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 or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit 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 the internal control structure 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 regulation, 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, 2008 and 2007 to meet the SEC's objectives.

This report is intended solely for the information and use of management, the SEC and the Financial Industry Regulatory Authority, Inc., and other regulatory agencies which 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 used by anyone other than these specified parties.

*Batchelor, Trechette,
McCoy, Michael & Co.*

Providence, Rhode Island
January 30, 2009

BARRETT & COMPANY
FINANCIAL STATEMENTS

December 31, 2008

**SEC Mail Processing
Section**

FEB 27 2009

**Washington, DC
111**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Barrett & Company
Providence, Rhode Island

We have audited the accompanying statements of financial condition of Barrett & Company as of December 31, 2008 and 2007, and the related statements of income, changes in stockholders' equity and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 & Company as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, III and IV 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 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits 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.

*Batchelor, Frechette,
McCrory, Michael & Co.*

Providence, Rhode Island
January 30, 2009