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FILED AS OF DATE: 20081114
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COMPANY DATA:
COMPANY CONFORMED NAME: FIRST LITCHFIELD FINANCIAL CORP
CENTRAL INDEX KEY: 0000840886
STANDARD INDUSTRIAL CLASSIFICATION: NATIONAL COMMERCIAL BANKS [6021]
IRS NUMBER: 061241321
STATE OF INCORPORATION: DE
FISCAL YEAR END: 1231

FILING VALUES:
FORM TYPE: 10-Q
SEC ACT: 1934 Act
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BUSINESS ADDRESS:
STREET 1: 13 NORTH ST
STREET 2: P O BOX 578
CITY: LITCHFIELD
STATE: CT
ZIP: 06759
BUSINESS PHONE: 2035678752

MAIL ADDRESS:
STREET 1: 13 NORTH STREET
STREET 2: PO BOX 578
CITY: LITCHFIELD
STATE: CT
ZIP: 06759
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934

For the Quarterly period ended: September 30, 2008

|_| TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________ to ___________.

Commission File Number: 0-28815

FIRST LITCHFIELD FINANCIAL CORPORATION

(Exact name of Registrant as specified in its Charter)

Delaware	06-1241321

(State or other jurisdiction of incorporation of organization) | (I.R.S. Employer Identification No.)

13 North Street, Litchfield, CT | 06759

(Address of principal executive offices) | (Zip Code)

Registrant's telephone number, including area code: (860) 567-8752

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes |X| No |_|

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company as defined in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	|_|	Accelerated filer	|_|
Non-accelerated filer	|_|	Smaller reporting company	|X|

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Yes |_| No |X|

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 2,356,875 shares of Common Stock, par value $.01 per share, were outstanding at November 10, 2008.

<PAGE>

FIRST LITCHFIELD FINANCIAL CORPORATION
FORM 10-Q
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
FIRST LITCHFIELD FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS (Unaudited)

<TABLE>
<CAPTION>

<S>	September 30, 2008 <C>	December 31 2007 <C>
ASSETS		
Cash and due from banks	$ 7,044,119	$ 10,876,4
Interest - bearing accounts due from banks	4	10,620,7
CASH AND CASH EQUIVALENTS	7,044,123	21,497,1
Securities:		
Available for sale securities, at fair value	104,918,031	128,979,5
Held to maturity securities (fair value $30,915-2008 and $33,712-2007)	31,233	34,1
TOTAL SECURITIES	104,949,264	129,013,7
Federal Home Loan Bank stock, at cost	5,427,600	5,067,4
Federal Reserve Bank stock, at cost	225,850	225,8
Other restricted stock, at cost	100,000	95,0
Loan and lease receivables, net of allowance for loan and lease losses of $2,267,102 -2008, $2,151,622 -2007		
NET LOANS AND LEASES	351,737,145	327,475,3
Premises and equipment, net	7,335,512	7,758,7
Deferred income taxes	2,701,093	1,327,5
Accrued interest receivable	2,300,474	2,609,6
Cash surrender value of insurance	10,319,819	10,020,5
Due from broker for security sales	11,643,821	
Other assets	2,753,736	2,562,6
TOTAL ASSETS	$ 506,538,437	$ 507,653,6
LIABILITIES		
Deposits:	--	
Noninterest bearing	$ 68,243,431	$ 70,564,2
Interest bearing	272,483,672	265,053,3
TOTAL DEPOSITS	340,727,103	335,617,6
Federal Home Loan Bank advances	87,941,000	91,500,0
Repurchase agreements with financial institutions	26,450,000	21,550,0
Repurchase agreements with customers	13,269,417	14,142,7
Junior subordinated debt issued by unconsolidated trust	10,104,000	10,104,0
Collateralized borrowings	1,389,170	1,699,3
Capital lease obligation	1,070,154	1,083,5
Accrued expenses and other liabilities	5,476,419	3,593,6
TOTAL LIABILITIES	486,427,263	479,291,0
Minority interest	50,000	50,0
Commitments and contingencies		
SHAREHOLDERS' EQUITY		
Preferred stock $.00001 par value; 1,000,000 shares authorized, no shares outstanding Common stock $.01 par value		
Authorized - 5,000,000 shares		
2008 - Issued - 2,506,622 shares, outstanding - 2,356,875 shares		
2007 - Issued - 2,501,229 shares, outstanding - 2,368,200 shares	25,036	25,0
Additional paid-in capital	27,887,443	27,858,8
(Accumulated deficit) retained earnings	(2,763,538)	2,623,1
Less: Treasury stock at cost- 149,747 as of 9/30/08, 133,029 as of 12/31/07	(1,154,062)	(926,9
Accumulated other comprehensive loss, net of taxes	(3,933,705)	(1,267,3

TOTAL SHAREHOLDERS' EQUITY	20,061,174	28,312,6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 506,538,437	$ 507,653,6

</TABLE>

See Notes to Consolidated Financial Statements.

<PAGE>

FIRST LITCHFIELD FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

<TABLE>
<CAPTION>

	Three Months Ended September 30,		Nine Sep
	2008	2007	2008
<S>	<C>	<C>	<C>
INTEREST AND DIVIDEND INCOME			
Interest and fees on loans and leases	$ 5,363,809	$5,341,401	$ 16,200,7
Interest and dividends on securities:			
Mortgage-backed securities	991,860	629,956	2,647,2
US Treasury and other securities	397,073	531,737	1,325,6
State and municipal securities	279,144	339,347	905,5
Corporate bonds and other securities	65,299	102,842	285,0
Total interest on securities	1,733,376	1,603,882	5,163,5
Other interest income	43,482	168,062	210,8
TOTAL INTEREST AND DIVIDEND INCOME	7,140,667	7,113,345	21,575,1
INTEREST EXPENSE			
Interest on deposits:			
Savings	173,193	237,267	479,0
Money market	363,373	627,841	1,185,5
Time certificates of deposit	1,130,642	1,529,945	3,976,6
TOTAL INTEREST ON DEPOSITS	1,667,208	2,395,053	5,641,2
Interest on Federal Home Loan Bank advances	1,013,339	786,727	3,035,7
Interest on repurchase agreements	398,077	347,706	1,147,3
Interest on subordinated debt	137,523	200,582	453,2
Interest on collateralized borrowings	25,418	31,230	80,2
Interest on capital lease obligation	14,220	14,453	42,8
TOTAL INTEREST EXPENSE	3,255,785	3,775,751	10,400,6
NET INTEREST INCOME	3,884,882	3,337,594	11,174,5
PROVISION FOR LOAN AND LEASE LOSSES	155,000	--	367,0
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	3,729,882	3,337,594	10,807,5
NONINTEREST (LOSS) INCOME			
Banking service charges and fees	417,803	337,469	1,143,7
Trust	319,049	350,071	992,1
(Losses) gains on available for sale securities	(6,720,523)	33,982	(6,687,6
Other	176,143	168,779	534,2
TOTAL NONINTEREST (LOSS) INCOME	(5,807,528)	890,301	(4,017,5
NONINTEREST EXPENSE			
Salaries	1,650,937	1,511,962	4,968,2
Employee benefits	406,287	383,699	1,298,1
Net occupancy	293,833	306,956	898,0
Equipment	151,144	131,883	465,5
Legal fees	85,703	24,128	203,3
Directors fees	51,175	50,275	151,4
Computer services	259,291	211,226	746,3
Supplies	58,020	42,988	148,4
Commissions, services and fees	70,393	88,120	314,4
Postage	40,056	33,898	113,6
Advertising	170,839	98,540	465,2

Other	515,352	497,011	1,602,8
TOTAL NONINTEREST EXPENSE	3,753,030	3,380,686	11,375,7
(LOSS) INCOME BEFORE INCOME TAXES	(5,830,676)	847,209	(4,585,8
(BENEFIT) PROVISION FOR INCOME TAXES	(404,786)	169,373	(274,9
NET (LOSS) INCOME	$(5,425,890)	$ 677,836	$ (4,310,9
(LOSS) INCOME PER SHARE			
BASIC NET (LOSS) INCOME PER SHARE	$ (2.30)	$ 0.29	$ (1.
DILUTED NET (LOSS) INCOME PER SHARE	$ (2.30)	$ 0.29	$ (1.
DIVIDENDS PER SHARE	$ 0.15	$ 0.15	$ 0.

</TABLE>

See Notes to Consolidated Financial Statements.

<PAGE>

FIRST LITCHFIELD FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

<TABLE>
<CAPTION>

<S>	Common Stock <C>	Additional Paid-In Capital <C>	Retained Earnings (Accumulated) Deficit) <C>	Treasury Stock <C>	Accumulated Other Comprehensive Loss <C>
Nine months ended September 30, 2007					
Balance, December 31, 2006	$ 23,724	$25,840,623	$ 3,953,216	$ (794,756)	$(2,816,613
Comprehensive income:					
Net income	--	--	1,662,496	--	
Other comprehensive income, net of taxes:					
Net unrealized holding gain on available for sale securities	--	--	--	--	439,268
Other comprehensive income					
Total comprehensive income					
Cash dividends declared: $0.45 per share	--	--	(1,016,334)	--	--
Stock options exercised - 5,346 shares	54	44,053	--	--	--
Tax benefit on stock options exercised	--	20,498	--	--	--
Balance, September 30, 2007	$ 23,778	$25,905,174	$ 4,599,378	$ (794,756)	$(2,377,345
Nine months ended September 30, 2008					
Balance, December 31, 2007	$ 25,012	$27,858,841	$ 2,623,110	$ (926,964)	$(1,267,387
Adoption of EITF 06-4 as of January 1, 2008	--	--	(12,272)	--	--
Comprehensive loss:					
Net loss	--	--	(4,310,919)	--	
Other comprehensive loss, net of taxes:					
Net unrealized holding loss on available for sale securities	--	--	--	--	(2,129,230
Net actuarial loss and prior service cost for pension benefits	--	--	--	--	(537,088
Other comprehensive loss					
Total comprehensive loss					
Cash dividends declared: $0.45 per share	--	--	(1,063,457)	--	
Purchase of treasury shares	--	--	--	(227,098)	--
Stock options exercised - 1,893 shares	19	20,464	--	--	--
Tax benefit on stock options exercised	--	2,025	--	--	--
Restricted stock grants and expense	5	6,113	--	--	--
Balance, September 30, 2008	$ 25,036	$27,887,443	$(2,763,538)	$(1,154,062)	$(3,933,705

</TABLE>

See Notes to Consolidated Financial Statements.

<PAGE>

FIRST LITCHFIELD FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

<TABLE>
<CAPTION>

	Nine months ended Septembe	
	2008	200
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	$ (4,310,919)	$ 1,662
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
(Accretion) amortization of discounts and premiums on investment securities, net	(124,184)	135
Provision for loan losses	367,000	105
Depreciation and amortization	550,204	557
Loss on impairment write-down of available for sale securities	6,946,098	
Losses (gains) on sale of available for sale securities	(258,416)	(19
Loss on sale of repossessed assets	26,275	
Loans originated for sale	(2,124,000)	(4,911
Proceeds from sales of loans held for sale	2,143,887	5,818
Gains on sales of loans held for sale	(19,887)	(25
Loss on disposals of bank premises and equipment	2,188	
Stock based compensation	6,118	
Decrease (increase) in accrued interest receivable	309,132	(188
Increase in other assets	(250,504)	(179
Increase in cash surrender value of insurance	(299,279)	(285
Increase in deferred loan origination costs	(90,048)	(29
Decrease in accrued expenses and other liabilities	(1,024,395)	(45
Net cash provided by operating activities	1,849,270	2,595
CASH FLOWS FROM INVESTING ACTIVITIES		
Available for sale securities:		
Proceeds from maturities and principal payments	29,370,830	7,800
Purchases	(58,903,339)	(1,000
Proceeds from sales	43,804,423	16,295
Held to maturity mortgage-backed securities:		
Proceeds from maturities and principal payments	2,952	4
Increase in due from broker for security sales	(11,643,821)	
Purchase of restricted stock	(5,000)	(15
Purchase of Federal Home Loan Bank stock	(360,200)	(180
Redemption of Federal Home Loan Bank stock	--	10
Net increase in loans and leases	(22,637,407)	(19,725
Purchase of bank premises and equipment	(129,143)	(858
Proceeds from sale of repossessed assets	214,532	
Net cash (used in) provided by investing activities	(20,286,173)	2,331
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in savings, money market and demand deposits	11,907,339	13,255
Net decrease in certificates of deposit	(6,797,900)	(20,191
Proceeds from Federal Home Loan Bank advances	--	90,000
Repayments on Federal Home Loan Bank advances	(4,500,000)	(86,500
Net decrease in Federal Home Loan Bank overnight borrowings	941,000	(464
Net increase (decrease) in repurchase agreements with financial institutions	4,900,000	(18,650
Net decrease in repurchase agreements with customers	(873,356)	(2,783
Net decrease in collateralized borrowings	(310,166)	
Principal repayments on capital lease obligation	(13,413)	(12
Purchase of treasury shares	(227,098)	
Proceeds from the exercise of stock options	20,483	44
Tax benefit of stock options exercised	2,025	20
Dividends paid on common stock	(1,065,082)	(1,014
Net cash provided by (used in) financing activities	3,983,832	(26,295
Net decrease in cash and cash equivalents	(14,453,071)	(21,368
CASH AND CASH EQUIVALENTS, at beginning of period	21,497,194	29,197
CASH AND CASH EQUIVALENTS, at end of period	$ 7,044,123	$ 7,829
SUPPLEMENTAL INFORMATION Cash paid during the period for:		
Interest on deposits and borrowings	$ 10,523,661	$ 11,201
Income taxes	$ 1,000	$
Non cash investing and financing activities:		
Accrued dividends declared	$ 353,603	$ 338
Transfer of loans to repossessed assets	$ 181,400	$ 82
Increase in leases and other liabilities for		

equipment payable related to financed leases	$ 2,082,719	$
Increase in liabilities and decrease in retained earnings for adoption of EITF 06-4	$ 12,272	$
Change in other liabilities related to the unfunded pension liability	$ 813,770	$

</TABLE>

See Notes to Consolidated Financial Statements.

<PAGE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. The consolidated balance sheet at December 31, 2007 of First Litchfield Financial Corporation (the "Company") has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

2. The accompanying unaudited consolidated financial statements and related notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. The accompanying financial statements and related notes should be read in conjunction with the audited financial statements of the Company and notes thereto for the fiscal year ended December 31, 2007.

   These financial statements reflect, in the opinion of Management, all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the Company's financial position and the results of its operations and its cash flows for the periods presented. The results of operations for the nine months ended September 30, 2008 are not necessarily indicative of the results of operations that may be expected for all of 2008.

3. The Company is required to present basic income per share and diluted income per share in its statements of income. Basic income per share amounts are computed by dividing net income by the weighted average number of common shares outstanding. Diluted income per share assumes exercise of all potential common stock equivalents in weighted average shares outstanding, unless the effect is antidilutive. The Company is also required to provide a reconciliation of the numerator and denominator used in the computation of both basic and diluted income per share.

   The following is information about the computation of net income per share for the three and nine month periods ended September 30, 2008 and 2007. The 2007 information has been restated to give retroactive effect to all stock dividends.

<TABLE>
<CAPTION>

	Three Months Ended September 30, 2008		
	Net Loss	Shares	Per Share Amount
<S>	<C>	<C>	<C>
Basic Net Loss Per Share			
Loss available to common shareholders	$(5,425,890)	2,358,267	$ (2.30)
Effect of Dilutive Securities			
Options Outstanding	--	--	
Diluted Net Loss Per Share			
Loss available to common shareholders plus assumed conversions	$(5,425,890)	2,358,267	$ (2.30)

<CAPTION>

Three Months Ended
September 30, 2007

	Net Loss	Shares	Per Share Amount
<S>	<C>	<C>	<C>
Basic Net Income Per Share			
Income available to common shareholders	$ 677,836	2,371,972	$ 0.29
Effect of Dilutive Securities			
Options Outstanding	--	2,643	
Diluted Net Income Per Share			
Income available to common shareholders plus assumed conversions	$ 677,836	2,374,615	$ 0.29

</TABLE>

<PAGE>

<TABLE>
<CAPTION>

	Nine Months Ended September 30, 2008		
	Net Loss	Shares	Per Share Amount
<S>	<C>	<C>	<C>
Basic Net Loss Per Share			
Loss available to common shareholders	$ (4,310,919)	2,364,904	$ (1.82)
Effect of Dilutive Securities			
Options Outstanding	--	536	
Diluted Net Loss Per Share			
Loss available to common shareholders plus assumed conversions	$ (4,310,919)	2,365,440	$ (1.82)

<CAPTION>

	Nine Months Ended September 30, 2007		
	Net Loss	Shares	Per Share Amount
<S>	<C>	<C>	<C>
Basic Net Income Per Share			
Income available to common shareholders	$ 1,662,496	2,370,515	$ 0.70
Effect of Dilutive Securities			
Options Outstanding	--	4,009	
Diluted Net Income Per Share			
Income available to common shareholders plus assumed conversions	$ 1,662,496	2,374,524	$ 0.70

</TABLE>

For the three months and nine months ended September 30, 2008, common stock equivalents existing at September 30, 2008 have been excluded from the computation of the net loss per share because the inclusion of such equivalents is anti-dilutive.

4. Other comprehensive (loss) income, which is comprised of the change in unrealized gains and losses on available for sale securities, as well as net pension loss, is as follows:

<TABLE>
<CAPTION>

	Three Months Ende September 30, 200	
	Before-Tax Amount	Tax Effect
<S>	<C>	<C>
Unrealized holding gains arising during the period	$(5,602,610)	$ 194,688
Less: reclassification adjustment for amounts recognized in net loss	6,720,523	(574,778)

Unrealized holding losses on available for sale securities, net of taxes	1,117,913	(380,090)
Net pension loss, net of taxes	(334,418)	113,702
Total other comprehensive income of taxes	$ 783,495	$(266,388)

<CAPTION>

<S>	Three Months Ende September 30, 200	
	Before-Tax Amount	Tax Effect
	<C>	<C>
Unrealized holding losses arising during the period	$ 1,907,394	$(648,514)
Add: reclassification adjustment for amounts recognized in net income	(33,982)	11,554
Unrealized holding gains on available for sale securities, net of taxes	$ 1,873,412	$(636,960)

</TABLE>

<PAGE>

<TABLE>
<CAPTION>

<S>	Nine Months Ended September 30, 2008	
	Before-Tax Amount	Tax Effect
	<C>	<C>
Unrealized holding losses arising during the period	$(9,913,788)	$ 1,660,488
Less: reclassification adjustment for amounts recognized in net loss	6,687,682	(563,612)
Unrealized holding losses on available for sale securities, net of taxes	(3,226,106)	1,096,876
Net pension loss, net of taxes	(813,770)	276,682
Total other comprehensive loss, net of taxes	$(4,039,876)	$ 1,373,558

<CAPTION>

<S>	Nine Months Ended September 30, 200	
	Before-Tax Amount	Tax Effect
	<C>	<C>
Unrealized holding gains arising during the period	$ 685,190	$ (232,965)
Add: reclassification adjustment for amounts recognized in net income	(19,632)	6,675
Unrealized holding gains on available for sale securities, net of taxes	$ 665,558	$ (226,290)

</TABLE>

<PAGE>

5. The Company's subsidiary, The First National Bank of Litchfield (the "Bank") has a noncontributory defined benefit pension plan (the "Plan") that covers substantially all employees who have completed one year of service and have attained age 21. The benefits are based on years of service and the employee's compensation during the last five years of employment. The Bank's funding policy was to contribute amounts to the Plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the Bank may determine to be appropriate from time to time. The actuarial information has been calculated using the projected unit credit method. The increase in net actuarial pension loss for the nine months ended September 30, 2008 is due to changes in market value of the Plan's investments since December 31, 2007. During the first quarter of 2005, the Bank's pension plan was curtailed as the Bank's Board of Directors approved the cessation of benefit accruals under the Plan effective April

30, 2005.

Components of net periodic benefit cost for the three months ended September 30:

	2008	2007
Service cost	$ --	$ --
Interest cost	46,306	46,042
Expected return on plan assets	(50,363)	(50,062)
Amortization of unrealized loss	14,812	16,952
Net periodic benefit cost	$ 10,755	$ 12,932

Components of net periodic benefit cost for the nine months ended September 30:

	2008	2007
Service cost	$ --	$ --
Interest cost	138,919	138,126
Expected return on plan assets	(151,090)	(150,186)
Amortization of unrealized loss	44,437	50,856
Net periodic benefit cost	$ 32,266	$ 38,796

6. The Bank is a member of the Federal Home Loan Bank of Boston (the "FHLBB"). As a member of the FHLBB, the Bank has access to a preapproved line of credit of up to 2% of its total assets and the capacity to borrow up to 30% of its total assets. In accordance with an agreement with the FHLBB, the Bank is required to maintain qualified collateral, as defined in the FHLBB Statement of Products Policy, free and clear of liens, pledges and encumbrances for the advances. FHLBB stock and certain loans which aggregate approximately 100% of the outstanding advance are used as collateral. Federal Home Loan Bank advances as of September 30, 2008 are as follows:

		Amount		Rate	
line of credit		$ 941,000	@	2.51%	
due	10/02/2009	6,000,000	@	4.50%	
due	11/30/2009	5,000,000	@	3.95%	
due	6/24/2010	5,000,000	@	4.15%	
due	11/02/2010	10,000,000	@	4.45%	
due	5/29/2012	5,000,000	@	4.32%	
due	9/04/2012	5,000,000	@	4.38%	
due	11/02/2012	2,000,000	@	4.70%	
due	5/02/2014	7,000,000	@	4.59%	, callable 5/3/2010
due	8/20/2014	7,000,000	@	4.25%	, callable 8/20/2009
due	5/05/2016	10,000,000	@	4.53%	, callable 11/5/2008
due	3/23/2017	10,000,000	@	4.29%	, callable 3/23/2009
due	7/20/2017	10,000,000	@	4.29%	, callable 10/22/2008
due	11/20/2017	5,000,000	@	4.29%	, callable 11/19/2012
	Total	$ 87,941,000			

<PAGE>

As of September 30, 2008, the Bank had borrowings under repurchase agreements with financial institutions totaling $26,450,000. This amount includes borrowings:

		Amount		Rate	
due	2/25/2009	3,950,000	@	3.20%	
due	3/12/2013	12,500,000	@	3.19%	, callable 3/12/2011
due	5/23/2013	10,000,000	@	3.64%	, callable 5/23/2011
	Total	$ 26,450,000			

7. A reconciliation of the anticipated income tax expense (computed by applying the Federal statutory income tax rate of 34% to the income before taxes) to the (benefit) provision for income taxes as reported in the statements of income is as follows:

<TABLE>
<CAPTION>

	For the three months ended September 3	
	2008	20

<S> <C> <C> <C>

(Benefit) provision for income taxes at statutory Federal rate	$(1,982,430)	(34)%	$ 288,051
Increase (decrease) resulting from:			
Tax exempt income	(148,249)	(3)	(149,518)
Nondeductible interest expense	10,423	--	15,555
Increase in valuation allowance	1,710,200	30	--
Other	5,270	--	15,285
Benefit provision for income taxes	$ (404,786)	(7)%	$ 169,373

<CAPTION>

	For the nine months ended September 3		
	2008		20
<S>	<C>	<C>	<C>
(Benefit) provision for income taxes at statutory Federal rate	$(1,559,194)	(34)%	$ 658,853
Increase (decrease) resulting from:			
Tax exempt income	(477,969)	(11)	(444,728)
Nondeductible interest expense	36,207	1	45,370
Increase in valuation allowance	1,710,200	37	--
Other	15,811	1	15,812
Benefit provision for income taxes	$ (274,945)	(6)%	$ 275,307

</TABLE>

During the three and nine months ended September 30, 2008, the Company incurred a $5,030,000 loss from the other-than-temporary impairment of Fannie Mae and Freddie Mac preferred stock and auction rate preferred securities holding such stock. As of September 30, 2008, these losses were considered capital losses for Federal income tax purposes, which are only deductible if such losses are offset against capital gains. Because the Company did not have any such capital gains in the tax carryback period, and because there were no tax strategies available to generate future capital gains to utilize such losses, a deferred tax valuation allowance of $1,710,200 was recorded, which represents the amount of deferred tax benefit related to the impairment losses.

Subsequent to September 30, 2008, the passage of the Federal Emergency Economic Stabilization Act changed the Federal tax laws to allow the deductions of losses related to Fannie Mae and Freddie Mac preferred stock and auction rate securities holding such stock to be treated as ordinary losses for Federal Income tax purposes. Therefore, the Company expects to reverse the valuation allowance and recognize the $1,710,200 deferred tax benefit of these impairment losses in the fourth quarter of 2008.

<PAGE>

8. The amortized cost, gross unrealized gains, gross unrealized losses and approximate fair values of securities which are classified as available for sale and held to maturity at September 30, 2008 and December 31, 2007 are as follows:

<TABLE>
<CAPTION>

AVAILABLE FOR SALE	September 30, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
<S>	<C>	<C>	<C>	<
Debt Securities:				
U.S. Treasury securities	$ 4,120,554	$ 13,899	$ --	$
U.S. Government Agency securities	21,500,000	80,698	(39,693)	
State and Municipal Obligations	19,933,926	4,273	(2,009,044)	
Corporate and Other Bonds	2,975,085	--	(926,521)	
	48,529,565	98,870	(2,975,258)	
Mortgage-Backed Securities:				
GNMA	551,242	--	(11,881)	
FNMA	46,672,962	5,254	(1,210,147)	
FHLMC	10,529,932	2,698	(247,389)	
	57,754,136	7,952	(1,469,417)	
Money Market mutual fund	26,336	--	--	

Marketable Equity Securities	3,000,002	--	(54,155)	
Total available for sale securities	$109,310,039	$ 106,822	$ (4,498,830)	$

<CAPTION>

	December 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
<S>	<C>	<C>	<C>	<
Debt Securities:				
U.S. Treasury securities	$ 4,007,040	$ 62,179	$ --	$
U.S. Government Agency securities	30,992,780	8,895	(106,435)	
State and Municipal Obligations	31,190,175	364,035	(49,871)	
Corporate and Other Bonds	4,898,731	--	(445,731)	
	71,088,726	435,109	(602,037)	
Mortgage-Backed Securities:				
GNMA	674,447	--	(16,521)	
FNMA	40,041,144	221,704	(996,597)	
FHLMC	12,311,134	61,541	(295,091)	
	53,026,725	283,245	(1,308,209)	
Marketable Equity Securities	6,030,000	54,000	(28,011)	
Total available for sale securities	$130,145,451	$ 772,354	$ (1,938,257)	$

<CAPTION>

HELD TO MATURITY	September 30, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
<S>	<C>	<C>	<C>	<
Mortgage-Backed Securities:				
GNMA	$ 31,233	$ --	$ (318)	$

<CAPTION>

	December 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
<S>	<C>	<C>	<C>	<
Mortgage-Backed Securities:				
GNMA	$ 34,185	$ --	$ (473)	$

</TABLE>

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During both the three and nine months ended September 30, 2008, the Company recorded losses for the other-than-temporary impairment of certain investments in Fannie Mae and Freddie Mac preferred/auction rate securities holding such stock, and trust preferred debt securities aggregating $6,946,098.

At September 30, 2008, gross unrealized holding losses on available for sale and held to maturity securities totaled $4,499,148. Of the securities with unrealized losses, there were twenty-nine securities that have been in a continuous unrealized loss position for a period of twelve months or more. The unrealized losses on these securities totaled $1,166,870 at September 30, 2008. Management does not believe that the unrealized losses on U.S. Government Agency debt securities, and mortgage-backed securities are other than temporary as the losses are due primarily to changes in the interest rate environment. The unrealized holding losses on state and municipal obligations is mostly a result of the market's reaction to

insurer downgrades and is not reflective of the issuer's underlying credit strength. Management considers the issuers to be financially sound and the Company is receiving and expects to continue to receive timely interest and principal payments. Unrealized holding losses on Corporate and other bonds are due to both changes in interest rates as well as lack of liquidity currently in the financial markets. Management believes that the lack of liquidity in these securities is due to the turmoil in the financial industry. Investors are reluctant to acquire these securities amidst weak forecasts for this sector of the economy. Management believes these unrealized losses to be temporary until such time as those markets have stabilized. The Company has both the intent and the ability to hold these securities until maturity or until the fair value fully recovers. In addition, Management considers the issuers of the securities to be financially sound and that the Company will receive all contractual principal and interest related to these investments. As a result, it is anticipated that these unrealized losses will not have a negative impact on future earnings or a permanent effect on capital. However, Management periodically evaluates investment alternatives to properly manage the overall balance sheet. The timing of sales and reinvestments is based on various factors, including Management's evaluation of interest rate risks and liquidity needs. In addition, Management periodically evaluates the credit worthiness of all issuers and future changes to those issuers may warrant a change in circumstances that would cause an impairment charge.

9. A summary of the Bank's loan and lease portfolio at September 30, 2008 and December 31, 2007 is as follows:

<TABLE>
<CAPTION>

	2008	2007
Real estate--residential mortgage	$ 190,518,998	$ 189,556,668
Real estate--commercial mortgage	59,192,882	55,752,240
Real estate--construction	35,963,046	34,808,984
Commercial Loans	43,636,144	33,641,679
Commercial Leases (net of unearned discount of $1,810,313)	18,586,319	8,634,199
Installment	5,380,896	6,519,812
Other	92,449	99,357
TOTAL LOANS AND LEASES	353,370,734	329,012,939
Net deferred loan origination costs	535,719	445,671
Premiums on purchased loans	97,794	168,383
Allowance for loan and lease losses	(2,267,102)	(2,151,622)
NET LOANS AND LEASES	$ 351,737,145	$ 327,475,371

</TABLE>

<PAGE>

10. A summary of the Bank's deposits at September 30, 2008 and December 31, 2007 is as follows:

	2008	2007
Noninterest bearing:		
Demand	$ 68,243,431	$ 70,564,267
Interest bearing:		
Savings	61,714,216	56,344,878
Money market	87,597,543	78,738,706
Time certificates of deposit in denominations of $100,000 or more	43,392,850	52,345,036
Other time certificates of deposit	79,779,063	77,624,777
Total Interest bearing deposits	272,483,672	265,053,397
TOTAL DEPOSITS	$340,727,103	$335,617,664

Included in deposits as of September 30, 2008 and December 31, 2007 are approximately $9,801,436 and $6,538,000, respectively, of brokered deposits which have varying maturities through September 2009 and December 2008, respectively.

11. During 2007 the Company approved a restricted stock plan (the "2007 Plan") for senior management. As of December 31, 2007, no restricted stock awards

had been granted. On February 15, 2008, the Company granted 3,500 restricted stock awards to senior management from the 2007 Plan. These awards vest ratably over a five-year period, or earlier if the senior manager ceases to be a senior manager for any reason other than cause, for example, retirement. The holders of these awards participate fully in the rewards of stock ownership of the Company, including voting and dividend rights. The senior managers are not required to pay any consideration to the Company for the restricted stock awards. The Company measured the fair value of the awards based on the average of the high price and low price at which the Company's common stock traded on the date of the grant. Compensation expense related to these awards for the three and nine months ended September 30, 2008 was $2,294 and $6,118 respectively.

A summary of restricted shares under the 2007 Plan as of September 30, 2008, and changes during the nine months then ended, (shares in thousands) is presented below:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2008	--	$ --
Granted	3,500	13.11
Vested	--	--
Forfeited	--	--
Nonvested at September 30, 2008	3,500	$ 13.11

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12. The Company has two operating segments for purposes of reporting business line results: Community Banking and Leasing. The Community Banking segment is defined as all the operating results of the Bank. The Leasing segment is defined as the results of First Litchfield Leasing Corporation. Because First Litchfield Leasing Corporation is a relatively new subsidiary, methodologies and organizational hierarchies are newly developed and will be subject to periodic review and revision. The following presents the operating results and total assets for the segments of the Company as of and for the three months and nine months ended September 30, 2008 and 2007, respectively. The Company uses an internal reporting system to generate information by operating segment. Estimates and allocations are used for noninterest expenses and income taxes. The Company uses a matched maturity funding concept to allocate interest expense to First Litchfield Leasing Corporation. The matched maturity funding concept utilizes the origination date and the maturity date of the lease to assign an interest expense to each lease.

<TABLE>
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	Three Months Ended September 30, 2008			
	Community Banking	Leasing	Elimination Entries	Consolidat Total
<S>	<C>	<C>	<C>	<C>
Net interest income	$ 3,713,276	$ 171,606	$ --	$ 3,884,8
Provision for credit losses	119,909	35,091	--	155,0
Net interest income after provision	3,593,367	136,515	--	3,729,8
Noninterest (loss) income	(5,811,556)	4,028	--	(5,807,5
Noninterest expense	3,672,156	80,874	--	3,753,0
(Loss) income before income taxes	(5,890,345)	59,669	--	(5,830,6
Income tax (benefit) provision	(423,034)	18,248	--	(404,7
Net (loss) income	$ (5,467,311)	$ 41,421	$ --	$ (5,425,8
Total assets as of September 30, 2008	$ 484,358,599	$ 22,179,838	$ --	$ 506,538,4

<CAPTION>

Three Months Ended

	September 30, 2007			
	Community Banking	Leasing	Elimination Entries	Consolidat Total
<S>	<C>	<C>	<C>	<C>
Net interest income	$ 3,259,081	$ 78,512	$ --	$ 3,337,5
Provision for credit losses	(18,203)	18,203	--	
Net interest income after provision	3,277,284	60,309	--	3,337,5
Noninterest income	890,301	--	--	890,3
Noninterest expense	3,306,043	74,642	--	3,380,6
Income (loss) before income taxes	861,542	(14,333)	--	847,2
Income tax provision (benefit)	211,090	(41,717)	--	169,3
Net income	$ 650,452	$ 27,384	$ --	$ 677,8
Total assets as of September 30, 2007	$ 467,492,051	$ 9,501,221	$ --	$ 476,993,2

</TABLE>

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<TABLE>
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	Nine Months Ended September 30, 2008			
	Community Banking	Leasing	Elimination Entries	Consolidate Total
<S>	<C>	<C>	<C>	<C>
Net interest income	$ 10,708,773	$ 465,748	$ --	$ 11,174,5
Provision for credit losses	280,226	86,774	--	367,0
Net interest income after provision	10,428,547	378,974	--	10,807,5
Noninterest (loss) income	(4,021,621)	4,028	--	(4,017,5
Noninterest expense	11,119,124	256,668	--	11,375,7
(Loss) income before income taxes	(4,712,198)	126,334	--	(4,585,8
Income tax (benefit) provision	(313,270)	38,325	--	(274,9
Net (loss) income	$ (4,398,928)	$ 88,009	$ --	$ (4,310,9
Total assets as of September 30, 2008	$ 484,358,599	$ 22,179,838	$ --	$ 506,538,4

<CAPTION>

	Nine Months Ended September 30, 2007			
	Community Banking	Leasing	Elimination Entries	Consolidate Total
<S>	<C>	<C>	<C>	<C>
Net interest income	$ 9,663,820	$ 157,001	$ --	$ 9,820,8
Provision for credit losses	36,268	68,732	--	105,0
Net interest income after provision	9,627,552	88,269	--	9,715,8
Noninterest income	2,511,672	--	--	2,511,6
Noninterest expense	10,047,504	242,186	--	10,289,6
Income (loss) before income taxes	2,091,720	(153,917)	--	1,937,8
Income tax (benefit) provision	364,911	(89,604)	--	275,3
Net income (loss)	$ 1,726,809	$ (64,313)	$ --	$ 1,662,4

Total assets as of September 30, 2007	$ 467,492,051	$ 9,501,221	$ --	$ 476,993,2
	=============	=============	=============	===========

</TABLE>

13. Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157") which provides a framework for measuring and disclosing fair value under generally accepted accounting principles. SFAS 157 requires disclosures about the fair value of assets and liabilities recognized in the balance sheet in periods subsequent to initial recognition, whether the measurements are made on a recurring basis (for example, available-for-sale investment securities) or on a nonrecurring basis (for example, impaired loans).

SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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Level 1 Quoted prices in active markets for identical assets or liabilities. Level 1 assets include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities, that are highly liquid and are actively traded in over-the-counter markets.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes other U.S. Government and agency mortgage-backed and debt securities, state and municipal obligations, corporate and other bonds, and equity securities quoted in markets that are not active. Also included are certain collateral-dependant impaired loans.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. For example, this category could include certain private equity investments, and certain collateral-dependant impaired loans.

Fair Value Measurements at September 30, 2008, Using

<TABLE>
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	September 30, 2008 Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Signifi Unobserv Inpu (Leve
<S>	<C>	<C>	<C>	<C>
Assets:				
Available for sale securities	$ 104,918,031	$ 4,134,453	$ 100,783,578	$
	==============	==============	==============	========

</TABLE>

U.S. Treasury securities, with a carrying value of $4,134,453 at September 30, 2008, are the only assets whose fair values are measured on a recurring basis using Level 1 inputs (active market quotes).

The fair values of U. S. Government and agency mortgaged backed securities and debt securities, State and Municipal obligations, other corporate bonds, and certain equity securities are measured on a recurring basis, using Level 2 inputs of observable market data on similar securities. The carrying value of these securities totaled $100,783,578 as of September

30, 2008.

For the third quarter of 2008 there has been no change in the categorization of securities measured within levels 1 through 3.

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Loans which are deemed to be impaired are primarily valued at the lower of the current value, present value of future cash flows or, the fair values of the underlying collateral of the impaired loan. Such fair values are obtained using independent appraisals, which the Company considers to be level 2 inputs. If such appraisal amounts are subsequently adjusted by management, such fair values may then be considered to be Level 3 inputs. Collateral dependant impaired loans were insignificant at September 30, 2008.

The Company has no liabilities carried at fair value or measured at fair value on a nonrecurring basis.

Also in February 2008, the FASB issued FSP FAS 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13," which clarified that Statement 157 does not apply to Statement 13, "Accounting for Leases," and other pronouncements that address fair value measurements for purposes of lease classification or measurement. The scope exception does not apply to assets acquired and liabilities assumed in a business combination that are required to be measured at fair value under Statement 141, "Business Combinations," regardless of whether those assets and liabilities are related to leases.

On February 12, 2008, the FASB issued Staff Position 157-2 which defers the effective date of Statement 157 for certain nonfinancial assets and liabilities to fiscal years beginning after November 15, 2008. All other provisions of Statement 157 are effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years.

In October 2008, the FASB issued FSP FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active ("FSP 157-3"), which was effective upon issuance including prior periods for which financial statements have not been issued.

FSP 157-3 applies to financial assets within the scope of accounting pronouncements that require or permit fair value measurements in accordance with SFAS 157 and clarifies the application of SFAS 157, in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The Company adopted this FSP for its September 30, 2008 financial statements. The impact of adoption on the Company's financial statements was not material.

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The Company adopted the provisions of Statement 157 for the quarter ended March 31, 2008 except for those nonfinancial assets and liabilities subject to deferral as a result of Staff Position 157-2. There was no impact on the consolidated financial statements of the Company as a result of the adoption of Statement 157.

14. In September 2006, the FASB ratified Emerging Issues Task Force ("EITF") Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefits Associated with Endorsement Split-Dollar Life Insurance Arrangements" ("EITF 06-4"), and in March 2007, the FASB ratified EITF Issue No. 06-10, "Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements" ("EITF 06-10"). EITF 06-4 requires deferred compensation or postretirement benefit aspects of an endorsement-type split-dollar life insurance arrangement to be recognized as a liability by the employer and states the obligation is not effectively settled by the purchase of a life insurance policy. The liability for future benefits should be recognized based on the substantive agreement with the employee, which may be either to provide a future death benefit or to pay for the future cost of the life insurance. EITF 06-10 provides recognition guidance for postretirement benefit liabilities related to collateral assignment split-dollar life insurance arrangements, as well as recognition and measurement of the associated asset on the basis of the terms of the collateral assignment split-dollar life insurance arrangement. EITF 06-4 and EITF 06-10 are effective for fiscal years beginning after December 15, 2007. The adoption of EITF 06-4 or EITF 06-10

resulted in a decrease to retained earnings of $12,272.

15. Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No, 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No, 115 (Statement 159) which permits an entity to choose to measure certain financial instruments and certain other items at fair value, on an instrument-by-instrument basis. Once an entity has elected to record eligible items at fair value, the decision is irrevocable and the entity should report unrealized gains and losses on items for which the fair value option has been elected in earnings. Statement 159 is effective for fiscal years beginning after November 15, 2007. At the effective date, an entity may elect the fair value option for eligible items that exist at that date with the effect of the first measurement to fair value reported as a cumulative-effect adjustment to the opening balance of retained earnings. There was no impact on the consolidated financial statements of the Company as a result of the adoption of Statement 159 during the first quarter of 2008 since the Company has not elected the fair value option for any eligible items, as defined in Statement 159.

In September 2006, the FASB issued SFAS No.158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106 and 132(R) (SFAS 158). SFAS 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or a liability in its balance sheet and to recognize changes in that funded status in the year in which the changes occur through accumulated other comprehensive income. The Company adopted the recognition provisions of this standard effective December 31, 2006. SFAS 158 also requires an employer to measure the funded status of a plan as of the employer's year-end reporting date. The Company's non-contributory pension plan was frozen in May of 2005. The measurement date provisions of SFAS 158 are effective for the Company for the year ending December 31, 2008. Management does not expect the adoption of the measurement date provisions of SFAS 158 to have a material impact on the Company's financial position or results of operations.

In December 2007, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 141(R), "Business Combinations," ("SFAS 141(R)") which replaces SFAS 141. SFAS 141(R)

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establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. FAS 141(R) is effective for acquisitions by the Company taking place on or after January 1, 2009. Early adoption is prohibited. Accordingly, a calendar year-end company is required to record and disclose business combinations following existing accounting guidance until January 1, 2009. The Company will assess the impact of SFAS 141(R) if and when a future acquisition occurs.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51" ("SFAS 160"). SFAS 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Before this statement, limited guidance existed for reporting noncontrolling interests (minority interest). As a result, diversity in practice exists. In some cases minority interest is reported as a liability and in others it is reported in the mezzanine section between liabilities and equity. Specifically, SFAS 160 requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financials statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. SFAS 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the noncontrolling equity investment on the deconsolidation date. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interests. SFAS 160 is effective for the Company on January 1, 2009. Earlier adoption is prohibited. The Company is currently evaluating the

impact, if any, the adoption of SFAS 160 will have on its financial position, results of operations and cash flows.

In June 2008, the FASB issued FASB Staff Position (FSP) EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities. This FSP addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS) under the two-class method described in paragraphs 60 and 61 of FASB Statement No. 128, Earnings per Share. This FSP shall be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior-period EPS data presented shall be adjusted retrospectively (including interim financial statements, summaries of earnings, and selected financial data) to conform with the provisions of this FSP. Early application is not permitted. The Company does not expect this FSP to have a significant effect on the Company's financial statements.

16. Reclassifications

Certain 2007 amounts have been reclassified to conform with the 2008 presentation, and such reclassifications had no effect on net income.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

First Litchfield Financial Corporation (the "Company"), a Delaware corporation formed in 1988, is the one-bank holding company for The First National Bank of Litchfield (the "Bank"), a national bank supervised and examined by the Office of the Comptroller of the Currency (the "OCC"). The Bank is the Company's primary subsidiary and only source of income. The Bank has three subsidiaries, The Lincoln Corporation and Litchfield Mortgage Service Corporation, which are Connecticut corporations, and First Litchfield Leasing Corporation ("First Litchfield Leasing"), which is a Delaware corporation. The purpose of The Lincoln Corporation is to hold property such as real estate, personal property, securities, or other assets, acquired by the Bank through foreclosure or otherwise to compromise a doubtful claim or collect a debt previously contracted. The purpose of Litchfield Mortgage Service Corporation is to operate as a passive investment company in accordance with Connecticut law. The purpose of First Litchfield Leasing is to provide equipment financing and leasing products to complement the Bank's array of commercial products.

Both the Company and the Bank are headquartered in Litchfield, Connecticut. The Bank is a full-service commercial bank serving both individuals and businesses generally within Litchfield County Connecticut. Deposits are insured up to specific limits of the Federal Deposit Insurance Act by the Deposit Insurance Fund, which is administered by the Federal Deposit Insurance Corporation. The Bank's lending activities include loans secured by residential and commercial mortgages. Other loan products include consumer and business installment lending, as well as other secured and nonsecured lending. The Bank has nine banking locations located in the towns of Canton, Torrington, Litchfield, Washington, Marble Dale, Goshen, Roxbury and New Milford, Connecticut. In 1975, the Bank was granted Trust powers by the OCC. The Bank's Trust Department provides trust and fiduciary services to individuals, nonprofit organizations and commercial customers. Additionally, the Bank offers nondeposit retail investment products such as mutual funds, annuities and insurance through its relationship with Infinex Investments, Inc.

On June 26, 2003, the Company formed First Litchfield Statutory Trust I for the purpose of issuing trust preferred securities and investing the proceeds in subordinated debentures issued by the Company, and on June 26, 2003, the first series of trust preferred securities were issued. During the second quarter of 2006, the Company formed a second statutory trust, First Litchfield Statutory Trust II ("Trust II"). The Company owns 100% of Trust II's common stock. Trust II exists for the sole purpose of issuing trust securities and investing the proceeds in subordinated debentures issued by the Company. In June 2006, Trust II issued its first series of trust preferred securities.

The following discussion and analysis of the Company's consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements.

FINANCIAL CONDITION

Total assets as of September 30, 2008 were $506,538,437, and substantially unchanged from total assets of $507,653,629 at December 31, 2007.

Net loans and leases increased $24,261,774 over the year-end 2007 amount. Net loans and leases as of September 30, 2008 were $351,737,145, as compared to the year-end 2007 level of $327,475,371.

Consistent with Management's strategy to migrate to a more profitable loan composition, commercial loan and lease growth was strong during the third quarter of 2008. Leases, net of unearned income, were $18,586,319 at September 30, 2008, which was an increase of $9,952,120 from the year-end 2007 balance of $8,634,199. Commercial loans totaled $43,636,144, which is an increase of $9,994,465, from year-end 2007. Growth in commercial loans has been in both lines of credit and in term financing and continues to be a result of the sales development and commercial calling initiatives for traditional and contiguous markets. The residential mortgage loan portfolio totaled $190,518,998, which substantially unchanged from year-end 2007.

As of September 30, 2008, the securities portfolio totaled $104,949,264, which is a 18.65% decrease from the year-end 2007 balance. During the first quarter of 2008 the Company had executed a leverage strategy whereby $25,000,000 of fixed rate mortgage backed securities were purchased and funded by borrowings from repurchase agreements. During the third quarter of 2008 the Company sold approximately $35,000,000 in investment securities. These sales were executed to increase liquidity as well as to decrease the total assets of the Bank in order to ensure capital adequacy as of September 30, 2008. Additionally, the Company wrote down for other than temporary impairment ("OTTI") $5,030,000 of the Bank's investments in Fannie Mae and Freddie Mac preferred stock/auction rate securities holding such stock holdings during the third quarter. During the third quarter the Company also recorded an OTTI loss of $1,916,100 on the Bank's investment in a pooled trust preferred security.

The due from broker for security sales totaled $11,643,821, as a result of securities traded on September 30, 2008 and proceeds not received until October 2008.

Cash and cash equivalents totaled $7,044,123, which is a decrease of $14,453,071, or 67.23% from year-end 2007. During 2008, funds temporarily invested in interest bearing correspondent bank balances at year-end were used to pay down wholesale borrowings as well as to fund loan growth.

Total liabilities were $486,427,263 as of September 30, 2008, which was an increase of $7,136,246 from total liabilities of $479,291,017 as of year-end 2007. Total deposits increased by $5,109,439, or 1.52% from their year-end levels. Money market deposits increased by $8,858,837, or 11.25% as a result of higher balances held for the Bank's trust customers as well as increased money market balances due to a third quarter rate promotion. Time certificates of deposit totaled $123,171,913 as of September 30, 2008, which was a decrease of 5.23%, or $6,797,900 from year-end 2007. The decrease in time deposits is reflective of the customer's desire for liquidity and the shifting of the reinvestment of maturing certificate of deposits into the money market deposits.

As of September 30, 2008, repurchase agreements with customers totaled $13,269,417, which was a decrease of $873,356 from the year-end 2007 balance. Because these accounts represent overnight investments by commercial and municipal cash management customers, fluctuations in the balances of these accounts are reflective of the temporary nature of these funds. During the third quarter of 2008, advances under Federal Home Loan Bank borrowings decreased by $3,559,000, while repurchase agreements with financial institutions increased by $4,900,000 as a result of the first quarter leverage strategy discussed above.

Shareholders' equity totaled $20,061,174 as of September 30, 2008 as compared with $28,312,612 as of December 31, 2007. The decrease in shareholders' equity of $8,251,438 is due primarily to the OTTI losses taken on available for sale securities in the third quarter of 2008. These losses net of taxes totaled $6,294,626. Additionally, the change in the Company's unrealized losses on available for sale securities during 2008 reduced equity by $2,129,230.

RESULTS OF OPERATIONS- THREE MONTHS ENDED SEPTEMBER 30, 2008 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2007

Summary

Net loss for the Company for the third quarter of 2008 totaled $5,425,890 versus

net income of $677,836 for the third quarter of 2007. Basic and diluted loss per share for the third quarter of 2008 were both $2.30, compared to basic and diluted income per share of $.29 for the third quarter of 2007.

The decrease in net income is due primarily to the OTTI losses on available for sale securities resulting from the OTTI losses on Freddie Mac and Fannie Mae securities recorded during the third quarter, when the United States Government placed Fannie Mae and Freddie Mac into conservatorship. As a result, the Company had to take a $5,030,000 write down of Freddie Mac and Fannie Mae preferred stock during the quarter ended September 30, 2008. No tax benefit was recognized as a result of these charges for the quarter ended September 30, 2008, because applicable law at the time required financial institutions to treat the loss as a capital loss. On October 3, 2008, the Emergency Economic Stabilization Act of 2008 was enacted, which includes a provision that permits financial institutions to recognize losses relating to the Freddie Mac and Fannie Mae preferred stock as an ordinary loss, thereby allowing a tax benefit for both tax and financial reporting purposes. Therefore, a tax benefit of approximately $1,710,200 was not recognized in the quarter ended September 30, 2008, and will be recognized in the quarter ending December 31, 2008. This tax benefit, had it been recognized in the same quarter as the losses were taken, would have added approximately $.73 to the Company's book value and reduced the third quarter loss by $.73 per share. (See Footnote 7 of the Consolidated Financial Statements.)

Additionally during the third quarter the Company recorded an OTTI loss on a pooled trust preferred security as a result of this security being downgraded below investment grade. This loss, net of taxes, totaled $1,264,626.

Net Interest Income

Net interest income is the largest component of the Company's operations. Net interest income is defined as the difference between interest and dividend income from earning assets, primarily loans and investment securities, and interest expense on deposits and borrowed money. Interest income is the product of the average balances outstanding on loans, securities and interest-bearing deposit accounts multiplied by their effective yields. Interest expense is similarly calculated as the result of the average balances of interest-bearing deposits and borrowed funds multiplied by the average rates paid on those funds. Other components of operating income are the provision for loan losses, noninterest income such as service charges and trust fees, noninterest expenses and income taxes.

Net interest income on a fully tax-equivalent basis is comprised of the following for the three months ended September 30,

	2008	2007
Interest and dividend income	$ 7,140,667	$ 7,113,345
Tax-equivalent adjustments (1)	156,436	152,617
Interest expense	(3,255,785)	(3,775,752)
Net interest income	$ 4,041,318	$ 3,490,210

(1) Interest income is presented on a tax-equivalent basis which reflects a federal tax rate of 34% for all periods presented.

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The following table presents on a tax-equivalent basis, the Company's average balance sheet amounts (computed on a daily basis), net interest income, interest rates, interest spread and net interest margin for the three months ended September 30, 2008 and 2007. Average loans outstanding include nonaccruing loans.

DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY;
INTEREST RATES AND INTEREST DIFFERENTIAL

<TABLE>
<CAPTION>

	Three months ended September 30, 2008			Three months ended September	
	Average Balance	Interest Earned/ Paid	Yield/ Rate	Average Balance	Interest Earned/ Paid
<S>	<C>	<C>	<C>	<C>	<C>
Assets					
Interest Earning Assets:					
Loans and leases	$ 348,266,000	$5,367,408	6.16%	$ 312,731,000	$5,342,576

Investment securities	155,762,000	1,886,213	4.84%	135,343,000	1,755,324
Other interest earning assets	9,603,000	43,482	1.81%	15,006,000	168,062
Total interest earning assets	513,631,000	7,297,103	5.68%	463,080,000	7,265,962
Allowance for loan and lease losses	(2,222,000)			(2,125,000)	
Cash and due from banks	11,310,000			11,650,000	
Premises and equipment	7,440,000			7,867,000	
Net unrealized losses on securities	(6,955,000)			(3,721,000)	
Other assets	18,117,000			17,878,000	
Total Average Assets	$ 541,321,000			$ 494,629,000	
Liabilities and Shareholders' Equity					
Interest Bearing Liabilities:					
Savings deposits	$ 64,474,000	173,193	1.07%	$ 60,801,000	237,267
Money Market deposits	80,602,000	363,373	1.80%	79,767,000	627,841
Time deposits	131,370,000	1,130,642	3.44%	133,759,000	1,529,945
Borrowed funds	163,604,000	1,588,577	3.88%	120,523,000	1,380,699
Total interest bearing liabilities	440,050,000	3,255,785	2.96%	394,850,000	3,775,752
Demand deposits	72,097,000			68,565,000	
Other liabilities	4,446,000			4,844,000	
Shareholders' Equity	24,728,000			26,370,000	
Total liabilities and equity	$ 541,321,000			$ 494,629,000	
Net interest income		$4,041,318			$3,490,210
Net interest spread			2.72%		
Net interest margin			2.99%		

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RATE/VOLUME ANALYSIS

The following table, which is presented on a tax-equivalent basis, reflects the changes for the three months ended September 30, 2008 when compared to the three months ended September 30, 2007 in net interest income arising from changes in interest rates and from asset and liability volume mix. The change in interest attributable to both rate and volume has been allocated to the changes in the rate and the volume on a pro rata basis.

	09/30/08 Compared to 09/30/07 Increase (Decrease) Due to		
	Volume	Rate	Total
Interest earned on:			
Loans and leases	$ 575,148	$(550,316)	$ 24,832
Investment securities	252,626	(121,737)	130,889
Other interest earning assets	(46,932)	(77,648)	(124,580)
Total interest earning assets	780,842	(749,701)	31,141
Interest paid on:			
Deposits	18,361	(746,206)	(727,845)
Borrowed money	440,797	(232,919)	207,878
Total interest bearing liabilities	459,158	(979,125)	(519,967)
Increase in net interest income	$ 321,684	$ 229,424	$ 551,108

Tax-equivalent net interest income for the third quarter of 2008 totaled $4,041,318, an increase of $551,108, or 15.79% from the third quarter of 2007. Both the increase in the volume of earning assets as well as increased interest margin contributed to the improvement in net interest income. The effect of increased volume of earning assets over interest bearing liabilities increased net interest income by $321,684. Also, the Company was able to decrease its cost of deposit interest to a greater degree than the interest earned on earning

assets which resulted in $229,424 in additional net interest income.

Average earning assets for the third quarter of 2008 totaled $513,631,000, which was $50,551,000 or 10.92% higher than average earning assets for the third quarter of 2007 which totaled $463,080,000. This increase in loans and investments, net of increased volume of interest bearing liabilities, contributed to an additional $368,616 in net interest income. Average loans and leases increased by $35,535,000, or 11.36%, while average investments increased by $20,419,000 or 15.09%. The increase in earning assets came from organic growth in commercial leasing and lending as well as increases in the securities portfolio strategically designed to take advantage of the steepened yield curve.

The tax equivalent net interest margin improved 17 basis points from 2.82% in the third quarter of 2007 to 2.99% for the third quarter of 2008. Funding costs decreased by 86 basis points while the tax equivalent yield on earning assets decreased by 57 basis points. The significant drop in interest rates by the Federal Open Market Committee of the Federal Reserve (the "FOMC") during the first quarter allowed management to similarly adjust its deposit rates. Although yields on earning assets are subject to similar declines, the structural repricing intervals for many earning assets will not occur until later this year. Also, many interest earning assets are priced off of longer market indices, which were not as dramatically impacted by the FOMC decreases. Retail deposits is the primary source of the Company's funding and therefore competition for these deposits remains the biggest threat to the net interest margin.

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Provision for Loan and Lease Losses

The provision for loan and lease losses for the third quarter of 2008 totaled $155,000, which is an increase of $155,000 from the third quarter of 2007 which had no provision. The provision for loan and lease losses is determined quarterly based on the calculation of the allowance for loan and lease losses. (See discussion of the Allowance for Loan and Lease Losses.)

During the third quarter of 2008, the Company recorded net charge-offs of $121,476 compared to third quarter 2007 net charge-offs of $6,313. The change in the level of charge-offs from 2007 to 2008 is due to one commercial loan charge-off in 2008 and higher levels of charge-off activity from the consumer automobile loan portfolio, which the Bank purchased in 2006. The change in the level of charge-offs from 2007 to 2008 is considered by Management to be reflective of a weakening consumer credit environment.

Noninterest (Loss) Income

Noninterest loss for the third quarter of 2008 totaled $5,807,528, versus third quarter 2007 income of $890,301. The decrease in noninterest income is the direct result of the $6,946,098 OTTI write down of the Bank's investments in Fannie Mae and Freddie Mac preferred stock/auction rate securities holding such stock holdings, as well as a pooled trust preferred security, during the third quarter.

During September of 2008, the United States Government placed two government sponsored entities, Fannie Mae and Freddie Mac into conservatorship. This action caused the Bank's unrealized market losses in Fannie Mae and Freddie Mac preferred stock and auction rate security holding such stock to be considered as OTTI and resulted in the Bank's complete write down of the $5,030,000 investments. Additionally the Bank recorded an OTTI loss of $1,916,100 on its holding of a pooled trust preferred security as a result of this instrument's credit rating being downgraded to less than investment grade. Also during the third quarter of 2008, $35,000,000 in sales of available for sale securities were sold for the purpose of shortening the duration of the portfolio as well as to deleverage the balance sheet to ensure capital adequacy at September 30, 2008. These sales resulted in net gains of $215,300.

Trust income totaled $319,049, which represented 8.2% of noninterest income decreased $31,022 or 8.9% from $350,071 at September 30, 2007. The weakened economic and market conditions continue to put pressure on wealth management income. Income from banking service charges and fees increased by $80,334, or 23.80%, from the third quarter of 2007. This increase is due primarily to higher levels of deposit service charges, cash management, and master money interchange fees. Other noninterest income totaled $176,143, which was an increase of $7,364, or 4.36% from the third quarter of 2007. This increase is a result of the increase in the cash surrender value of bank owned life insurance.

Noninterest Expense

Third quarter 2008 noninterest expense totaled $3,753,030, increasing 11.01%, or $372,344 from the third quarter 2007 expense of $3,380,686. Increases in

noninterest expenses are reflected in staffing, advertising, exam, audit and consulting fees. Increased salary and benefits expenses were due to additional compliance personnel and an increased emphasis on commercial and small business development. Advertising expense totaled $170,839, which was an increase of $72,299, or 73.37% increase from the third quarter of 2007. This increase is due primarily to the Bank's image campaign which was launched during the fourth quarter of 2007 as well as product and publicity promotions.

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Other noninterest expenses totaled $515,352 which is an increase of $18,341, or 3.69% from the third quarter of 2007. The majority of the increase is a result of higher 2008 costs for exam and audit fees as they relate to regulatory reporting compliance and internal audit initiatives.

Income Taxes

The Company recorded a tax benefit of $404,786 for the third quarter of 2008. This benefit compares to the third quarter of 2007 provision of $169,373. The third quarter expected tax benefit did not relate proportionately to the pretax loss due to the Company's inability to consider its loss on the Fannie Mae and Freddie Mac OTTI write-down as ordinary income as of September 30, 2008. With the October 2008 passage of the Emergency Economic Stabilization Act, banks with Fannie Mae or Freddie Mac preferred shares and auction rate securities holding such shares can treat their losses as ordinary losses for tax purposes. Pursuant to this change, the Company will recognize the tax benefit of approximately $1,710,000 in the fourth quarter of 2008.

RESULTS OF OPERATIONS - NINE MONTHS ENDED SEPTEMBER 30, 2008 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2007

Summary

Net loss for the Company for the nine months ended September 30, 2008 totaled $4,310,919 versus earnings of $1,662,496 for the nine months ended September 30, 2007. Basic and diluted loss per share for the nine months ended September 30, 2008 were both $1.82, compared to basic and diluted income per share of $.70 for the nine months ended September 30, 2007. The 2008 net loss is due primarily to the OTTI loss on available for sale securities in the third quarter of 2008.

Net Interest Income

Net interest income is the largest component of the Company's operations. Net interest income is defined as the difference between interest and dividend income from earning assets, primarily loans and investment securities, and interest expense on deposits and borrowed money. Interest income is the product of the average balances outstanding on loans, securities and interest-bearing deposit accounts multiplied by their effective yields. Interest expense is similarly calculated as the result of the average balances of interest-bearing deposits and borrowed funds multiplied by the average rates paid on those funds. Other components of operating income are the provision for loan losses, noninterest income such as service charges and trust fees, noninterest expenses and income taxes.

Net interest income on a fully tax-equivalent basis is comprised of the following for the nine months ended September 30,

	2008	2007
Interest and dividend income	$ 21,575,168	$ 20,991,206
Tax-equivalent adjustments (1)	515,164	457,927
Interest expense	(10,400,647)	(11,170,385)
Net interest income	$ 11,689,685	$ 10,278,748

(1) Interest income is presented on a tax-equivalent basis which reflects a federal tax rate of 34% for all periods presented.

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The following table presents on a tax-equivalent basis, the Company's average balance sheet amounts (computed on a daily basis), net interest income, interest rates, interest spread and net interest margin for the nine months ended September 30, 2008 and 2007. Average loans outstanding include nonaccruing loans.

DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY;

INTEREST RATES AND INTEREST DIFFERENTIAL

<TABLE>
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	Nine months ended September 30, 2008			Nine months ended Septe	
	Average Balance	Interest Earned/ Paid	Yield/ Rate	Average Balance	Interes Earned Paid
<S>	<C>	<C>	<C>	<C>	<C>
Assets					
Interest Earning Assets:					
Loans and leases	$ 341,230,000	$ 16,209,373	6.33%	$ 307,283,000	$ 15,542
Investment securities	150,686,000	5,670,091	5.02%	145,397,000	5,539
Other interest earning assets	10,967,000	210,868	2.56%	10,096,000	367
Total interest earning assets	502,883,000	22,090,332	5.86%	462,776,000	21,449
Allowance for loan and lease losses	(2,184,000)			(2,131,000)	
Cash and due from banks	11,388,000			13,464,000	
Premises and equipment	7,586,000			7,655,000	
Net unrealized losses on securities	(3,473,000)			(3,129,000)	
Other assets	16,943,000			17,350,000	
Total Average Assets	$ 533,143,000			$ 495,985,000	
Liabilities and Shareholders' Equity					
Interest Bearing Liabilities:					
Savings deposits	$ 59,062,000	479,079	1.08%	$ 55,325,000	567
Money Market deposits	81,332,000	1,185,540	1.94%	75,971,000	1,677
Time deposits	135,138,000	3,976,610	3.92%	139,763,000	4,825
Borrowed funds	157,692,000	4,759,418	4.02%	124,959,000	4,099
Total interest bearing liabilities	433,224,000	10,400,647	3.20%	396,018,000	11,170
Demand deposits	68,055,000			68,661,000	
Other liabilities	4,864,000			4,672,000	
Shareholders' Equity	27,000,000			26,634,000	
Total liabilities and equity	$ 533,143,000			$ 495,985,000	
Net interest income		$ 11,689,685			$ 10,278
Net interest spread			2.66%		
Net interest margin			2.92%		

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RATE/VOLUME ANALYSIS

The following table, which is presented on a tax-equivalent basis, reflects the changes for the nine months ended September 30, 2008 when compared to the nine months ended September 30, 2007 in net interest income arising from changes in interest rates and from asset and liability volume mix. The change in interest attributable to both rate and volume has been allocated to the changes in the rate and the volume on a pro rata basis.

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	09/30/08 Compared to 09/30/07 Increase (Decrease) Due to		
	Volume	Rate	Total
<S>	<C>	<C>	<C>
Interest earned on:			
Loans and leases	$1,649,674	$ (982,671)	$ 667,003
Investment securities	199,644	(68,805)	130,839
Other interest earning assets	29,393	(186,036)	(156,643)
Total interest earning assets	1,878,711	(1,237,512)	641,199
Interest paid on:			

Deposits	114,895	(1,544,575)	(1,429,680)
Borrowed money	1,008,041	(348,099)	659,942
Total interest bearing liabilities	1,122,936	(1,892,674)	(769,738)
Increase in net interest income	$ 755,775	$ 655,162	$ 1,410,937

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Tax-equivalent net interest income for the first nine months of 2008 totaled $11,689,685, an increase of $1,410,937, or 13.7% from the first nine months of 2007. Both the increase in the volume of earning assets as well as increased interest margin contributed to the improvement in net interest income. The effect of increased volume of earning assets over interest bearing liabilities increased net interest income by $755,775. Also, the Company was able to decrease its cost of deposit interest to a greater degree than the interest earned on earning assets which resulted in $655,162 in additional net interest income.

Average earning assets for the first nine months of 2008 totaled $502,883,000, which was $40,107,000, or 8.7% higher than average earning assets for the first nine months of 2007, which totaled $462,776,000. This increase in earning assets was predominately in the loan and lease portfolio which on average totaled $341,230,000, an increase of $33,947,000 or 11.1%. The increase in loan volume contributed $1,649,674 in additional interest income. For the first nine months of 2008, loans were 67.8% of earning assets compared to 66.3% for the same time in 2007. This higher percentage of loans and leases to average earning assets contributed to a more profitable mix of earning assets. Growth in average earning assets was funded, primarily by borrowings, the interest expense which offset some of the increased interest income.

The 2008 year to date net interest margin increased by 16 basis points from the same period in 2007. Funding costs decreased by 56 basis points while the yield on earning assets decreased by 32 basis points. The significant drop in interest rates by the Federal Open Market Committee of the Federal Reserve (the "FOMC") during the first quarter allowed management to similarly adjust its deposit rates. Since that time Management has been able to maintain its deposit balances while keeping the costs of deposits down. Although yields on earning assets have experienced similar declines, the structural repricing intervals for many earning assets are occurring later. Additionally, many interest earning assets are priced off of longer market indices, which were not as dramatically impacted by the FOMC decreases. Retail deposits is the primary source of the Company's funding and therefore competition for these deposits can adversely affect the net interest margin.

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Provision for Loan and Lease Losses

The provision for loan and lease losses for the nine months ended September 30, 2008 totaled $367,000, which is an increase of $262,000 from the provision for the nine months ended September 30, 2007. The provision for loan and lease losses is determined quarterly based on the calculation of the allowance for loan and lease losses. (See discussion of the Allowance for Loan and Lease Losses.)

During the first nine months of 2008, the Company recorded net charge-offs of $251,520 compared to 2007 net charge-offs for the same period totaling $94,393. The change in the level of charge-offs from 2007 to 2008 is due to one commercial loan charge-off in 2008 and higher levels of charge-off activity from the consumer automobile loan portfolio which the Bank purchased in 2006. Charge-off activity for the first nine months of 2007 is also attributable to consumer automobile loans as well as other consumer loans. While the amounts represent a small volume by industry standards, it is greater than the Bank has previously experienced in recent years and may be indicative of adverse trends in the economy and real estate markets.

Noninterest (Loss) Income

Year to date noninterest loss for the nine months ended September 30, 2008 totaled $4,017,593, versus income of $2,511,672 for the nine months ended September 30, 2007. The decrease in the year to date noninterest income is the direct result of the $6,946,098 third quarter OTTI write down of the Bank's investments in Freddie Mac and Fannie Mae preferred stock/auction rate securities holding such stock and a pooled trust preferred security.

For the first nine months of 2008, losses on securities totaled $6,687,682. The cause of this loss was the third quarter 2008 recognition of the OTTI losses of $6,946,098 described above. Offsetting some of this loss was $215,300 of net gains resulting from the sales of $35,000,000 of available for sale municipal

securities sold for the purpose of shortening the duration of the portfolio as well as to ensure capital adequacy as of September 30, 2008. The Company recorded gains on the sales of available for sale securities of $19,632 during the first nine months of 2007. These sales were made for the purpose of reducing interest rate risk and positioning earning assets for future profitability.

Trust income totaled $992,142, which represented 47.21% of noninterest income and decreased $28,165, or 2.76% from the first nine months of 2007. This decrease is the result of the weakened economic and market conditions. Income from banking service charges and fees increased by $159,588, or 16.22%, from the first nine months of 2007. This increase is due primarily to higher levels of deposit service charges, cash management, and master money interchange fees. Other noninterest income totaled $534,224, which was an increase of $46,626, or 9.56% from the first nine months of 2007.

Noninterest Expense

Nine-month noninterest expense as of September 30, 2008 totaled $11,375,792, increasing 10.56%, or $1,086,102 from the same period in 2007. Increases in noninterest expenses are reflected in staffing, occupancy, and advertising expenses. Salaries and benefits expense increased $426,950 or 7.31% from the same period in 2007. Increased salary and benefits expenses were due to additional compliance personnel and an increased emphasis on commercial and small business development. Occupancy costs totaled $898,056, which was an increase of $54,187 or 6.42%, which reflects increases due to a larger branch network and its related maintenance costs. Advertising expense totaled

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$465,209, which was an increase of $196,753, or 73.29% increase from the nine months ended September 30, 2007. This increase is due primarily to the Bank's image campaign which was launched during the fourth quarter of 2007 as well as product and publicity promotions.

Other noninterest expenses totaled $1,602,865 which is an increase of $262,547, or 19.59% from the first nine months of 2007. The majority of the increase is a result of higher 2008 costs for exam and audit fees as they relate to regulatory reporting compliance and internal audit initiatives. Also contributing to the increase were costs for placement fees for key personnel during the first quarter of 2008.

Income Taxes

The Company recorded an income tax benefit for the first nine months of 2008 which totaled $274,945. This compares to the provision of $275,307 for the first nine months of 2007. The 2008 tax benefit is a result of the pretax loss recorded for the first nine months of 2008. However because the loss related to a $5 million OTTI write down on Fannie Mae and Freddie Mac preferred shares is not considered ordinary income, no tax benefit related to the loss can be recognized through September 30, 2008. With the passage of the Economic Stabilization Act, the Company will recognize the tax benefit of the OTTI loss during the fourth quarter of 2008. (See Footnote 7 of the Consolidated Financial Statements.)

LIQUIDITY

Management's objective is to ensure continuous ability to meet cash needs as they arise. Such needs may occur from time to time as a result of fluctuations in loan demand and the level of total deposits. Accordingly, the Bank has a liquidity policy that provides flexibility to meet cash needs. The liquidity objective is achieved through the maintenance of readily marketable investment securities as well as a balanced flow of asset maturities and prudent pricing on loan and deposit products.

The Bank is a member of the Federal Home Loan Bank system, which provides credit to its member banks. This enhances the liquidity position of the Bank by providing a source of available overnight as well as short-term borrowings. Additionally, federal funds, borrowings through the use of repurchase agreements and the sale of mortgage loans in the secondary market are available to fund short term cash needs. (See Note 6 to the Consolidated Financial Statements for information on Federal Home Loan Bank borrowings and repurchase agreements.)

As of September 30, 2008, the Company had $132,400,947 in loan commitments and credit lines outstanding. Because some commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent all future cash requirements. The funding of these commitments is anticipated to be met through deposits, loan and security amortizations and maturities.

CAPITAL

Shareholders' equity totaled $20,061,174 as of September 30, 2008 as compared with $28,312,612 as of December 31, 2007. The decrease in shareholders' equity of $8,251,438 is due to the other than temporary impairment loss taken on available for sale securities during the third quarter of 2008. The loss, net of taxes totaled $6,294,626. Additionally, the 2008 other comprehensive loss both from the unrealized holding losses from available for sale securities and pension losses reduced equity by $2,666,318. From a regulatory perspective, the capital ratios of the Company and the Bank place each entity in the "well-capitalized" categories under applicable regulations. On September 20, 2007, the Company approved a stock repurchase program to acquire in the next twelve months up to an aggregate

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of 30,000 shares of the Company's outstanding Common Stock. Shares repurchased by the Company during the first nine months of 2008 totaled 16,718. The repurchase program expired during September 2008 and was not renewed. The calculation of all capital ratios as of September 30, 3008 include the tax benefit of the OTTI loss related to the Company's investments in Fannie Mae and Freddie Mac preferred stock/auction rate securities holding such stock. While the tax benefit of this loss was not recognized for financial reporting purposes, Federal bank regulators issued an interagency statement formally allowing financial institutions to treat any losses this year of Fannie Mae and Freddie Mac preferred stock/auction rate securities holding such stock as ordinary losses, rather than capital losses, for federal income tax purposes, and thereby includable in regulatory capital calculations. During the third quarter of 2008 the Company increased its investment in the Bank's equity by $1,500,000. This action was executed to insure the Bank maintained capital at levels considered to be well capitalized by bank regulation.

The various capital ratios of the Company and the Bank are as follows as of September 30, 2008:

<TABLE>
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	Minimum Regulatory Capital Ratios	Well Capitalized Capital Levels	Actual Ratios
<S>	<C>		<C>
The Company			
Leverage capital ratio	4.00%	N/A	6.31%
Risk-based capital ratio	4.00%	N/A	9.57%
Total risk-based capital ratio	8.00%	N/A	10.21%
The Bank			
Leverage capital ratio	4.00%	5.00%	6.27%
Risk-based capital ratio	4.00%	6.00%	9.48%
Total risk-based capital ratio	8.00%	10.00%	10.11%

</TABLE>

ALLOWANCE FOR LOAN AND LEASE LOSSES AND CRITICAL ACCOUNTING POLICIES

In the ordinary course of business, the Bank has made a number of estimates and assumptions relating to the reporting results of operations and financial condition in preparing its financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates under different assumptions and conditions. The Company believes the following discussion addresses the Bank's only critical accounting policy, which is the policy that is most important to the portrayal of the Bank's financial results and requires management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

The Bank makes provisions for loan and lease losses on a quarterly basis as determined by a continuing assessment of the adequacy of the allowance for loan and lease losses. The Bank performs an ongoing review of loans and leases in accordance with an individual loan and lease rating system to determine the required allowance for loan and lease losses at any given date. The review of loans and leases is performed to estimate potential exposure to losses. Management's judgment in determining the adequacy of the allowance is inherently subjective and is based on an evaluation of the known and inherent risk characteristics and size of the loan and lease portfolios, the assessment of current economic and real estate market conditions, estimates of the current value of underlying collateral, past loan and lease loss experience, review of

regulatory authority examination reports and evaluations of impaired loans and leases, and other relevant factors. Loans and leases, including those considered impaired, are

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charged against the allowance for loan and lease losses when management believes that the uncollectibility of principal is confirmed. Any subsequent recoveries are credited to the allowance for loan and lease losses when received. In connection with the determination of the allowance for loan and lease losses and the valuation of foreclosed real estate, management obtains independent appraisals for significant properties, when considered necessary.

The allowance consists of specific, general and unallocated components. The specific component relates to loans and leases that are classified as doubtful, substandard or special mention. For such loans and leases that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan or lease is lower than the carrying value of that loan or lease. The general component covers non-classified loans and leases and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect Management's estimate or probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions.

There were no material changes in loan or lease concentrations or loan or lease quality that had a significant effect on the allowance for loan and lease losses calculation at September 30, 2008. In addition, there were no material changes in the estimation methods and assumptions used in the Company's allowance for loan and lease losses calculation, and there were no material reallocations of the allowance among different parts of the loan or lease portfolio.

At September 30, 2008, the allowance for loan and lease losses was equivalent to 48% of total non-performing assets as compared with 72% of total non-performing assets at December 31, 2007. As of September 30, 2008, non-performing assets and loans and leases were $4,727,403 and represented 1.34% of total loans and leases. As of December 31, 2007, non-performing assets and loans and leases totaled $2,962,185 and represented 0.90% of total loans and leases. The ratio of the allowance for such loan and lease losses to total loans and leases at September 30, 2008 and December 31, 2007 was 0.64%. Changes in the allowance for loan and lease losses for the nine month periods ended September 30, 2008 and 2007 are as shown below:

<TABLE>
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For the nine months ended September 30,	2008	2007
<S>	<C>	<C>
Balance at beginning of the year	$ 2,151,622	$ 2,106,100
Provision for loan and lease losses	367,000	105,000
Loans and leases charged off	(275,457)	(107,087)
Recoveries of loans and leases previously charged-off	23,937	12,694
Balance as of September 30,	$ 2,267,102	$ 2,116,707

</TABLE>

The increase in the allowance was based upon growth in the loan portfolio, uncertain economic conditions, concerns over further potential reduction in real estate values and the impact of the prolonged recession or economic downturn would have on the Bank's commercial and small business loan and lease portfolio.

The following table summarizes the Bank's Other Real Estate Owned ("OREO"), past due and non-accrual loans and leases, and total nonperforming assets as of September 30, 2008 and December 31, 2007.

<PAGE>

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	September 30, 2008	December 31, 2007
<S>	<C>	<C>
Nonaccrual loans and leases	$ 4,719,588	$ 2,959,074

Other real estate owned	--	--
Total nonperforming assets	$ 4,719,588	$ 2,959,074
Loans and leases past due in excess of 90 days and accruing interest	$ 7,815	$ 3,111

</TABLE>

POTENTIAL PROBLEM LOANS

As of September 30, 2008, there were no potential problem loans or leases not disclosed above, which cause Management to have serious doubts as to the ability of such borrowers to comply with their present loan or lease repayment terms.

OFF BALANCE SHEET ARRANGEMENTS

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers such as letters of credit. In the opinion of Management, these off-balance sheet arrangements are not likely to have a material effect on the Company's financial condition, results of operation, or liquidity.

At September 30, 2008, there have been no significant changes in the Company's off-balance sheet arrangements from December 31, 2007.

FORWARD-LOOKING STATEMENTS

This Quarterly Report and future filings made by the Company with the Securities and Exchange Commission, as well as other filings, reports and press releases made or issued by the Company and the Bank, and oral statements made by executive officers of the Company and Bank, may include forward-looking statements relating to such matters as (a) assumptions concerning future economic and business conditions and their effect on the economy in general and on the markets in which the Company and the Bank do business, and (b) expectations for increased revenues and earnings for the Company and Bank through growth resulting from acquisitions, attractions of new deposit and loan customers and the introduction of new products and services. Such forward-looking statements are based on assumptions rather than historical or current facts and, therefore, are inherently uncertain and subject to risk. For those statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

The Company notes that a variety of factors could cause the actual results or experience to differ materially from the anticipated results or other expectations described or implied by such forward-looking statements. The risks and uncertainties that may affect the operations, performance, development and results of the Company's and Bank's business include the following: (a) the risk of adverse changes in business conditions in the banking industry generally and in the specific markets in which the Bank operates; (b) changes in the legislative and regulatory environment that negatively impact the Company and Bank through increased operating expenses; (c) increased competition from other financial and nonfinancial institutions; (d) the impact of technological advances; and (e) other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission. Such developments could have an adverse impact on the Company and the Bank's financial position and results of operation.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

[Not required for smaller reporting company.]

ITEM 4 . CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act report is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit of possible controls and procedures.

As of the end of the period covered by this report, the Company's Management, under the supervision and with the participation of the Company's Chief Executive Officer and the Company's Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

There were no changes in the Company's internal control over financial reporting that occurred during the Company's third quarter of 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Neither the Company nor the Bank (or any of their properties) are the subject of any material pending legal proceedings other than routine litigation that is incidental to their business.

Item 1A. Risk Factors. Not applicable

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On September 20, 2007 the Company approved a stock repurchase program to acquire in the twelve months following such date, up to an aggregate of 30,000 shares of the Company's outstanding Common Stock. The repurchase program expired on September 20, 2008 and was not renewed. Shares purchased pursuant to the repurchase program in the third quarter of 2008, are shown below.

<TABLE>
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Issuer Purchases of Equity Securities

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
<S>	<C>	<C>	<C>	<C>
July 1-31, 2008	1,095	12.23	1,095	7,333 shares
August 1-31, 2008	2,313	11.96	2,313	5,019 shares
September 1-30, 2008	--	--	--	0 shares
Total	3,408	$ 12.04	3,408	0 shares

</TABLE>

Item 3. Defaults Upon Senior Securities. None

Item 4. Submission of Matters to a Vote of Security Holders. None

Item 5. Other Information. None

<PAGE>

Item 6. Exhibits

EXHIBIT INDEX

Exhibit No.	Exhibit
3.1	Certificate of Incorporation of First Litchfield Financial Corporation, as amended. Exhibit is incorporated by reference to Exhibit 3.1 set forth in the Company's Registration Statement on Form 10-SB as filed with the Securities and Exchange Commission on January 7, 2000.

3.2 Bylaws of First Litchfield Financial Corporation, as amended. Exhibit is incorporated by reference to Exhibit 3.2 set forth in the Company's Registration Statement on Form 10-SB as filed with the Securities and Exchange Commission on January 7, 2000.

4. Specimen Common Stock Certificate. Exhibit is incorporated by reference to Exhibit 4. set forth in the Company's Registration Statement on Form 10-SB as filed with the Securities and Exchange Commission on January 7, 2000.

21. List of Subsidiaries of First Litchfield Financial Corporation. Exhibit is incorporated by reference to Exhibit 21 set forth in the Company's 10-K for the year ended December 31, 2006 as filed with the Securities and Exchange Commission on April 2, 2007.

31.1 Rule 13a-14(a)/15-14(a) Certification of the Chief Executive Officer of the Company.

31.2 Rule 13a-14(a)/15-14(a) Certification of the Chief Financial Officer of the Company.

32.0 Certification of the Chief Executive Officer and the Chief Financial Officer of the Company, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: November 14, 2008

FIRST LITCHFIELD FINANCIAL CORPORATION

By: /s/ Joseph J. Greco
Joseph J. Greco, President and
Chief Executive Officer

Dated: November 14, 2008

By: /s/ Carroll A. Pereira

Carroll A. Pereira
Principal Financial and
Accounting Officer

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EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER OF THE COMPANY

I, Joseph J. Greco, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Litchfield Financial Corporation.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for

establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2008

/s/ Joseph J. Greco

Joseph J. Greco
President and CEO

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EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER OF THE COMPANY

I, Carroll A. Pereira, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Litchfield Financial Corporation.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in

Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2008

/s/ Carroll A. Pereira

Carroll A. Pereira
Principal Financial Officer

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EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of First Litchfield Financial Corporation (the "Company") on Form 10-Q for the period ending September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Joseph J. Greco, President and Chief Executive Officer of the Company, and Carroll A. Pereira, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph J. Greco
- --------------------
Joseph J. Greco
President and Chief Executive Officer
November 14, 2008

/s/ Carroll A. Pereira

Carroll A. Pereira
Principal Financial Officer
November 14, 2008

The foregoing certificate is furnished solely for purposes of complying with Section 906 of the Sarbanes-Oxley Act of 2002 and for no other purpose whatsoever. Notwithstanding anything to the contrary set forth herein or in any of the Company's previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate the Company's future filings, including this Report on Form 10-Q, in whole or in part, this Certificate shall not be incorporated by reference into any such filings.

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-----END PRIVACY-ENHANCED MESSAGE-----