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

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: April 30, 2013  
Estimated average burden  
hours per response..... 12.00

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

SEC  
Mail Processing  
Section

FEB 28 2012  
Washington, DC  
123

SEC FILE NUMBER  
8-41215

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

REPORT FOR THE PERIOD BEGINNING 01/01/2011 AND ENDING 12/31/2011  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: LOVELL INCORPORATED

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

1519 LIPSCOMB DRIVE

(No. and Street)

BRENTWOOD

TN

37027

(City)

(State)

(Zip Code)

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

WILLIAM C. LOVELL, JR.

(615) 373-1264

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

JOSEPH DECOSIMO AND COMPANY, PLLC

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

1600 DIVISION ST., SUITE 225 NASHVILLE

TN

37203

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

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

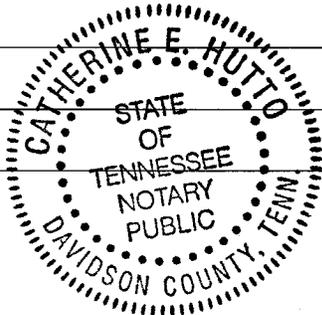
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

*AB  
4/03*

OATH OR AFFIRMATION

I, WILLIAM C. LOVELL, JR., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of LOVELL INCORPORATED, as of DECEMBER 31, 2011, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



William C. Lovell
Signature
President
Title

Catherine E. Hutto
Notary Public July 8, 2013

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

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

**LOVELL INCORPORATED**  
**FINANCIAL STATEMENTS**  
**December 31, 2011**

**Filed as PUBLIC information pursuant to rule 17a-5(e)(3) under the Securities Exchange Act of 1934.**

# LOVELL INCORPORATED

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Board of Directors  
Lovell Incorporated  
Brentwood, Tennessee

We have audited the accompanying statements of financial condition of Lovell Incorporated (the Company) as of December 31, 2011 and 2010, and the related statements of income, changes in stockholder's equity and cash flows for the years then ended, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lovell Incorporated as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Joseph Decosimo and Company, PLLC*

Nashville, Tennessee  
February 6, 2012

**LOVELL INCORPORATED**  
**STATEMENTS OF FINANCIAL CONDITION**  
**December 31, 2011 and 2010**

	2011	2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 9,605	\$ 6,205
Commissions receivable	2,639	2,601
Receivable - clearing deposit	<u>10,000</u>	<u>10,000</u>
	<u>22,244</u>	<u>18,806</u>
<b>FURNITURE AND EQUIPMENT</b>		
Less accumulated depreciation	<u>8,988</u>	<u>8,988</u>
	<u>8,988</u>	<u>8,988</u>
	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 22,244</u></b>	<b><u>\$ 18,806</u></b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 420	\$ 710
Accrued franchise taxes	<u>100</u>	<u>100</u>
Total liabilities	<u>520</u>	<u>810</u>
<b>STOCKHOLDER'S EQUITY</b>		
Common stock, no par value - 100,000 shares authorized; 12,000 shares issued	12,000	12,000
Additional paid-in capital	3,000	-
Retained earnings	<u>6,724</u>	<u>5,996</u>
Total stockholder's equity	<u>21,724</u>	<u>17,996</u>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b><u>\$ 22,244</u></b>	<b><u>\$ 18,806</u></b>

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

# LOVELL INCORPORATED

## STATEMENTS OF INCOME

Years Ended December 31, 2011 and 2010

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	2011	2010
<b>REVENUES</b>		
Commissions -		
Over-the-counter equity securities and other markets	\$ 16,305	\$ 19,948
Mutual funds	<u>5,339</u>	<u>5,811</u>
	21,644	25,759
Interest income	-	1
Other	<u>436</u>	<u>438</u>
	<u>22,080</u>	<u>26,198</u>
<b>OPERATING EXPENSES</b>		
Salary and employee costs	-	94
Professional fees	5,500	7,500
Occupancy, office and other expenses	4,181	6,062
Clearing costs	4,989	5,011
Regulatory fees, licenses, etc.	910	925
Fidelity bond	729	364
Research	1,079	1,592
Quotations	3,119	3,119
Professional privilege and other taxes	<u>845</u>	<u>1,074</u>
	<u>21,352</u>	<u>25,741</u>
<b>NET INCOME</b>	<u>\$ 728</u>	<u>\$ 457</u>

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

**LOVELL INCORPORATED**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**Years Ended December 31, 2011 and 2010**

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	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
<b>BALANCE - December 31, 2009</b>	\$ 12,000	\$ -	\$ 5,539	\$ 17,539
Net income	<u>          </u>	<u>          </u>	<u>    457</u>	<u>    457</u>
<b>BALANCE - December 31, 2010</b>	12,000	-	5,996	17,996
Additional capital contributed	<u>          </u>	<u>    3,000</u>	<u>          </u>	<u>    3,000</u>
Net income	<u>          </u>	<u>          </u>	<u>    728</u>	<u>    728</u>
<b>BALANCE - December 31, 2011</b>	<u>\$ 12,000</u>	<u>\$ 3,000</u>	<u>\$ 6,724</u>	<u>\$ 21,724</u>

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

**LOVELL INCORPORATED**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2011 and 2010**

	2011	2010
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 728	\$ 457
Adjustments to reconcile net income to net cash flows from operating activities -		
Changes in operating assets and liabilities -		
Commissions receivable	(38)	(1,075)
Accounts payable	<u>(290)</u>	<u>208</u>
<b>Net cash flows from operating activities</b>	<b>400</b>	<b>(410)</b>
<b>FINANCING ACTIVITIES</b>		
Additional capital contributed	<u>3,000</u>	<u>-</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>3,400</b>	<b>(410)</b>
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<u>6,205</u>	<u>6,615</u>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<u>\$ 9,605</u>	<u>\$ 6,205</u>

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

**LOVELL INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies and practices followed by the Company are as follows:

**DESCRIPTION OF BUSINESS** - Lovell Incorporated was organized on March 27, 1989, to perform various broker-dealer functions within the securities industry. Operations commenced in September 1989.

**CASH AND CASH EQUIVALENTS** - The Company considers all money market accounts and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company maintains at various financial institutions cash and cash equivalent accounts which may exceed federally insured amounts at times and which may at times significantly exceed statement of financial condition amounts due to outstanding checks.

**COMMISSIONS RECEIVABLE** - Commissions receivable are deemed to be fully collectible by management and no reserve is considered necessary.

**FURNITURE AND EQUIPMENT** - Furniture and equipment are stated at cost less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred and additions and improvements that significantly extend the lives of assets are capitalized. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the related accounts and any gain or loss is reflected in operations.

Depreciation is calculated using the straight-line method over the estimated useful lives of the depreciable assets.

**REVENUE RECOGNITION** - The Company recognizes revenue when earned on a trade-date basis. The related costs of management fees or clearing expenses, if any, are also recognized at that time.

**ESTIMATES AND UNCERTAINTIES** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**INCOME TAXES** - The Company, with the consent of its stockholder, has elected to be taxed as an S corporation under the provisions of the Internal Revenue Code. The stockholder is personally liable for the Company's federal taxable income; therefore, no provision or liability for federal income taxes is reflected in these financial statements. The Company is a taxable entity for state income tax purposes.

Deferred tax assets and liabilities, if significant, are recognized for the estimated future tax effects attributed to temporary differences between the book and tax bases of assets and liabilities and for carryforward items. The measurement of current and deferred tax assets and liabilities is based on enacted law. Deferred tax assets are reduced, if necessary, by a valuation allowance for the amount of tax benefits that may not be realized.

The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the positions will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority.

**LOVELL INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The Company files income tax returns in the Tennessee state jurisdiction. Generally, the Company is no longer subject to income tax examinations by tax authorities for years before 2008.

SUBSEQUENT EVENTS - The Company has evaluated subsequent events for potential recognition and disclosure through February 6, 2012, the date the financial statements were available to be issued.

**NOTE 2 - COMMISSIONS RECEIVABLE**

Commissions receivable consist of the following:

	2011	2010
Receivable from clearing company	\$ 1,781	\$ 1,658
Receivable from 12B-1 transactions	<u>858</u>	<u>943</u>
	<u>\$ 2,639</u>	<u>\$ 2,601</u>

**NOTE 3 - STATE INCOME TAXES**

As of December 31, 2011, the Company had accumulated loss carryforwards for state income tax purposes of approximately \$21,000 generating a deferred tax asset of approximately \$1,300. The loss carryforwards expire the year ended December 31, 2025. A valuation allowance of the full amount has been recognized due to the likelihood that the benefits may expire before being realized in the tax returns of future years. Accordingly, no income tax benefit has been recognized in these financial statements due to the uncertainty of realization of any tax assets. The effective state rate of taxation is six and one-half percent.

**NOTE 4 - CONCENTRATIONS**

The Company maintains its \$10,000 clearing deposit account with a single clearing broker. The Company received 75% and 79% of its commission revenue from transactions conducted with this single broker in 2011 and 2010, respectively. All clearing costs were incurred to this single broker in 2011 and 2010.

In addition, the Company had two major clients during 2011 and three major clients during 2010, each of whom generated more than ten percent of the Company's revenue in those years. These major clients combined generated approximately 48% of all revenue in 2011 and 62% of all revenue in 2010.

**LOVELL INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 5 - FOCUS REPORT, Part II A**

The accompanying financial statements have been reconciled to the FOCUS report, Part II A filed by the Company for the year ended December 31, 2011. Net capital reported was \$20,866 as of December 31, 2011. The aggregate indebtedness percentage as of December 31, 2011, was 2.4921%. Net capital reported was \$17,053 as of December 31, 2010. The aggregate indebtedness percentage as of December 31, 2010, was 4.7499%.

The FOCUS report did not include a computation for determination of reserve requirements under Rule 15c3-1 as the Company is exempt under provisions of Rule 15c-3(k)(2)A.

**NOTE 6 - LEASES AND RELATED PARTY TRANSACTION**

The operations of the Company are conducted at a location owned by the sole stockholder. The Company does not pay any rent for use of the facility. The Company has incurred rent expense to a third party for a small storage facility of \$1,508 for the year ended December 31, 2011 and \$1,560 for the year ended December 31, 2010. The terms of the lease were month-to-month with no minimum commitment for future rentals. The lease has been terminated as of December 31, 2011.

**NOTE 7 - RETIREMENT PLAN**

The Company makes discretionary contributions on the behalf of its sole employee to an SEP-IRA retirement plan. There were no contributions to the plan for the years ended December 31, 2011 and 2010.

## SUPPLEMENTARY INFORMATION

**LOVELL INCORPORATED**  
**COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1**  
**December 31, 2011 and 2010**

	2011	2010
<b>Net capital</b>		
Total stockholder's equity qualified for net capital	\$ 21,724	\$ 17,996
Deductions -		
Accounts receivable from 12B-1 transactions	<u>858</u>	<u>943</u>
Net capital	<u>\$ 20,866</u>	<u>\$ 17,053</u>
<b>Computation of basic net capital requirement</b>		
Minimum net capital required	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Excess net capital	<u>\$ 15,866</u>	<u>\$ 12,053</u>
Part A Computation of Basic Net Capital		
Net capital less 120% of minimum net capital required	<u>\$ 14,866</u>	<u>\$ 11,053</u>
<b>Aggregate indebtedness</b>		
Accounts payable	\$ 420	\$ 710
Accrued franchise taxes	<u>100</u>	<u>100</u>
Aggregate indebtedness	<u>\$ 520</u>	<u>\$ 810</u>
Percentage of aggregate indebtedness to net capital	<u>2.4921 %</u>	<u>4.7499 %</u>

**Reconciliation with Company's Computation of  
Net Capital with Audited Computation  
December 31, 2011**

Net capital, per Part IIA of Form X-17-a-5(a) filed as of December 31, 2011	\$ 20,866
Audit adjustments	<u>-</u>
Net capital, per above calculation	<u>\$ 20,866</u>

**LOVELL INCORPORATED**  
**REPORT ON INTERNAL CONTROL MATTERS**  
**IDENTIFIED DURING THE AUDIT OF**  
**FINANCIAL STATEMENTS**

**December 31, 2011**

To the Board of Directors

Lovell Incorporated

Brentwood, Tennessee

In planning and performing our audit of the financial statements of Lovell Incorporated (the Company) as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Lovell Incorporated's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures followed by the Company, including consideration of control activity for safeguarding securities. This study included tests of compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures referred to above are to provide management with reasonable, but not absolute, assurance that the assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily disclose all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Securities and Exchange Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate as of December 31, 2011, to meet the Securities and Exchange Commission's objectives.

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

*Joseph Decosimo and Company, PLLC*

Nashville, Tennessee

February 6, 2012