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

SEC FILE NUMBER  
8-20369

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 01/01/2012 AND ENDING 12/31/2012  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

**GARRETT NAGLE & CO. INC.**

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

**300 UNICORN PARK DRIVE**

(No. and Street)

**WOBURN**

**MA**

(City)

(State)

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FIRM I.D. NO.

SECURITIES AND EXCHANGE COMMISSION  
RECEIVED  
FEB 22 2013  
03 REGISTRATIONS BRANCH  
617-737-9090

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

GARRETT J. NAGLE JR.

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**Schneider, Schneider, & Associates PC**

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

**35 Briantree Hill Office Park**

**Braintree**

**MA**

**02184**

(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)

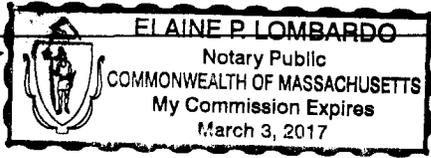
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OATH OR AFFIRMATION

I, GARRETT J. Nagle, 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 Garrett Nagle & Company, Inc, as of December 31, 2012, 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:



[Handwritten Signature]  
Signature  
PRESIDENT  
Title

Elaine P. Lombardo  
Notary Public

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

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

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

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**GARRETT NAGLE & COMPANY, INC.**

Financial Statements  
Years ended December 31, 2012 and 2011

# GARRETT NAGLE & COMPANY, INC.

Years ended December 31, 2012 and 2011

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# **SCHNEIDER, SCHNEIDER & ASSOCIATES, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

35 BRAINTREE HILL OFFICE PARK

BRAINTREE, MASSACHUSETTS 02184-8709

TEL. (781) 843-6601

FAX (781) 849-6772

## Independent Auditors' Report

Board of Directors  
Garrett Nagle & Company, Inc.  
Woburn, Massachusetts

We have audited the accompanying financial statements of Garrett Nagle & Company, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of income (loss) and comprehensive income (loss), shareholder's equity, and cash flows for the years then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Garrett Nagle & Company, Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained on pages 15 through 20 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 on pages 15 through 20 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 on pages 15 through 20 is fairly stated in all material respects in relation to the financial statements as a whole.

*Schneider, Schneider & Associates, A.*

February 1, 2013

# GARRETT NAGLE & COMPANY, INC.

Statements of Financial Position  
December 31, 2012 and 2011

|  | <u>2012</u>         | <u>2011</u>         |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| <b>Current assets:</b>   |                     |                     |
| Cash and cash equivalents  | \$ 617,529          | \$ 519,088          |
| Marketable securities  | 798,577             | 649,946             |
| Receivable for investments sold  | 34,219              | 85,379              |
| Accounts receivable  | 25,047              | 18,866              |
| Prepaid expenses   | 2,863               | 3,090               |
| Total current assets   | <u>1,478,235</u>    | <u>1,276,369</u>    |
| Property and equipment, net  | <u>28,022</u>       | <u>35,495</u>       |
| <b>Noncurrent assets:</b>  |                     |                     |
| Restricted cash  | <u>25,016</u>       | <u>24,867</u>       |
| Total assets   | <u>\$ 1,531,273</u> | <u>\$ 1,336,731</u> |
| <b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>                                      |                     |                     |
| <b>Current liabilities:</b>  |                     |                     |
| Accounts payable and accrued expenses  | \$ 18,032           | \$ 25,837           |
| Accrued pension contribution   | 23,167              | 24,633              |
| Deferred rent  | 769                 | 5,383               |
| Deferred investment advisor fees   | 429,363             | 419,375             |
| Total current liabilities  | <u>471,331</u>      | <u>475,228</u>      |
| <b>Shareholder's equity:</b>   |                     |                     |
| Common stock, 250,000 shares authorized;<br>25,000 shares issued and outstanding | 25,000              | 25,000              |
| Additional paid-in-capital   | 17,428              | 17,428              |
| Retained earnings  | 685,591             | 648,242             |
| Accumulated other comprehensive income   | 331,923             | 170,833             |
| Total shareholder's equity   | <u>1,059,942</u>    | <u>861,503</u>      |
| Total liabilities and shareholder's equity                                       | <u>\$ 1,531,273</u> | <u>\$ 1,336,731</u> |

See notes to financial statements.

# GARRETT NAGLE & COMPANY, INC.

Statements of Income (Loss) and Comprehensive Income (Loss)  
Years ended December 31, 2012 and 2011

|  | <u>2012</u>       | <u>2011</u>         |
|--|-------------------|---------------------|
| <b>Revenues:</b>                         |                   |                     |
| Investment advisory fees                 | \$ 951,534        | \$ 985,797          |
| Commissions                              | 554,586           | 520,558             |
| Net miscellaneous income                 | 2,247             | 1,429               |
| Total revenues                           | <u>1,508,367</u>  | <u>1,507,784</u>    |
| Operating expenses                       | <u>1,488,909</u>  | <u>1,544,503</u>    |
| Income (loss) from operations            | <u>19,458</u>     | <u>(36,719)</u>     |
| <b>Other income and expense:</b>         |                   |                     |
| Realized gain on marketable securities   | 7,385             | (3,343)             |
| Dividend and interest income             | 13,742            | 17,670              |
| Loss on disposal of equipment            | (3,236)           | -                   |
| Total other income                       | <u>17,891</u>     | <u>14,327</u>       |
| Net income (loss)                        | 37,349            | (22,392)            |
| <b>Other comprehensive loss:</b>         |                   |                     |
| Unrealized loss on marketable securities | <u>161,090</u>    | <u>(98,581)</u>     |
| Comprehensive income (loss)              | <u>\$ 198,439</u> | <u>\$ (120,973)</u> |

## GARRETT NAGLE & COMPANY, INC.

Statements of Shareholder's Equity  
Years ended December 31, 2012 and 2011

|                                   | <u>Common Stock</u>         |                  | Additional<br>Paid in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income | Total<br>Shareholder's<br>Equity |
|-----------------------------------|-----------------------------|------------------|----------------------------------|----------------------|---|----------------------------------|
|                                   | <u>Number<br/>of Shares</u> | <u>Value</u>     |                                  |                      | <u>Income</u>                                   |                                  |
| Balance at January 1, 2011        | 25,000                      | \$ 25,000        | \$ 17,428                        | \$ 770,634           | \$ 269,414                                      | \$ 1,082,476                     |
| Shareholder Distribution          | -                           | -                | -                                | (100,000)            | -   | (100,000)                        |
| Net unrealized loss on securities | -                           | -                | -                                | -                    | (98,581)  | (98,581)                         |
| Net loss                          | -                           | -                | -                                | (22,392)             | -   | (22,392)                         |
| Balance at December 31, 2011      | 25,000                      | 25,000           | 17,428                           | 648,242              | 170,833   | 861,503                          |
| Net unrealized gain on securities | -                           | -                | -                                | -                    | 161,090   | 161,090                          |
| Net income                        | -                           | -                | -                                | 37,349               | -   | 37,349                           |
| Balance at December 31, 2012      | <u>25,000</u>               | <u>\$ 25,000</u> | <u>\$ 17,428</u>                 | <u>\$ 685,591</u>    | <u>\$ 331,923</u>                               | <u>\$ 1,059,942</u>              |

See notes to financial statements.

# GARRETT NAGLE & COMPANY, INC.

Statements of Cash Flows  
Years ended December 31, 2012 and 2011

|   | 2012       | 2011        |
|---|------------|-------------|
| <b>Cash flows from operating activities:</b>  |            |             |
| Net income (loss)   | \$ 37,349  | \$ (22,392) |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: |            |             |
| Depreciation and amortization   | 11,753     | 12,135      |
| Realized gain (loss) on marketable securities   | (7,385)    | 3,343       |
| Loss on disposal of equipment   | 3,236      | -           |
| Securities donated to charity   | 10,000     | 15,001      |
| Changes in operating assets and liabilities:  |            |             |
| Accounts receivable   | (6,181)    | (17,104)    |
| Prepaid expenses  | 227        | 1,486       |
| Accounts payable and accrued expenses   | (7,805)    | 5,457       |
| Accrued pension contribution  | (1,466)    | 633         |
| Deferred rent   | (4,614)    | (4,614)     |
| Deferred revenue  | 9,988      | (6,267)     |
| Net cash provided (used) by operating activities  | 45,102     | (12,322)    |
| <b>Cash flows from investing activities:</b>  |            |             |
| Purchases of marketable securities  | (118,055)  | (344,348)   |
| Proceeds from the sales of marketable securities  | 179,059    | 685,509     |
| Transfer to restricted cash   | (149)      | (198)       |
| Acquisition of property and equipment   | (7,516)    | (5,383)     |
| Net cash provided by investing activities   | 53,339     | 335,580     |
| <b>Cash flows from financing activities:</b>  |            |             |
| Distribution to shareholder   | -          | (100,000)   |
| Net cash used by financing activities   | -          | (100,000)   |
| <b>Net increase in cash and cash equivalents</b>  | 98,441     | 223,258     |
| <b>Cash and cash equivalents at beginning of year</b>   | 519,088    | 295,830     |
| <b>Cash and cash equivalents at end of year</b>   | \$ 617,529 | \$ 519,088  |
| <b>Supplemental disclosures of cash flow information:</b>                                       |            |             |
| State income tax paid   | \$ 1,651   | \$ 3,297    |

See notes to financial statements.

# GARRETT NAGLE & COMPANY, INC.

Notes to Financial Statements  
Years ended December 31, 2012 and 2011

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## 1. Nature of business:

Garrett Nagle & Company, Inc. (the "Company") is an investment advisor and broker-dealer in Woburn, Massachusetts and is registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company's primary sources of revenue are generated through investment advisory services provided for its customers and commission earned on trades consummated on behalf of these customers.

## 2. Summary of significant accounting policies:

### *Use of estimates:*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets 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. Significant estimates and assumptions involve the areas of fair values of marketable securities and certain accrued expenses. Accordingly, actual results could differ from those estimates.

### *Securities transactions:*

Proprietary securities transactions are recorded on the trade date, as if they had settled. Therefore, realized gains and losses arising from all securities transactions entered into for the account and the risk of the Company are recorded on a trade-date basis. Customers' securities transactions are reported to them on a settlement-date basis with related commission income and expenses reported on a trade-date basis in the Company's financial statements.

### *Cash and cash equivalents:*

The Company considers money market funds all highly liquid investments purchased with an original maturity of 90 days or less to be cash equivalents. The Company places its temporary cash investments with financial institutions considered by management to be of high credit quality. At times, such investments may be in excess of the Federal Deposit Insurance Corporation ("FDIC") limit.

### *Accounts receivable and receivable for investments sold:*

Accounts receivable represent commissions due. Receivable for investments sold represents balances due for current year trades that were settled in the following year. No allowance has been provided for on these balances, because management believes all amounts are collectible.

# GARRETT NAGLE & COMPANY, INC.

Notes to Financial Statements (Continued)  
Years ended December 31, 2012 and 2011

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## 2. Summary of significant accounting policies: (Continued)

### *Marketable securities:*

The Company accounts for marketable securities in accordance with generally accepted accounting principles. Securities are categorized as available-for-sale and are stated at their fair market value, with unrealized gains and losses reported as a separate component of stockholder's equity unless a decline in value is deemed to be other-than-temporary, in which case affected securities are written down and the loss charged to income. The cost of securities sold is determined using the specific identification method as a basis of recognizing realized gains and losses. (See Note 10).

### *Other-than-temporary impairment of securities:*

Securities are evaluated on at least a quarterly basis and more frequently when economic or market conditions warrant such an evaluation to determine whether a decline in their value is other than temporary. Management utilizes criteria such as the magnitude and duration of the decline and the intent and ability of the Company to retain its investment in the issues for a period of time sufficient to allow for an anticipated recovery in fair value, in addition to the reasons underlying the decline, to determine whether the loss in value is other than temporary. The term "other than temporary" is not intended to indicate that the decline is permanent, but indicates that the prospects for a near-term recovery of value is not necessarily favorable, or that there is a lack of evidence to support a realizable value equal to or greater than carrying value of the investment. Once a decline in value is determined to be other than temporary, the value of the security is reduced and a corresponding charge to earnings is recognized.

### *Property and equipment:*

Property and equipment is stated at cost. Depreciation and amortization are recorded on the straight-line basis over the estimated useful life of the related assets. Maintenance and repairs are charged to expense as incurred, while any additions or improvements are capitalized.

### *Revenue recognition:*

Investment advisory fees are billed and collected annually, in advance, and recognized ratably on a monthly basis as earned during the year. Fees collected in advance and not yet earned are recorded as deferred revenue.

Commission revenue is received monthly and recorded in the period earned.

# GARRETT NAGLE & COMPANY, INC.

Notes to Financial Statements (Continued)  
Years ended December 31, 2012 and 2011

## 2. Summary of significant accounting policies: (Continued)

### *Income taxes:*

The Company's sole shareholder has elected, under the provisions of the Internal Revenue Code, to be treated as an S Corporation. As a result, income and losses of the Company are passed through to its shareholder for income tax purposes. Accordingly, no provision has been made for income taxes. The Company is subject to corporate state tax on net taxable income if the Company's annual revenue exceeds certain dollar values. The Company's annual revenue did not exceed these thresholds in 2012 and 2011, however, it is subject to an excise tax on the greater of its tangible property or net worth.

The Company accounts for uncertainty with regard to income taxes in accordance with accounting principles generally accepted in the United States of America. Since the Company is an S Corporation and generally not subject to federal or state taxes, there are no material unrecognized tax benefits or adjustments to liabilities or operations required as of December 31, 2012.

The Company's tax returns for the years ended December 31, 2009 through 2012 are subject to examination by the Internal Revenue Service and state taxing authorities, although no such examinations have been initiated as of the date of the Accountants' Audit Report.

### *Subsequent Events*

Subsequent events were evaluated through February 1, 2013, which is the date the financial statements were available to be issued.

## 3. Property and equipment:

Property and equipment consists of the following at December 31:

|  | <u>2012</u>      | <u>2011</u>      |
|--|------------------|------------------|
| Motor vehicle                                  | \$ 97,215        | \$ 97,215        |
| Office equipment                               | 65,580           | 70,196           |
| Furniture and fixtures                         | 36,582           | 36,582           |
| Leasehold improvements                         | <u>5,695</u>     | <u>5,695</u>     |
|  | 205,072          | 209,688          |
| Less accumulated depreciation and amortization | <u>177,050</u>   | <u>174,193</u>   |
|  | <u>\$ 28,022</u> | <u>\$ 35,495</u> |

Depreciation and amortization expense was \$11,753 and \$12,135 in 2012 and 2011, respectively.

# GARRETT NAGLE & COMPANY, INC.

Notes to Financial Statements (Continued)  
Years ended December 31, 2012 and 2011

## 4. Marketable securities:

Marketable securities classified as available-for-sale consisted of the following:

| <u>December 31, 2012</u> | <u>Cost</u>      | <u>Market</u>    | <u>Cumulative<br/>Unrealized<br/>Gain</u> | <u>Cumulative<br/>Unrealized<br/>Loss</u> |
|--------------------------|------------------|------------------|---|---|
| Corporate Bonds          | \$ 82,594        | \$113,268        | \$ 30,674                                 | \$ -                                      |
| Equities:                |                  |                  |   |   |
| Consumer Discretionary   | 81,770           | 93,850           | 12,080                                    | -   |
| Consumer Staples         | 12,044           | 43,450           | 31,406                                    | -   |
| Energy                   | 20,385           | 31,870           | 11,485                                    | -   |
| Financial                | 46,734           | 135,024          | 88,290                                    | -   |
| Healthcare               | 44,166           | 100,800          | 56,634                                    | -   |
| Industrials              | 26,095           | 25,926           | -   | 169                                       |
| Technology               | <u>152,866</u>   | <u>254,389</u>   | <u>102,923</u>                            | <u>( 1,400)</u>                           |
|                          | <u>384,060</u>   | <u>685,309</u>   | <u>302,818</u>                            | <u>( 1,569)</u>                           |
| Total                    | <u>\$466,654</u> | <u>\$798,577</u> | <u>\$333,492</u>                          | <u>(\$ 1,569)</u>                         |
|                          |                  |                  |   |   |
| <u>December 31, 2011</u> | <u>Cost</u>      | <u>Market</u>    | <u>Cumulative<br/>Unrealized<br/>Gain</u> | <u>Cumulative<br/>Unrealized<br/>Loss</u> |
| Corporate Bonds          | \$ 82,594        | \$108,986        | \$ 26,392                                 | \$ -                                      |
| Equities:                |                  |                  |   |   |
| Consumer Discretionary   | 81,770           | 76,200           | -   | (5,570)                                   |
| Consumer Staples         | 15,868           | 40,137           | 24,269                                    | -   |
| Energy                   | 40,770           | 45,640           | 4,870                                     | -   |
| Financial                | 57,279           | 97,656           | 48,417                                    | (8,040)                                   |
| Healthcare               | 44,166           | 138,525          | 94,359                                    | -   |
| Technology               | <u>156,666</u>   | <u>142,802</u>   | <u>8,781</u>                              | <u>(22,645)</u>                           |
|                          | <u>396,519</u>   | <u>540,960</u>   | <u>180,696</u>                            | <u>(36,255)</u>                           |
| Total                    | <u>\$479,113</u> | <u>\$649,946</u> | <u>\$207,088</u>                          | <u>(\$ 36,255)</u>                        |

# GARRETT NAGLE & COMPANY, INC.

Notes to Financial Statements (Continued)  
Years ended December 31, 2012 and 2011

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## 4. Marketable securities: (Continued)

For the years ended December 31, 2012 and 2011, net realized gains (losses) of \$7,385 and \$(3,343), respectively, were transferred from accumulated other comprehensive income and recognized in income.

The Company donated securities with a fair value of \$10,001 and \$15,001 to charities in 2012 and 2011, respectively.

## 5. Commitments:

### *Operating leases:*

The Company leases office space in Woburn, Massachusetts under a non-cancellable operating lease, which originally expired on February 28, 2013. In 2012, the Company extended their lease for one year, which expires February 28, 2014. The lease requires monthly rental payments. The Company received 2 months of free rent which are being amortized over the term of the lease on a straight line basis.

Future minimum lease payments under the lease described above are as follows:

|      |                  |
|------|------------------|
| 2013 | \$109,000        |
| 2014 | <u>18,000</u>    |
|      | <u>\$127,000</u> |

Total rent expense, including operating expenses, for the years ended December 31, 2012 and 2011 was \$101,000 and \$98,000, respectively.

## 6. 401(k) Profit Sharing Plan:

The Company sponsors a 401(k) profit sharing plan (the "Plan") covering substantially all of its employees. Annual employer contributions to the 401(k) plan are calculated at 3% of qualifying compensation for all active participants. The Company may also make discretionary profit sharing contributions to the Plan, which, if made, are allocated on the basis of employee compensation. The total expense under the Plan for the years ended December 31, 2012 and 2011 was \$28,000 and \$28,000, respectively.

# GARRETT NAGLE & COMPANY, INC.

Notes to Financial Statements (Continued)  
Years ended December 31, 2012 and 2011

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## 7. Net capital:

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined, of \$100,000 and the ratio of aggregate indebtedness to net capital must be less than 15 to 1, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2012 and 2011, the Company had net capital of \$776,462 and \$592,646, respectively, exceeding the minimum net capital requirement of \$100,000 for each year. At December 31, 2012 and 2011, the Company had a ratio of aggregate indebtedness to net capital of .54 to 1 and .69 to 1, respectively, lower than the maximum ratio allowed of aggregate indebtedness to net capital of 15 to 1 for each year.

## 8. Concentrations of credit risk:

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

## 9. Restricted cash:

The Company maintains a certificate of deposit as collateral for an irrevocable letter of credit required by the Woburn office lease.

## 10. Fair Value Measurements:

The Company has implemented the provisions of generally accepted accounting principles regarding fair value measurements and disclosure. These provisions establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

# GARRETT NAGLE & COMPANY, INC.

Notes to Financial Statements (Continued)  
Years ended December 31, 2012 and 2011

## 10. Fair Value Measurements: (Continued)

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

Fair market value is determined to be the last reported sales price of the marketable securities as listed on the applicable public exchange at closing on the last business day of the period.

The following tables present by level, within the fair value hierarchy, the Company's investment assets at fair value, as of December 31, 2012 and 2011. As required by professional standards, investment assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

| <u>December 31, 2012</u> | <u>Value</u>         | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>( Level 1 ) | Significant<br>Other<br>Observable<br>Inputs<br>( Level 2 ) | Significant<br>Unobservable<br>Inputs<br>( Level 3 ) |
|--------------------------|----------------------|--|---|--|
| Marketable securities:   |                      |  |   |  |
| Corporate bonds          | <u>\$113,268</u>     | <u>\$ -</u>  | <u>\$113,268</u>  | <u>\$ -</u>  |
| Equities:                |                      |  |   |  |
| Consumer Discretionary   | 93,850               | 93,850   | -   | -  |
| Consumer Staples         | 43,450               | 43,450   | -   | -  |
| Energy                   | 31,870               | 31,870   | -   | -  |
| Financial                | 135,024              | 135,024  | -   | -  |
| Healthcare               | 100,800              | 100,800  | -   | -  |
| Industrials              | 25,926               | 25,926   | -   | -  |
| Technology               | <u>254,389</u>       | <u>254,389</u>   | <u>-</u>  | <u>-</u>   |
|                          | <u>685,309</u>       | <u>685,309</u>   | <u>-</u>  | <u>-</u>   |
| <br>Total                | <br><u>\$798,577</u> | <br><u>\$685,309</u>   | <br><u>\$113,268</u>  | <br><u>\$ -</u>                                      |

# GARRETT NAGLE & COMPANY, INC.

Notes to Financial Statements (Continued)  
Years ended December 31, 2012 and 2011

## 10. Fair Value Measurements: (Continued)

| <u>December 31, 2011</u> | <u>Value</u>            | Quoted Prices in<br>Active Markets<br>for Identical<br>Assets<br>( Level 1 ) | Significant<br>Other<br>Observable<br>Inputs<br>( Level 2 ) | Significant<br>Unobservable<br>Inputs<br>( Level 3 ) |
|--------------------------|-------------------------|--|---|--|
| Marketable securities:   |                         |  |   |  |
| Corporate bonds          | <u>\$108,986</u>        | \$ -   | <u>\$108,986</u>  | \$ -   |
| Equities:                |                         |  |   |  |
| Consumer Discretionary   | 76,200                  | 76,200   | -   | -  |
| Consumer Staples         | 40,137                  | 40,137   | -   | -  |
| Energy                   | 45,640                  | 45,640   | -   | -  |
| Financial                | 97,656                  | 97,656   | -   | -  |
| Healthcare               | 138,525                 | 138,525  | -   | -  |
| Technology               | <u>142,802</u>          | <u>142,802</u>   | -   | -  |
|                          | <u>540,960</u>          | <u>540,960</u>   | -   | -  |
| <b>Total</b>             | <u><b>\$649,946</b></u> | <u><b>\$540,960</b></u>  | <u><b>\$108,986</b></u>                                     | <u><b>\$ -</b></u>                                   |

**SUPPLEMENTARY INFORMATION**

# GARRETT NAGLE & COMPANY, INC.

Schedules of Operating Expenses  
Years ended December 31, 2012 and 2011

|                               | <u>2012</u>         | <u>2011</u>         |
|-------------------------------|---------------------|---------------------|
| Automobile expense            | \$ 2,894            | \$ 1,999            |
| Bank services                 | 312                 | 392                 |
| Charitable contributions      | 15,001              | 20,351              |
| Clearing charges              | 138,796             | 122,080             |
| Commissions                   | 10,093              | 10,189              |
| Computer expense              | 39,862              | 41,671              |
| Depreciation and amortization | 11,753              | 12,135              |
| Dues and subscriptions        | 14,463              | 14,867              |
| Equipment rental              | 3,745               | 2,247               |
| Insurance                     | 69,171              | 71,473              |
| Maintenance and repairs       | 1,794               | 1,823               |
| Market data communications    | 89,874              | 73,026              |
| Messenger and delivery        | 694                 | 908                 |
| Office expense                | 18,070              | 18,577              |
| Officer's compensation        | 300,000             | 300,000             |
| Payroll taxes                 | 50,407              | 57,693              |
| Postage                       | 2,380               | 2,799               |
| Printing                      | 4,176               | 8,945               |
| Professional fees             | 27,835              | 35,016              |
| Registration fees             | 4,572               | 4,972               |
| Rent                          | 100,685             | 98,131              |
| Retirement plan expense       | 27,667              | 27,500              |
| Salaries and wages            | 526,685             | 583,777             |
| Taxes, other                  | 3,842               | 3,566               |
| Telephone                     | 10,980              | 11,228              |
| Travel and entertainment      | 8,909               | 14,110              |
| Utilities                     | 4,249               | 5,028               |
|                               | <u>\$ 1,488,909</u> | <u>\$ 1,544,503</u> |

# GARRETT NAGLE & COMPANY, INC.

Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission  
As of December 31, 2012 and 2011

|  | 2012       | 2011       |
|--|------------|------------|
| Capital  |            |            |
| Common stock                                   | \$ 25,000  | \$ 25,000  |
| Additional paid-in capital                     | 17,428     | 17,428     |
| Retained Earnings                              | 685,591    | 648,242    |
| Unrealized holding gains                       | 331,923    | 170,833    |
| Total Capital                                  | 1,059,942  | 861,503    |
| Nonallowable assets:                           |            |            |
| Restricted cash                                | 25,016     | 24,867     |
| Prepaid expenses                               | 2,863      | 3,090      |
| Property and equipment, net                    | 28,022     | 35,495     |
| Total nonallowable assets                      | 55,901     | 63,452     |
| Net capital before security haircuts           | 1,004,041  | 798,051    |
| Security haircuts                              | 127,579    | 105,405    |
| Net capital                                    | 876,462    | 692,646    |
| Minimum dollar net capital requirement         | 100,000    | 100,000    |
| Excess net capital                             | \$ 776,462 | \$ 592,646 |
| Aggregate indebtedness                         | \$ 471,332 | \$ 475,228 |
| Ratio of aggregate indebtedness to net capital | .54 to 1   | .69 to 1   |

# GARRETT NAGLE & COMPANY, INC.

Reconciliation of Net Capital Computation  
Under Rule 15c3-1 of the Securities and Exchange Commission  
As of December 31, 2012

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A reconciliation of the net capital computation included herein (page 16) with the unaudited net capital computation included in the FOCUS Report as of December 31, 2012 is as follows:

|  |                   |
|--|-------------------|
| Unaudited net capital at December 31, 2012 | \$ 876,462        |
| Differences                                | <u>-</u>          |
| Audited net capital at December 31, 2012   | <u>\$ 876,462</u> |

# **SCHNEIDER, SCHNEIDER & ASSOCIATES, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**35 BRAINTREE HILL OFFICE PARK**

**BRAINTREE, MASSACHUSETTS 02184-8709**

**TEL. (781) 843-6601**

**FAX (781) 849-6772**

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

The Stockholder and Board of Directors  
Garrett Nagle & Company, Inc.  
Woburn, Massachusetts

In planning and performing our audit of the financial statements and supplementary information of Garrett Nagle & Company, Inc. (the "Company") for the years ended December 31, 2012 and 2011, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemption provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The Management of the Company is responsible for establishing and maintaining 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 control and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use of disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. 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, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2012, to meet the SEC's objectives.

This report is intended solely for the information and use of the Stockholder and Board of Directors, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities and 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.

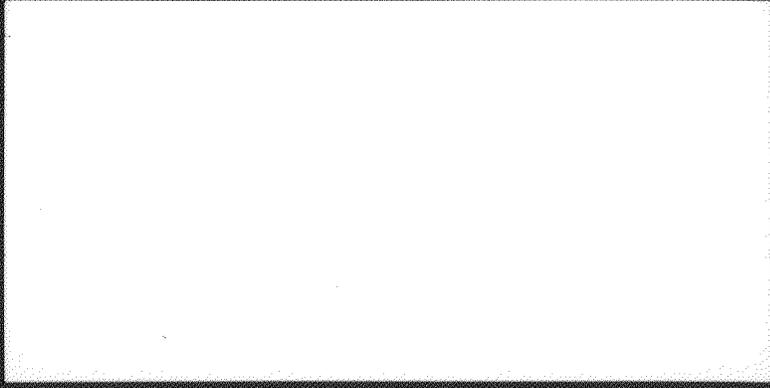
*Schneider, Schneider + Associates, P.C.*

February 1, 2013

COMPUTATION AND RESERVE REQUIREMENT UNDER RULE 15c3-1 OF THE  
SECURITIES AND EXCHANGE COMMISSION

AS OF DECEMBER 31, 2012 AND 2011

Garrett Nagle & Company, Inc. is exempt from the reserve requirements pursuant to SEC Rule 15c3-1 under paragraph (k) (2) (ii).



**SCNEIDER, SCNEIDER & ASSOCIATES, P.C.**  
— CERTIFIED PUBLIC ACCOUNTANTS —