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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
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ANNUAL AUDITED REPORT

FORM X-17A-5  
PART III

MAR 01 2013

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8-41204

FACING PAGE

Washington DC

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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: THE TAVENNER COMPANY  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
4910 Mechanicsburg Road

OFFICIAL USE ONLY
FIRM I.D. NO.

Springfield Ohio 45502  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
William James Tavenner, Sr. (937) 399-8415  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Clark, Schaefer, Hackett & Co.

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

2525 N. Limestone Street, Suite 103 Springfield Ohio 45503  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

<b>FOR OFFICIAL USE ONLY</b>

\*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)

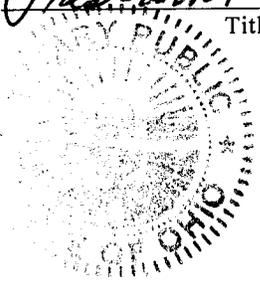
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OATH OR AFFIRMATION

I, William James Tavenner, Sr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of The Tavenner Company, 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:

William James Tavenner  
Signature  
President  
Title

Tammera J Edwards  
Notary Public



TAMMERA J. EDWARDS  
Notary Public, State of Ohio  
My Commission Expires  
7-22-13

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).

# THE TAVENNER COMPANY

Financial Statements

December 31, 2012 and 2011

with Independent Auditors' Report



**CLARK SCHAEFER HACKETT**  
STRENGTH IN NUMBERS

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
The Tavenner Company  
Springfield, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of The Tavenner Company (the Company) which comprise the statements of financial condition as of December 31, 2012 and 2011, and the related statements of operations, changes in stockholders' equity and cash flows for the years then ended, 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 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 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 auditor considers 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.

2525 north limestone street, ste. 103  
springfield, oh 45503

cshco.com  
p. 937.399.2000  
f. 937.399.5433

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Tavenner Company 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 Matters**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 9 through 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information 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 on pages 9 through 11 is fairly stated in all material respects in relation to the financial statements as a whole.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
February 25, 2013

**THE TAVENNER COMPANY**  
**Statements of Financial Condition**  
**December 31, 2012 and 2011**

Assets	<u>2012</u>	<u>2011</u>
<b>Current assets:</b>		
Cash	\$ 18,853	6,877
Commissions receivable	<u>17,323</u>	<u>16,133</u>
Total current assets	<u>36,176</u>	<u>23,010</u>
<b>Property:</b>		
Furniture and fixtures	29,766	29,766
Accumulated depreciation	<u>(28,431)</u>	<u>(26,642)</u>
	<u>1,335</u>	<u>3,124</u>
<b>Non-current assets:</b>		
Certificate of deposit	<u>9,440</u>	<u>9,320</u>
Total non-current assets	<u>10,775</u>	<u>12,444</u>
<b>Total assets</b>	<b>\$ <u>46,951</u></b>	<b><u>35,454</u></b>
<b>Liabilities and Stockholder's Equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 11,438	10,509
Commissions payable	<u>15,510</u>	<u>12,165</u>
Total current liabilities	<u>26,948</u>	<u>22,674</u>
<b>Stockholder's equity:</b>		
Common stock, no par value; authorized 750 shares, 100 shares issued and outstanding	200	200
Additional paid-in capital	18,115	18,115
Retained earnings (deficit)	<u>1,688</u>	<u>(5,535)</u>
Total stockholder's equity	<u>20,003</u>	<u>12,780</u>
<b>Total liabilities and stockholder's equity</b>	<b>\$ <u>46,951</u></b>	<b><u>35,454</u></b>

See accompanying notes to the financial statements.

**THE TAVENNER COMPANY**  
**Statements of Operations**  
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Revenue:</b>		
Commissions	\$ 385,570	316,001
Other income	15,449	5,454
Interest	<u>120</u>	<u>152</u>
 Total revenue	 <u>401,139</u>	 <u>321,607</u>
 <b>Expenses:</b>		
Commissions	313,990	255,610
Rent	18,000	18,000
Professional fees	14,125	13,650
Contract labor	10,065	10,998
Computer software and repairs	2,138	5,711
Office expenses	7,488	6,221
Postage	4,596	3,369
Dues and subscriptions	3,411	3,177
Utilities	3,131	2,688
Depreciation	1,789	2,444
Office supplies	1,623	1,461
Travel	120	953
License and registration	955	881
Insurance	874	821
Regulatory fees	644	395
Repairs and maintenance	124	-
Representative monitoring	249	-
Miscellaneous	<u>594</u>	<u>356</u>
 Total expenses	 <u>383,916</u>	 <u>326,735</u>
 Net income (loss)	 \$ <u>17,223</u>	 <u>(5,128)</u>

See accompanying notes to the financial statements.

**THE TAVENNER COMPANY**  
**Statements of Changes in Stockholder's Equity**  
**For the Years Ended December 31, 2012 and 2011**

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total Stockholder's Equity</u>
Balance at January 1, 2011	\$ 200	18,115	(407)	17,908
Net loss	<u>-</u>	<u>-</u>	<u>(5,128)</u>	<u>(5,128)</u>
Balance at December 31, 2011	200	18,115	(5,535)	12,780
Distribution	-	-	(10,000)	(10,000)
Net income	<u>-</u>	<u>-</u>	<u>17,223</u>	<u>17,223</u>
Balance at December 31, 2012	\$ <u>200</u>	<u>18,115</u>	<u>1,688</u>	<u>20,003</u>

See accompanying notes to the financial statements.

**THE TAVENNER COMPANY**  
**Statements of Cash Flows**  
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Net income (loss)	\$ 17,223	(5,128)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	1,789	2,444
Effects of changes in operating assets and liabilities:		
Commissions receivable	(1,190)	(1,545)
Commissions payable	3,345	2,593
Accounts payable	<u>929</u>	<u>4,500</u>
Cash flow provided by operating activities	<u>22,096</u>	<u>2,864</u>
Cash flows used by investing activities:		
Interest credited to certificate of deposit	<u>(120)</u>	<u>(151)</u>
Cash flows from financing activities:		
Distribution	<u>(10,000)</u>	<u>-</u>
Increase in cash	11,976	2,713
Cash, beginning of year	<u>6,877</u>	<u>4,164</u>
Cash, end of year	\$ <u>18,853</u>	<u>6,877</u>

See accompanying notes to the financial statements.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The following accounting principles and practices of the Company are set forth to facilitate the understanding of data presented in the financial statements:

**Description of business**

The Tavenner Company is an Ohio Corporation operating as a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of Financial Industry Regulatory Authority (FINRA). The Company is located in Springfield, Ohio.

**Method of accounting**

The Company prepares its financial statements on the accrual basis method of accounting.

**Cash**

For the purpose of financial statement reporting, the Company considers amounts on hand and in demand deposits and certificates of deposit with original maturities of three months or less to be cash.

**Commission receivable**

Commissions receivable are stated at net realizable value due from correspondent brokers. No allowance for uncollectible accounts was recorded as management deems all amounts to be collectible.

**Use of estimates**

Financial statements prepared in conformity with accounting principles generally accepted in the United States of Ohio requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Property, equipment and depreciation**

Property and equipment are recorded at cost. Depreciation is provided on the double declining balance method over the estimated useful lives of the respective assets.

**Accounting for uncertainty in income taxes**

The Company's income tax filings are subject to audit by various taxing authorities. The Company's open audit periods are 2009 through 2011. The Company's policy with regard to interest and penalties is to recognize interest through interest expense and penalties through other expense. In evaluating the Partnership's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategies are considered. The Company believes their estimates are appropriate based on current facts and circumstances.

**Subsequent events**

The Company evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through February 25, 2013, the date which the financial statements were available to be issued.

**2. OPERATIONS:**

The Company is a registered broker/dealer engaged primarily in selling mutual funds and variable life products. Customers' securities transactions are recorded on a settlement date basis and the related commission revenues and expenses are accrued on a trade date basis.

All securities transactions are carried on a fully disclosed basis.

The Company is exempt from special reserve requirements for brokers and dealers under rule 15c3-3 of the Securities and Exchange Commission. This exemption is claimed under Section (k)(2)(ii).

**3. FEDERAL INCOME TAXES:**

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes. Rather, the shareholder is liable for the individual federal income taxes on his respective share of the Company's taxable income.

**4. RELATED PARTY TRANSACTIONS:**

The Company's sole stockholder also controls an insurance company. The Company leases on a month-to-month basis office space, equipment and obtains administrative and support services under an operating agreement between the Company and the commonly owned insurance company. The amounts expensed for these services include \$18,000 for 2012 and 2011, for office and equipment rent.

**5. SUBORDINATED LIABILITIES:**

The Company has not incurred any liabilities subordinated to general creditors as of December 31, 2012 and 2011. Therefore, no related reporting to regulatory agencies is required.

**6. NET CAPITAL REQUIREMENTS:**

The Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) of the Securities and Exchange Commission. This rule, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital (both as defined) shall not exceed 15 to 1. The rule of the "applicable" exchange also provides that equity capital may not be withdrawn, or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2012, the Company had net capital of \$18,526, which was \$13,526 in excess of its required net capital of \$5,000. The Company's aggregate indebtedness to net capital ratio was at December 31, 2012 was 1.45 to 1.0.

**THE TAVENNER COMPANY**  
Schedule of Net Capital Under Rule 15c3-1 of the  
Securities and Exchange Commission  
December 31, 2012

<b>Net Capital:</b>	
Total stockholder's equity	\$ 20,003
<b>Deductions for non-allowable assets:</b>	
Property and equipment, net	(1,335)
<b>Haircuts on securities</b>	
Certificate of deposit (1 1/2%)	<u>(142)</u>
<b>Net Capital</b>	<b>\$ <u>18,526</u></b>
<b>Aggregate Indebtedness:</b>	
Accrued payable and commissions payable	\$ <u>26,948</u>
Total aggregate indebtedness	\$ <u>26,948</u>
<b>Computation of Basic Net Capital Requirement:</b>	
<b>Minimum net capital requirements:</b>	
Minimum dollar requirement	\$ <u>5,000</u>
Total requirement	\$ <u>5,000</u>
Excess Net Capital	13,526
Ratio: Aggregate indebtedness to net capital	1.45 to 1.0
<b>Reconciliation with Company's Computation:</b>	
Included in part IIA of Form X-17A-5 as of December 31, 2012	
Net capital per unaudited computation	\$ 18,526
Effect of audit and client adjustments on stockholders' equity	<u>-</u>
Net capital per audited computation above	\$ <u>18,526</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS REQUIRED BY SEC RULE 17A-5  
FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15C3-3**

Board of Directors  
The Tavenner Company  
Springfield, Ohio

In planning and performing our audit of the financial statements of The Tavenner Company (the Company), as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

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

1. Making quarterly securities examinations, counts, verifications, comparisons, and the 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 controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's previously mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit 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.

2525 north limestone street, ste. 103  
springfield, oh 45503

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

A deficiency in internal control 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 and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or 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 identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as previously defined.

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, as described in the second paragraph of this report, were adequate at December 31, 2012, to meet the SEC's objectives.

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
February 25, 2013



**At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training and experience are well-suited for each client's purpose and goals. We are committed to providing insightful and customized service — from efficient compliance to sophisticated consulting — to help each client prosper today and plan for future success.**

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