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

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Section

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

Washington, DC  
402

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

OFFICIAL USE ONLY  
FIRM I.D. NO.

245 Park Avenue, 23rd Floor

(No. and Street)

New York  
(City)

NY  
(State)

10167  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Nicolas Medina (212) 330-1011  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Whitley Penn LLP

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

8343 Douglas Avenue, Suite 400  
(Address)

Dallas  
(City)

TX  
(State)

75225  
(Zip Code)

**CHECK ONE:**

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

**FOR OFFICIAL USE ONLY**

\*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)

SEC 1410 (06-02)

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EM  
3/12/13

OATH OR AFFIRMATION

I, Nicolas Medina, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Buck Kwasha Securities LLC, 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:

No exceptions.

Nicolas Medina

Signature

President

Title

Roy Schutz
Notary Public

Roy Schutz
Notary Public, State of New York
Qualified in Nassau County-No. 01SC6084145
Commission Expires December 2, 2014

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).

**BUCK KWASHA SECURITIES, LLC**

**Statements of Financial Condition  
December 31, 2012 and 2011**

**(With Report of Independent Auditors)**

**BUCK KWASHA SECURITIES, LLC**

**Statements of Financial Condition  
December 31, 2012 and 2011**

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## REPORT OF INDEPENDENT AUDITORS

The Member  
Buck Kwasha Securities, LLC  
New York, New York

We have audited the accompanying financial statement of Buck Kwasha, LLC, which comprise the statements of financial condition as of December 31, 2012 and 2011, 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 ("GAAP"); 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.

### *Auditor's 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 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 auditor's 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.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Buck Kwasha Securities, LLC as of December 31, 2012 and 2011, in accordance with GAAP.

*Whitley Penn LLP*

February 27, 2013

**BUCK KWASHA SECURITIES, LLC**

Statements of Financial Condition

	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
<b>Assets</b>		
Cash	\$ 2,848,171	\$ 2,512,056
Deposit with clearing broker	100,000	100,000
Restricted cash	3,369	
Accrued fees receivable	154,176	156,929
Income tax recoverable from affiliate		10,232
Prepaid expenses	<u>12,338</u>	<u>14,436</u>
Total assets	<u>\$ 3,118,054</u>	<u>\$ 2,793,653</u>
<b>Liabilities and Member's Equity</b>		
Accrued expenses	\$ 52,580	\$ 78,910
Due to clearing broker	25,000	
Due to customer	3,369	
Income tax payable to affiliate	<u>19,139</u>	
Total liabilities	100,088	78,910
Commitments and contingencies		
Member's equity:		
Member's contributions	495,195	449,681
Accumulated earnings	<u>2,522,771</u>	<u>2,265,062</u>
Total member's equity	<u>3,017,966</u>	<u>2,714,743</u>
Total liabilities and member's equity	<u>\$ 3,118,054</u>	<u>\$ 2,793,653</u>

See accompanying notes to financial statements.

**BUCK KWASHA SECURITIES, LLC**

**Statements of Financial Condition**

**December 31, 2012 and 2011**

**(1) Summary of Significant Accounting Policies**

***(a) Organization***

Buck Kwasha Securities, LLC (the "Company") is a Delaware Limited Liability Company formed on February 11, 2005, and engaged in the general business of distributing securities of open-end investment companies on a subscription order basis and providing custodial duties to clients for cash and securities. The Company is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA"). Buck Consultants, LLC (the "Parent"), a Delaware corporation, has a 100% interest in the Company.

The Company's revenues are comprised primarily of 12b-1 fees paid by open-end investment companies. 12b-1 fees are taken out of an investment company's fund's assets periodically to cover the costs of marketing and distributing the fund to investors and are used to compensate a broker. The Company's customers are primarily institutional retirement plans for whom ACS HR Solutions, LLC ("ACS"), an affiliate of the Company, provides recordkeeping and other third party administration services. The amount of revenues derived by the Company from 12b-1 fees is largely dependent on the total value and composition of open-end investment company securities (mutual funds) owned by the Company's customers, primarily the institutional retirement plan clients of ACS. Neither the Company nor ACS has any discretion over the investments made by these institutional retirement plans. Many of these plans are 401(k) plans and other defined contribution plans that provide for participant-directed investments.

The Company's continuing membership application was approved by FINRA on June 21, 2010. This approval allows the Company to expand its business to act as introducing broker and to take custody of customer funds. On January 30, 2012, the Company took custody of customer funds. The Company operates on a plan level omnibus account basis through a clearing broker.

All revenue derived from the Company's custody business is directly from the client or client's assets. The Company charges an asset based fee for custody, transaction fees, and a \$0.01 commission for each security transaction.

***(b) Basis in Presentation***

The financial statements are presented in accordance with accounting principles generally accepted in the United States ("GAAP").

**BUCK KWASHA SECURITIES, LLC**

**Statements of Financial Condition (continued)**

***(c) Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts therein. Actual results may differ from these estimates.

***(d) Cash***

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At December 31, 2012 and 2011, the Company had no such investments. The Company maintains cash balances at multiple financial institutions. At times, the amount on deposit at this institution may exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The Company has not experienced any losses related to amounts in excess of FDIC limits.

***(e) Restricted Cash***

Restricted cash amounts at December 31, 2012, relate to deposits at a financial institution that is held at the direction of and on behalf of the customer.

***(f) Mutual Fund Fees***

Mutual fund fees, which are primarily comprised of 12b-1 fees, are accrued as earned monthly based on the estimated average net assets of the investment companies owned by the Company's customers when the services are provided and earned based on contractual terms with the customer.

***(g) Advisory Fees***

Advisory fees are accrued as earned monthly based on contractual terms with the customer.

***(h) Allocated Expenses***

The Company receives some of its services from its Parent, which provides the use of its employees, facilities, and utilities.

***(i) Fair Value of Financial Instruments***

The Company calculates the fair value of its assets and liabilities which qualify as financial instruments and includes this information in the notes to financial statements when the fair value is different than the carrying value of those financial instruments. The estimated fair value of accrued fees receivable, prepaid expenses, and accrued expenses approximate the carrying amounts due to the relatively short maturity of these instruments. None of these instruments are held for trading purposes.



## BUCK KWASHA SECURITIES, LLC

### Statements of Financial Condition *(continued)*

#### *(j) Income Taxes*

The Company is a single member, limited liability company, which is treated as a disregarded entity for federal tax purposes. Generally, disregarded entities are not subject to entity-level federal or state income taxation. However, as there is a tax sharing agreement with other members of the consolidated group and though the Company is not a separate tax paying entity, federal, state, and local tax expense is reflected in these financial statements as if the Company filed its own returns.

The Parent's ultimate owner, Xerox Corporation ("Xerox"), files consolidated federal, state, and city tax returns, which include the Company. In accordance with the tax-sharing agreement with Xerox, the amount of current tax expense or benefit is either remitted to or received from the Parent by applying the Xerox consolidated tax rate to the Company's income. Accordingly, the difference between the Company's separate return accounting policy and amounts allocated under the tax-sharing arrangement is accounted for as a capital contribution or distribution. There are no temporary differences between the financial reporting and tax bases of assets and liabilities; accordingly, no deferred taxes have been provided as of December 31, 2012 and 2011.

#### *(k) New Accounting Pronouncements*

In December 2011 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-11, Balance Sheet (Topic 210): *Disclosures about Offsetting Assets and Liabilities*. ASU 2011-11 requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The adoption of this guidance may expand existing disclosure requirements, which the Company is currently evaluating.

#### **(2) Deposit with Broker**

The Company, as an introducing broker, is required under the terms of its omnibus agreement with its clearing broker, Pershing LLC, to maintain a collateral account with the clearing broker during the term of the agreement to secure its obligations under the agreement. Accordingly, the Company has \$100,000 on deposit with its clearing broker which is restricted and is intended to cover losses the clearing broker may incur as a result of clearing securities transactions.

The Company clears all of its securities transactions through its clearing broker on an omnibus basis. Pursuant to the terms of the agreement between the Company and the clearing broker, the clearing broker has the right to charge the Company for losses that result from a counterparty's failure to fulfill its contractual obligations.

**BUCK KWASHA SECURITIES, LLC**

**Statements of Financial Condition (continued)**

As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing broker, the Company believes there is no maximum amount assignable to this right.

As of December 31, 2012, and for the year then ended, the Company has recorded no liabilities nor paid expenses with regard to this obligation.

In addition, the Company has the right to pursue collection or performance from the counterparties who do not perform under their contractual obligations. The Company monitors the credit standing of the clearing broker and all counterparties with which it conducts business.

**(3) Payable to Clearing Broker**

Amounts payable to clearing broker consists of fees charged to the Company related to the clearing account. The Company does not owe any amounts related to securities failed to receive, amounts payable to clearing organizations on open transactions, and floor-brokerage payables as of December 31, 2012.

**(4) Payable to Customer**

Payable to customer include residual uninvested cash held at the direction of the customer.

**(5) Regulatory Net Capital Requirements**

The Company is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum regulatory net capital and requires that the ratio of aggregate indebtedness to regulatory net capital, both as defined, shall not exceed 15 to 1. Regulatory net capital and aggregate indebtedness may fluctuate on a daily basis.

The Company had regulatory net capital of \$2,850,444 and \$2,533,146 as of December 31, 2012 and 2011, respectively, and a regulatory net capital requirement of \$250,000 as of December 31, 2012 and 2011. The Company's ratio of aggregate indebtedness to regulatory net capital was 0.04 to 1 and 0.03 to 1 at December 31, 2012 and 2011, respectively.

**(6) Related Party Transactions**

**(a) Expenses**

Expenses recorded under an expense-sharing agreement were \$443,907 and \$481,572 for the years ended December 31, 2012 and 2011, respectively. There were no amounts due to the Parent associated with the expense sharing agreement at December 31, 2012 or 2011.

**BUCK KWASHA SECURITIES, LLC**

**Statements of Financial Condition (continued)**

**(b) Income Taxes**

Income taxes payable to (receivable from) an affiliate on the statements of financial condition of \$19,139 and (\$10,232) as of December 31, 2012 and 2011, respectively, are due to (from) the Parent in accordance with the Company's tax-sharing agreement. Income tax expenses recorded were \$211,131 and \$238,121 for the years ended December 31, 2012 and 2011, respectively.

**(7) Fair Value Measurements**

Accounting Standards Codification ("ASC") 820-10 defines fair value, establishes a framework for measuring fair value, and expands disclosures about assets and liabilities measured at fair value. ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a three-tier hierarchy that is used to identify assets and liabilities measured at fair value. The hierarchy focuses on the inputs used to measure fair value and requires that the lowest level input be used. The three levels defined are as follows:

- Level 1 — observable inputs that are based upon quoted market prices for identical assets or liabilities within active markets.
- Level 2 — observable inputs other than Level 1 that are based upon quoted market prices for similar assets or liabilities, based upon quoted prices within inactive markets, or inputs other than quoted market prices that are observable through market data for substantially the full term of the asset or liability.
- Level 3 — inputs that are unobservable for the particular asset or liability due to little or no market activity and are significant to the fair value of the asset or liability. These inputs reflect assumptions that market participants would use when valuing the particular asset or liability.

**(8) Offsetting Balances**

The Company has custody of certain assets held in an omnibus account on behalf of a customer. These assets are securities in stock of the customer. The Gross amount of these securities as of December 31, 2012, is \$44,642,239. The Company has offset this amount on the statement of financial position with the amount due to the customer of \$44,642,239. The net balance is \$0.

**BUCK KWASHA SECURITIES, LLC**

**Statements of Financial Condition (continued)**

**(9) Income Taxes**

The Company identified no material uncertain income tax positions in accordance with FASB ASC No. 741-10, *Accounting for Uncertainty in Income Taxes*. If there were unrecognized income tax benefits, the Company's policy would be to recognize accrued interest and penalties, as appropriate, related to unrecognized income tax benefits in income tax expense. The Company does not have a balance of accrued interest and penalties as of December 31, 2012.

From time to time, the Parent is subject to examination by various tax authorities in jurisdictions in which the Parent has significant business operations. As the Company is included in the consolidated tax return of Xerox, the Company is jointly and severally responsible for the income tax obligations of the consolidated group resulting from such examinations. The Company regularly assesses the likelihood of additional assessments in each of the tax jurisdictions resulting from these examinations. As of December 31, 2012, the Company does not expect to make any significant payments as a result of any adjustment from the finalization of any such examinations.

**(10) Concentrations**

For the year ended December 31, 2012, the Company had three customers that accounted for approximately 30%, 28%, and 13% of the Company's revenues. For the year ended December 31, 2011, the Company had three customers that accounted for approximately 42%, 22%, and 11% of the Company's revenues. Five customers accounted for approximately 32%, 17%, 14%, 13%, and 11% of the accrued fees receivable balance at December 31, 2012. Four customers accounted for approximately 30%, 18%, 13%, and 12% of the accrued fees receivable balance at December 31, 2011.

**(11) Subsequent Events**

In preparing the financial statements, the Company has evaluated all subsequent events and transactions for potential recognition or disclosure through February 27, 2013, the date the financial statements were available for issuance.

