

12/11/14



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

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: March 31, 2016  
Estimated average burden  
hours per response... 12.00

**ANNUAL AUDITED REPORT**  
**FORM X-1745**  
**PART III**

RECEIVED  
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REGISTRATION BRANCH

SEC FILE NUMBER  
8- 28508

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 10/01/13 AND ENDING 09/30/14 \*  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: The Buckingham Research Group Incorporated

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

750 Third Avenue, 6th Floor

(No. and Street)

New York

NY

10017

(City)

(State)

(Zip Code)

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

Jerry Mirro, Managing Director and Chief Financial Officer

(212) 922-5500

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

EisnerAmper LLP

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

750 Third Avenue, 16th floor

New York

NY

10017

(Address)

(City)

(State)

(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)

12/11/14

OATH OR AFFIRMATION

I, Jerry Mirro, 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 Buckingham Research Group Incorporated and Subsidiaries of September 30, 2014, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Jerry Mirro  
Signature  
CFO  
Title

Yany B Shust  
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).

**THE BUCKINGHAM RESEARCH GROUP INCORPORATED AND  
SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL CONDITION**

**SEPTEMBER 30, 2014**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders  
The Buckingham Research Group Incorporated

We have audited the accompanying consolidated statement of financial condition of The Buckingham Research Group Incorporated and Subsidiaries (the "Company") as of September 30, 2014. This consolidated financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated statement of financial condition referred to above presents fairly, in all material respects, the consolidated financial position of The Buckingham Research Group Incorporated and Subsidiaries as of September 30, 2014, in conformity with accounting principles generally accepted in the United States of America.

*EisnerAmper LLP*

New York, New York  
November 25, 2014

# THE BUCKINGHAM RESEARCH GROUP INCORPORATED AND SUBSIDIARIES

## Consolidated Statement of Financial Condition September 30, 2014

### ASSETS

Cash and cash equivalents	\$ 16,581,857
Due from brokers	223,647,649
Deposit with broker	100,000
Investments in securities, at fair value	1,062,596,429
Commissions receivable	999,627
Employee loans and shareholder advances	476,540
Furniture, equipment and leasehold improvements, net (less accumulated depreciation and amortization of \$4,662,092)	1,176,154
Prepaid taxes	6,834
Prepaid expenses	489,961
Other assets	<u>1,151,011</u>
	<u><b>\$ 1,307,226,062</b></u>

### LIABILITIES

Securities sold short, at fair value	\$ 394,175,430
Deferred rent	368,437
Withdrawals payable to limited partners	15,383,689
Accounts payable and accrued expenses	3,439,684
Commissions payable	943,397
Compensation payable	2,119,444
Deferred taxes, net	<u>35,855</u>
	<u><b>416,465,936</b></u>

Commitments

### STOCKHOLDERS' EQUITY

Common stock - \$0.01 par value:	
Class A, authorized 100,000 shares, 50,585 and 34,711 shares issued and outstanding, respectively	506
Class B, authorized 900,000 shares, 455,265 and 312,399 shares issued and outstanding, respectively	4,553
Additional paid-in capital	6,657,912
Retained earnings	23,148,463
Treasury stock (15,874 shares of Class A and 142,866 shares of Class B, at cost)	<u>(7,852,233)</u>
	21,959,201
Total stockholders' equity of The Buckingham Research Group Incorporated and Subsidiaries	<u><b>21,959,201</b></u>
Equity of non-controlling interests	<u><b>868,800,925</b></u>
	<u><b>890,760,126</b></u>
	<u><b>\$ 1,307,226,062</b></u>

# THE BUCKINGHAM RESEARCH GROUP INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Statement of Financial Condition September 30, 2014

### NOTE A - DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

#### [1] Description of business and principles of consolidation:

The Buckingham Research Group Incorporated ("BRG") was incorporated under the laws of the state of Delaware on November 1, 1982. BRG is engaged primarily in brokerage and investment advisory services. BRG is registered as a broker-dealer under the rules of the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority (FINRA).

BRG clears transactions on a fully disclosed basis and does not carry customer accounts and is exempt from Securities and Exchange Commission ("SEC") Rule 15c3-3 under paragraph k(2)(ii).

The consolidated statement of financial condition include the accounts of BRG and its wholly owned subsidiary, Buckingham Capital Management Incorporated ("BCM") and also include the accounts of the following investment partnerships for which BCM serves as the sole General Partner, is deemed to control and has limited partnership interests: Buckingham Partners, L.P. ("BP"), Buckingham Partners II, L.P. ("BP II"), Buckingham RAF Partners, L.P. ("RAF") and Buckingham RAF Partners II, L.P. ("RAF II") (the "Onshore Funds"). In addition, BCM is the managing member of Buckingham Holdings, LLC ("BH"), with ownership of approximately 2.9% as of September 30, 2014. BCM is deemed to control and consolidates BH. BH's other stockholders are also stockholders of BRG. BH also includes the accounts of the following investment partnerships, for which BH serves as the sole General Partner and is deemed to control: Buckingham International Partners Master Fund, L.P. ("BIP") and Buckingham RAF International Partners Master Fund, L.P. ("BRAFI") (the "Offshore Funds"). Collectively, the consolidated entities are referred to as the "Company" or "Companies". All material intercompany accounts and transactions have been eliminated on consolidation.

BCM is registered as an investment advisor with the U.S. Securities and Exchange Commission. BCM serves as the investment manager for the Onshore Funds and Offshore Funds, whereby it pays certain expenses. BCM has assigned its interest in the incentive allocation it earns from the Onshore and Offshore Funds to BH.

The Onshore Funds are organized as Delaware limited partnerships and the Offshore Funds are organized as exempted limited partnerships under the laws of the Cayman Islands.

The Onshore Funds' and Offshore Funds' investment objective is to seek capital appreciation of their assets by investing primarily in a portfolio of equity securities in U.S. publicly-held companies. The Onshore Funds and Offshore Funds seek to achieve their objective by trading primarily in "undervalued", "underfollowed", and "misunderstood" securities.

#### [2] Summary of significant accounting policies:

##### (a) Investments in securities and valuation:

Investments in securities held by BRG are accounted for at fair value.

Investments in securities held by BCM are considered held for trading and are accounted for at fair value.

The consolidated limited partnerships (referred to as the Onshore and Offshore Funds) are considered investment companies and follow specialized accounting pursuant to the "AICPA Audit and Accounting Guide - Investment Companies". This consolidated financial statement reflects the specialized accounting so that investments held by the limited partnerships are shown on the consolidated statement of financial condition at fair value.

# THE BUCKINGHAM RESEARCH GROUP INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Statement of Financial Condition  
September 30, 2014

## NOTE A - DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### [2] Summary of significant accounting policies: (continued)

#### (a) Investments in securities and valuation: (continued)

The Company carries its investments at fair value. Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. A fair value hierarchy provides for prioritizing inputs to valuation technique used to measure fair value into three levels:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Company.

Level 3 Unobservable inputs. Unobservable inputs reflect the assumptions that management develops based on available information about what market participants would use in valuing the asset or liability.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Management uses judgment in determining fair value of assets and liabilities, and Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets or liabilities.

Investments in securities and securities sold short, including common stock, American Depository Receipts, exchange-traded funds and options, that are traded on a national securities exchange are valued at their last sale price on the last business day of the year or, if no sales occurred on that day, the last closing bid price if held long by the Company and the last closing asked price if sold short by the Company as reported by the exchange. Securities not listed on a national securities exchange or that are not national market securities are valued at their last sale price, unless there is no price on the last business day of the year, in which case it is valued at the last closing bid price if held long by the Company and the last closing asked price if sold short by the Company on the last business day of the year as reported by NASDAQ, or, if not so reported, as reported in the over-the-counter market in the United States. These securities are shown as Level 1 in the fair value hierarchy.

Investments in common stock not actively traded are classified within Level 2 of the fair value hierarchy.

Equity swaps, put options and warrants are classified within Level 2 of the fair value hierarchy and are valued based on financial models utilizing observable inputs.

#### (b) Revenue recognition:

Research and investment advisory fees are recorded as earned. Commission income is recorded on a trade-date basis as service is provided.

If at the end of any calendar year a limited partner in the investment partnership has a net profit (after taking into account any loss make-up per the respective partnership agreement), BH receives 20% of such profits, which is deducted from the capital account of such limited partner.

# THE BUCKINGHAM RESEARCH GROUP INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Statement of Financial Condition September 30, 2014

### NOTE A - DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [2] Summary of significant accounting policies: (continued)

##### (b) Revenue recognition: (continued)

BCM earns management fees from an unrelated managed account. Additionally, BRG earns management fees from the Onshore and Offshore Funds which is eliminated on consolidation. Management fees on the managed account and the Onshore and Offshore Funds are payable quarterly, and generally range from 1% to 1.5% per annum based on quarterly net assets.

Securities transactions are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis.

##### (c) Cash and cash equivalents:

Cash equivalents consist of money market mutual funds, which amounted to \$52,908 at September 30, 2014. The Company, at times, maintains cash in deposit accounts in excess of Federal Deposit Insurance Corporation limits. The Company has not experienced any losses on such accounts.

##### (d) Furniture, equipment and leasehold improvements:

Furniture and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are stated at cost, net of accumulated amortization. Amortization is computed using the straight-line method over the estimated useful life of the improvement or the life of the lease, whichever is shorter.

##### (e) Deferred rent:

The Company leases two premises under separate leases, which provide for free rent periods and periodic increases over the lease terms. The Company records rent expense on a straight-line basis over the lease terms. The difference between rent expense incurred and the amount paid is recorded as a liability for deferred rent.

##### (f) Income taxes:

BRG files its federal income tax return on a consolidated basis and its New York State and New York City income tax returns on a combined basis with its wholly owned subsidiary BCM. BH files a separate tax return. All tax returns are filed using a December 31 year end.

BRG elected to be treated as an S corporation pursuant to Section 1362 of the Internal Revenue Code. As a result of this election, BRG's income or loss is reportable on the individual tax returns of its stockholders. A similar election was made for New York State income tax purposes. The Company is subject to New York City corporate income tax and the New York State corporate minimum tax.

BH and the Onshore and Offshore Funds are not subject to federal, state and New York City income taxes. The members/partners include their respective share of the profits or losses on their own tax returns.

Management is responsible for determining whether a tax position taken by the Company is more likely than not to be sustained on the merits. The Company has not recognized in this consolidated financial statement any interest or penalties related to income taxes, and have no material unrecognized tax benefits. The Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for the years before December 31, 2011.

# THE BUCKINGHAM RESEARCH GROUP INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Statement of Financial Condition  
September 30, 2014

## NOTE A - DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### [2] Summary of significant accounting policies: (continued)

#### (f) Income taxes:

Tax laws are complex and subject to different interpretations by the taxpayer and taxing authorities. Significant judgment is required when evaluating tax positions and related uncertainties. Future events such as changes in tax legislation could require a provision for income taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. At September 30, 2014, the Company had no valuation allowance recorded. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Deferred taxes resulting from the temporary differences in the recognition of assets and liabilities for income tax purposes as compared to the financial statement purposes consist principally of depreciation and amortization, deferred rent and unrealized gains and losses on investments.

#### (g) Accounting estimates:

The preparation of a consolidated statement of financial condition 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 and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statement. Actual results could differ from these estimates.

## NOTE B - DUE FROM BROKERS/DEPOSIT WITH BROKER

Morgan Stanley & Co. Incorporated ("Morgan Stanley") serves as custodian and clearing broker for the assets of BRG. In addition, Morgan Stanley, Barclays Capital Inc. and Merrill Lynch Professional Clearing Corp. serve as prime brokers for the Onshore and Offshore Funds. The amounts due from brokers consist of cash balances and the net of receivables and payables for unsettled trades at the consolidated statement of financial condition date. At September 30, 2014 there was no collateral required to be posted pursuant to the terms of swap contracts. Trades executed on behalf of clients of BRG are cleared through National Financial Services LLC.

In addition, \$100,000 is deposited with National Financial Services LLC as a clearing deposit.

**THE BUCKINGHAM RESEARCH GROUP INCORPORATED AND SUBSIDIARIES**

**Notes to Consolidated Statement of Financial Condition  
September 30, 2014**

**NOTE C - INVESTMENTS**

The following is a summary of investments in securities, at fair value, as of September 30, 2014:

	<u>Common Stock</u>	<u>Warrants</u>	<u>Options</u>	<u>Unrealized Gain on Swaps</u>	<u>Total</u>
Owned by BRG	\$ 6,321,071		\$ 11,761		\$ 6,332,832
Owned by investment partnerships	<u>1,053,784,452</u>	<u>\$260,916</u>	<u>912,483</u>	<u>\$1,305,746</u>	<u>1,056,263,597</u>
Total investments in securities	<u>\$ 1,060,105,523</u>	<u>\$ 260,916</u>	<u>\$ 924,244</u>	<u>\$ 1,305,746</u>	<u>\$ 1,062,596,429</u>

The following is a summary of investments in securities sold short, at fair value, as of September 30, 2014:

	<u>Common Stock</u>	<u>Exchange Traded Funds</u>	<u>Options</u>	<u>Total</u>
Owned by BRG	\$ 1,082,404	\$ 1,470,651		\$ 2,553,055
Owned by investment partnerships	<u>228,964,975</u>	<u>161,445,150</u>	<u>\$ 1,212,250</u>	<u>391,622,375</u>
Total investments in securities sold short	<u>\$ 230,047,379</u>	<u>\$ 162,915,801</u>	<u>\$ 1,212,250</u>	<u>\$ 394,175,430</u>

# THE BUCKINGHAM RESEARCH GROUP INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Statement of Financial Condition September 30, 2014

### NOTE C - INVESTMENTS (CONTINUED)

The following are the Company's investments owned and sold short by level within the fair value hierarchy at September 30, 2014:

<b>ASSETS</b>	<u>Fair Value</u>	<u>Fair Value Hierarchy</u>
Investments in securities:		
Common stock - United States:		
Apparel	\$ 163,302,866	Level 1
Apparel	5,882,905	Level 2
Automotive	41,527,360	Level 1
Banks	22,989,734	Level 1
Brokers	9,653,914	Level 1
Building products/services	37,832,515	Level 1
Consumer staples	8,592,800	Level 1
Energy - oil services	9,508,292	Level 1
Energy - exploration & production	3,468,843	Level 1
Finance	31,010,563	Level 1
Food retailer	20,029,069	Level 1
Footwear	137,064,911	Level 1
Healthcare - facilities & services	23,725,794	Level 1
Healthcare - HMOs	15,848,119	Level 1
Healthcare - pharmaceuticals	4,381,120	Level 1
Homebuilders/products	38,005,792	Level 1
Industrial/chemicals	40,917,570	Level 1
Leisure	34,208,711	Level 1
Special purpose acquisition company	2,004,470	Level 1
Restaurant/food	37,323,619	Level 1
Retail	197,217,941	Level 1
Technology	2,886,800	Level 1
Technology - software	1,640,043	Level 1
Transportation/freight	13,736,767	Level 1
Transportation/travel	75,908,668	Level 1
Trust banks	10,657,329	Level 1
Total common stock - United States	<u>989,326,515</u>	
Common stock – International		
Apparel – British Virgin Islands	32,815,413	Level 1
Apparel – Canada	20,820,140	Level 1
Retail – Bermuda	17,143,455	Level 1
Total common stock – International	<u>70,779,008</u>	
Warrants - apparel	237,979	Level 2
Warrants – Special purpose acquisition company	22,937	Level 2
Total warrants	<u>260,916</u>	
Call options – building products/services	57,360	Level 1
Call options – energy exploration & production	272,318	Level 1
Call options – energy oil services	111,520	Level 1
Call options – leisure	28,830	Level 1
Call options – retail	148,000	Level 1
Call options – transportation/travel	273,793	Level 1
Put options – restaurant/food	32,423	Level 2
Total options	<u>924,244</u>	
Unrealized gains on equity swaps	1,305,746	Level 2
Total investments in securities	<u>\$ 1,062,596,429</u>	

# THE BUCKINGHAM RESEARCH GROUP INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Statement of Financial Condition September 30, 2014

### NOTE C - INVESTMENTS (CONTINUED)

	<u>Fair Value</u>	<u>Fair Value Hierarchy</u>
<b>LIABILITIES</b>		
Securities sold short:		
Common stock - United States		
Aerospace/defense	\$ 2,731,027	Level 1
Apparel	8,678,834	Level 1
Automotive	4,362,600	Level 1
Energy oil services	1,413,410	Level 1
Food retailers	24,095,581	Level 1
Industrial/chemicals	1,746,000	Level 1
Miscellaneous	1,460,700	Level 1
Restaurant/food	35,802,801	Level 1
Retail	114,097,426	Level 1
Technology hardware	3,318,869	Level 1
Transportation freight	1,926,855	Level 1
Transportation/travel	<u>30,413,276</u>	Level 1
Total common stock	<u>230,047,379</u>	
Exchange-traded funds - index <sup>(1)</sup>	<u>162,915,801</u>	Level 1
Equity options:		
Call options - apparel	390,000	Level 1
Call options - footwear	600,000	Level 1
Put options - retail	<u>222,250</u>	Level 2
Total equity options	<u>1,212,250</u>	
Total securities sold short	<u>\$ 394,175,430</u>	

(1) Includes 584,836 shares of SPDR S&P 500 ETF Trust with a fair value of \$115,224,389 (12.9% of stockholders' equity).

All warrants, swaps, exchange-traded funds and options are domiciled in the United States, except for the long call options – retail, which are domiciled in the British Virgin Islands.

The cost of common stock, warrants and options held long was \$805,487,209, \$94,953 and \$2,828,648, respectively, at September 30, 2014. The proceeds on common stock, exchange-traded funds and options sold short was \$241,120,155, \$161,510,555 and \$1,150,482, respectively, at September 30, 2014.

### NOTE D - EMPLOYEE LOANS AND SHAREHOLDER ADVANCES

Shareholder advances are noninterest-bearing loans and are due by December 31, 2014. Employee loans are interest-bearing and are due on demand.

# THE BUCKINGHAM RESEARCH GROUP INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Statement of Financial Condition September 30, 2014

### NOTE E - PROFIT-SHARING PLAN

The Company maintains a profit sharing/401(k) plan (the "Plan") covering all eligible full-time employees. The Company has total discretion about whether to make an employer contribution to the Plan and the amount of such employer contribution

### NOTE F - COMMITMENTS

BRG has a lease agreement for office facilities which commenced January 15, 2002 and expires on January 15, 2017, with an option to extend through February 28, 2021. BCM entered into a lease agreement for separate office space on July 9, 2012, which commenced on December 31, 2012 and expires on March 31, 2020 with an option to extend through February 28, 2021.

The approximate annual future minimum rental commitments are as follows:

<b>Minimum Lease Obligations</b>		
<b>Year Ending September 30,</b>	<b>BRG</b>	<b>BCM</b>
2015	\$ 1,056,000	\$ 447,000
2016	1,056,000	447,000
2017	308,000	447,000
2018		473,000
2019		482,000
Thereafter		241,000
Total	<u>\$ 2,420,000</u>	<u>\$ 2,537,000</u>

### NOTE G - NET CAPITAL REQUIREMENT

BRG, as a broker-dealer registered with the SEC and a member of FINRA, is subject to the SEC Uniform Net Capital Rule 15c3-1 (the "Rule") and computes its net capital on the aggregate indebtedness method. The Rule requires BRG to maintain minimum net capital equal to the greater of \$100,000 or 6 2/3% of aggregate indebtedness, both as defined by the Rule. Rule 15c3-1 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 September 30, 2014, BRG had net capital of \$9,036,224 which was \$8,842,194 in excess of its minimum required net capital of \$194,030. BRG's ratio of aggregate indebtedness to net capital was 32.21%.

### NOTE H - FIXED ASSETS, NET

Fixed assets at September 30, 2014 are comprised of the following:

Equipment	\$ 1,426,922
Furniture and fixtures	2,059,184
Computer software	629,686
Leasehold improvements	<u>1,722,454</u>
Total cost	5,838,246
Less accumulated depreciation and amortization	<u>(4,662,092)</u>
	<u>\$ 1,176,154</u>

# THE BUCKINGHAM RESEARCH GROUP INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Statement of Financial Condition September 30, 2014

### NOTE I - STOCKHOLDERS' EQUITY

The Company's capital stock consists of Class A and Class B common stock shares. The authorized number of shares at September 30, 2014 was 1,000,000 consisting of 100,000 Class A shares and 900,000 Class B shares. Class A shares have the right to vote and Class B shares do not have the right to vote.

Shares of common stock are purchased by the Company's management and employees at transactional book value as defined in the Shareholders' Agreement.

### NOTE J - FINANCIAL INSTRUMENTS HELD AND RISK

In the normal course of its business, each Company trades various financial instruments and enters into various financial transactions where the risk of potential loss due to market risk, currency risk, credit risk, liquidity risk and other risks can equal or exceed the related amounts recorded. The success of any investment activity is influenced by general economic conditions that may affect the level and volatility of equity prices, credit spreads, and the extent and timing of investor participation in the markets for equity investments. Unexpected volatility or illiquidity in the markets in which each Company directly or indirectly holds positions could impair its ability to carry out its business and could cause losses to be incurred.

Market risk represents the potential loss that can be caused by increases or decreases in the fair value of investments.

Currency risk is the risk that the fair value of an investment will fluctuate because of changes in foreign exchange rates. Investments that are denominated in a non-U.S. currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

Credit risk represents the potential loss that would occur if counterparties fail to perform pursuant to the terms of their obligations. In addition to its investments, each Company is subject to credit risk to the extent a custodian or broker with whom it conducts business is unable to fulfill contractual obligations.

Liquidity risk is the risk that each Company will not be able to raise funds to fulfill its commitments, including inability to sell investments quickly or at close to fair value.

Short selling, or the sale of securities not owned by each Company, exposes each Company to the risk of loss in an amount greater than the initial proceeds, and such losses can increase rapidly and, in the case of equities, without effective limit. There is the risk that the securities borrowed by each Company in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein each Company might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

The Companies invest a portion of their assets in securities of non-U.S. issuers and in other financial instruments denominated in various currencies. These types of investments entail risks in addition to those involved in investments in securities of domestic issuers. Investing in non-U.S. securities may represent a greater degree of risk than investing in U.S. securities. Non-U.S. securities may also be less liquid and more volatile than U.S. securities and may involve higher transaction and custodial costs.

# THE BUCKINGHAM RESEARCH GROUP INCORPORATED AND SUBSIDIARIES

## Notes to Consolidated Statement of Financial Condition September 30, 2014

### NOTE J - FINANCIAL INSTRUMENTS HELD AND RISK (CONTINUED)

The writer of a call option which is covered (i.e., the writer has a long position in the underlying instrument) assumes the risk of a decline in the market price of the underlying instrument below the value of the underlying instrument less the premium received, and gives up the opportunity for gain on the underlying instrument above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying instrument above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying instrument, the loss on the call will be offset, in whole or in part, by any gain on the short sale of the underlying instrument.

Options may be cash settled, settled by physical delivery or by entering into a closing transaction. In entering into a closing purchase transaction, the Companies may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written. In addition, the correlation between option prices and the prices of underlying securities may be imperfect and the market for any particular option may be illiquid at a particular time.

The Companies purchase and sell options on securities on national and over-the-counter markets. The seller ("writer") of a put option which is covered (i.e., the writer has a short position in the underlying instrument) assumes the risk of an increase in the market price of the underlying instrument above the sales price (in establishing the short position) of the underlying instrument, plus the premium received, and gives up the opportunity for gain on the underlying instrument below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying instrument below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option. If the buyer of the put holds the underlying instrument, the loss on the put will be offset in whole or in part by any gain on the underlying instrument.

The Companies' derivative agreements (the "ISDA Agreements") contain provisions that require the Companies to maintain a predetermined level of capital, and/or provide limits regarding a decline of the Companies' capital over 1-month, 3-month, and 12-month periods. If a Company were to violate such provisions, the counterparties to the derivative contracts could, upon notice, request payment or demand collateralization on derivative contracts in net liability positions. Additionally, counterparties may terminate these agreements and the related derivative contracts if a Company does not meet the covenants or provisions.

Derivative financial instruments may be used to manage market risk and to take an active long or short position in the market. Should interest rates or credit spreads move unexpectedly, anticipated benefits may not be achieved and a loss may be realized. Furthermore, the use of derivative financial instruments involves the risk of imperfect correlation in movements in the price of the instruments, interest rates and the underlying assets.

The Companies engage in derivative transactions such as swaps as an alternative to direct investments in the underlying securities. The risks associated with derivative transactions are potentially greater than those associated with the direct purchase or sale of the underlying securities because of the additional complexity and potential for leverage. In addition, derivatives may create credit risk, as well as legal, operational, reputational and other risks beyond those associated with the direct purchase or sale of the underlying securities to which their values are related. Net unrealized gain or loss on open swap contracts are offset when reflected in the statement of financial condition since the contracts are executed with the same counterparty under a master netting agreement. These agreements provide the companies with the right in the event of default by the counterparty (such as bankruptcy or failure to pay or perform), to net a counterpart's rights and obligations under the agreement and to liquidate and setoff collateral against any net amount owed by the counterparty.

**THE BUCKINGHAM RESEARCH GROUP INCORPORATED AND SUBSIDIARIES**

**Notes to Consolidated Statement of Financial Condition  
September 30, 2014**

**NOTE J - FINANCIAL INSTRUMENTS HELD AND RISK (CONTINUED)**

The following presents information about financial instruments and related collateral amounts subject to enforceable master netting and/or similar arrangements:

	<u>Gross amounts presented</u>	<u>Gross amounts offset in the consolidated statement of financial condition</u>	<u>Net amounts presented in the consolidated statement of financial condition</u>	<u>Cash collateral posted</u>	<u>Net exposure</u>
<b>Assets - Derivatives:</b>					
Unrealized appreciation on equity swap contracts	\$ 1,305,746	\$ -	\$ 1,305,746	\$ -	\$ -

The location, fair value and risk type of the derivative instruments reported in the consolidated statement of financial condition at September 30, 2014 are as follows:

	<u>Location</u>	<u>Fair Value</u>	<u>Risk Type</u>
Warrants	Investments in securities, at fair value	\$ 260,916	Equity risk
Equity options	Investments in securities, at fair value	\$ 924,244	Equity risk
Equity swaps	Investments in securities, at fair value	\$ 1,305,746	Equity risk
Equity options	Securities sold short, at fair value	\$ 1,212,250	Equity risk

The notional amount of options held at September 30, 2014 was \$56,643,400.

The notional amount of options sold short and equity swaps sold short at September 30, 2014 was \$25,450,000 and \$116,020,255, respectively.