FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-01-11** | Period of Report: **1995-11-30**
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FILER

SHERWOOD GROUP INC
CIK:**811917**| IRS No.: **222394480** | State of Incorp.:**DE** | Fiscal Year End: **0531**
Type: **10-Q** | Act: **34** | File No.: **001-09480** | Film No.: **96502724**
SIC: **6211** Security brokers, dealers & flotation companies

Mailing Address
SHERWOOD GROUP INC
ONE EXCHANGE PLAZA, 21ST FLOOR
NEW YORK NY 10006

Business Address
ONE EXCHANGE PLZ
21ST FLOOR
NEW YORK NY 10006
2124824000

CONFORMED

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For Quarter Ended November 30, 1995

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ______________ to _____________

Commission file number 1-9480

The Sherwood Group, Inc.
(Exact name of Registrant as specified in its charter)

Delaware	22-2394480
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10 Exchange Place Centre, Jersey City, New Jersey	07302
(Address of principal executive offices)	(Zip code)

One Exchange Plaza, New York, New York	10006

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

----   ----

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

12,638,947 shares of Common Stock, par value $.01 per share, were outstanding on December 31, 1995.

<TABLE>

THE SHERWOOD GROUP, INC.
AND SUBSIDIARIES

INDEX

<CAPTION>

</TABLE>

<TABLE>

PART I - FINANCIAL INFORMATION
ITEM 1 - FINANCIAL STATEMENTS

THE SHERWOOD GROUP, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

<CAPTION>

ASSETS	November 30, 1995 (Unaudited)	May 31, 1995 (Unaudited)
<S>	<C>	<C>
Cash	$ 444,085	$ 593,473
Receivables:		
Brokers and dealers	55,892,563	47,802,429
Other	402,021	224,049
Marketable securities owned, at market value	37,947,298	41,777,895
Investment securities not readily marketable, at fair value	401,320	401,320

Investment in partnerships	265,792	252,180
Notes receivable	614,685	642,035
Furniture, fixtures and equipment, and leasehold improvements - at cost, net of accumulated depreciation and amortization of $5,557,574 at November 30, 1995 and $6,608,583 at May 31, 1995	12,658,717	3,861,992
Computer software, net of accumulated amortization of $393,926 at November 30, 1995 and $322,048 at May 31, 1995	418,013	401,008
Identified intangible assets, net of accumulated amortization of 1,023,282 at November 30, 1995 and $1,051,386 at May 31, 1995	3,164,998	3,386,894
Exchange memberships (market value $1,969,500 at November 30, 1995 and $1,560,000 at May 31, 1995)	1,166,496	1,166,496
Subordinated notes receivable	3,250,000	3,250,000
Other assets	8,695,751	9,271,091
	$ 125,321,739	$ 113,030,862

</TABLE>

(Continued)

<TABLE>

THE SHERWOOD GROUP, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Continued)

<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY	November 30, 1995 (Unaudited)	May 31, 1995 (Unaudited)
<S>	<C>	<C>
Liabilities:		
Securities sold, not yet purchased, at market value	$ 27,123,467	$ 24,624,955
Accounts payable and accrued expenses,		

including compensation payable to officers and employees of $8,368,699 at November 30, 1995 and $8,970,821 at May 31, 1995	16,369,744	14,471,330
Secured demand notes payable	3,250,000	3,250,000
Income taxes payable	1,136,580	1,365,856
Minority interest in Equitrade	3,955,745	3,341,220
Total liabilities	51,835,536	47,053,361
Commitments and Contingencies (Note 4)		
Stockholders' equity (Note 5)		
Preferred stock - $.01 par value; authorized 1,000,000 shares, none issued	-	-
Class A common stock - par value $.01 per share; authorized 50,000,000 shares; none issued	-	-
Common stock - $.01 par value; authorized 50,000,000 shares, issued 14,343,201 shares at November 30, 1995 and May 31, 1995	143,432	143,432
Additional paid-in capital	56,500,593	58,134,052
Retained earnings	25,445,463	17,804,212
	82,089,488	76,081,696
Less: Treasury stock - at cost, 1,704,254 shares at November 30, 1995 and 2,033,490 shares at May 31, 1995	(8,603,285)	(10,104,195)
Total stockholders' equity	73,486,203	65,977,501
	$ 125,321,739	$ 113,030,862

The accompanying notes are an integral part of these statements.
</TABLE>

<TABLE>

THE SHERWOOD GROUP, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

<CAPTION>

<S>	Three Months Ended November 30, 1995 <C>	1994 <C>
Revenues:		
Firm securities transactions - net	$ 26,220,778	$ 17,339,282
Commission income	6,765,317	3,161,306
Equity income in partnerships	17,160	1,034,434
Investment securities gains realized	-	-
Interest income	1,613,412	710,883
Fee income	388,618	76,022
Other revenues	222,059	160,748
	35,227,344	22,482,675
Expenses:		
Compensation and benefits	10,646,501	6,518,693
Clearing and related charges	13,557,627	7,948,955
Communications	2,756,823	1,588,818
Other expenses	3,959,695	2,813,764
Interest expense	148,140	45
	31,068,786	18,870,275
Income before minority interest and income taxes	4,158,558	3,612,400
Income of Equitrade allocated to minority partners	(485,846)	-
Income before income taxes	3,672,712	3,612,400
Income taxes:		
Currently payable:		
Federal	365,363	68,239
State and local	133,962	610,432
	499,325	678,671
Net income	$ 3,173,387	$ 2,933,729

(Continued)

</TABLE>

<TABLE>

THE SHERWOOD GROUP, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Continued)

<CAPTION>

	Three Months Ended November 30, 1995	1994
<S>	<C>	<C>
Income per common and common equivalent share (a):<F1>		
Net income	$ 0.24	$ 0.21
	===========	==========
Weighted average common shares outstanding	13,425,900	13,745,987
	===========	==========

<FN>
<F1>(a) For presentation purposes, primary and fully diluted are identical.
</FN>
</TABLE>

The accompanying notes are an integral part of these statements.

<TABLE>

THE SHERWOOD GROUP, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

<CAPTION>	Six Months Ended November 30, 1995	1994
<S>	<C>	<C>
Revenues:		
Firm securities transactions - net	$ 58,004,618	$ 35,631,209
Commission income	13,000,745	5,510,008
Equity income (loss) in partnerships	13,612	2,295,754
Investment securities gains realized	-	76,375
Interest income	3,050,908	1,341,899
Fee income	619,605	110,094
Other revenues	400,562	299,487
	75,090,050	45,264,826
Expenses:		
Compensation and benefits	22,690,276	13,645,644
Clearing and related charges	27,509,223	15,273,171
Communications	5,067,978	2,986,688
Other expenses	7,389,011	6,174,164
Interest expense	299,664	9,435
	62,956,152	38,089,102
Income before minority interest and income taxes	12,133,898	7,175,724
Income of Equitrade allocated to minority partners	(1,287,392)	-
Income before income taxes	10,846,506	7,175,724
Income taxes:		
Currently payable:		
Federal	2,161,476	136,841
State and local	1,043,779	1,046,951

	3,205,255	1,183,792
Net income	$ 7,641,251	$ 5,991,932

</TABLE>

(Continued)

<TABLE>

THE SHERWOOD GROUP, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Continued)

<CAPTION>

<S>	Six Months Ended November 30, 1995 <C>	1994 <C>
Income per common and common equivalent share (a):<F1>		
Net income	$ 0.57	$ 0.44
Weighted average common shares outstanding	13,325,472	13,753,025

<FN>
<F1>(a) For presentation purposes, primary and fully diluted are identical.
</FN>
</TABLE>

The accompanying notes are an integral part of these statements.

<TABLE>

THE SHERWOOD GROUP, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<CAPTION>

<S>	Six Months Ended November 30, 1995 <C>	1994 <C>
Cash flows from operating activities:		
Net income	$ 7,641,251	$ 5,991,932
Non-cash items included in net income:		
Equity income in partnerships	(13,612)	(2,295,754)
Depreciation and amortization	1,214,186	844,981
Gain on sales of investment securities not readily marketable	-	(76,375)
Income of Equitrade allocated to minority partners	1,287,392	-
	2,487,966	(1,527,148)
(Increase) decrease in operating assets:		
Receivables:		
Brokers and dealers	(8,090,134)	13,316,334
Other	(177,972)	(84,394)
Marketable securities owned, at market value	3,830,597	(16,359,295)
Other assets	575,340	(112,635)
	(3,862,169)	(3,239,990)

Increase (decrease) in operating liabilities:		
Securities sold, not yet purchased, at market value	2,498,512	1,615,674
Accounts payable and accrued expenses	1,729,219	(2,553,185)
Income taxes payable	(229,276)	436,355
	----------	----------
	3,998,455	(501,156)
	----------	---------
Net cash provided by operating activities	10,265,503	723,638
	----------	---------

</TABLE>

(Continued)

<TABLE>

THE SHERWOOD GROUP, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Continued)

	Six Months Ended November 30, 1995	1994
<CAPTION>		
<S>	<C>	<C>
Cash flows from investing activities:		
Proceeds from sales of investment securities not readily marketable	-	99,575
Loans made	(18,275)	(242,500)
Principal collected on notes receivable	45,625	134,232
Purchases of furniture, fixtures and equipment, and leasehold improvements	(9,717,137)	(588,148)
Purchases of computer software	(88,883)	(1,818)
	-----------	---------
Net cash used in investing activities	(9,778,670)	(598,659)
	-----------	---------
Cash flows from financing activities:		
Purchase of treasury stock	(298,354)	(346,441)
Proceeds from exercise of options	335,000	-
Capital withdrawals by minority interest	(672,867)	-
	---------	---------
Net cash provided by used in financing activities	(636,221)	(346,441)

Net increase (decrease) in cash	(149,388)	(221,462)
Cash at beginning of period	593,473	474,733
Cash at end of period	$ 444,085	$ 253,271

</TABLE>
Supplemental disclosure of non-cash financing activities:

During November 1995, certain officers of the Company exercised an aggregate of 60,000 options for the purchase of 60,000 shares of the Company's common stock with an exercise price of $1 per share. In order to pay for the exercise price and to reimburse the Company for the income taxes ($169,195) on the gain related to the transaction, the officers remitted to the Company 28,876 shares of the Company's common stock with a market value of $229,195.

The accompanying notes are an integral part of these statements.

THE SHERWOOD GROUP, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

November 30, 1995

Note 1 - Business and organization

The Sherwood Group, Inc. and its subsidiaries (the "Company") are primarily engaged in the securities business and in providing related financial services. The Company has a principal registered broker-dealer wholly owned subsidiary, Sherwood Securities Corp. ("Sherwood Securities"). National Discount Brokers ("NDB"), another registered broker-dealer, is a division of the Company's wholly owned subsidiary, Triak Services Corp. The Company has a 60% special limited partnership interest in Equitrade Partners ("Equitrade"), which is a specialist for securities listed on The New York Stock Exchange. In addition, Sherwood Securities is a specialist for securities listed on the American Stock Exchange.

Note 2 - Basis of presentation

The accompanying unaudited consolidated financial statements do not include all of the information and notes required by generally accepted accounting principles for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of consolidated financial condition and results of operations for the periods presented have been included. All adjustments are of a normal and recurring nature. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the related notes included in the Company's 1995 Annual Report on Form 10-K. Certain prior year amounts have been reclassified to conform with the six and three months ended November 30, 1995 presentations.

Note 3 - Net income per common share

Net income per common share is computed using the weighted average number of shares of common stock and common stock equivalents outstanding. Common stock equivalents include stock issuable under stock options. The treasury stock method of accounting was used in computing the common stock equivalents for the computation of earnings per common share.

Note 4 - Commitments and contingencies

The Company has been named as a defendant in lawsuits and as a party to arbitrations that allege violations of Federal and state securities and related laws. Management believes that the resolution of these lawsuits is not likely to result in any material, adverse effect on the Company's consolidated financial position and results of operations.

Note 5 - Net capital requirements

As registered broker-dealers, Sherwood Securities, NDB and Equitrade are subject to the Securities and Exchange Commission

Uniform Net Capital Rule 15c3-1 (the "Rule"). As of November 30, 1995, the net capital of Sherwood Securities, NDB and Equitrade exceeded their required net capital by $24,636,000, $5,383,000 and $18,515,000, respectively.

The Rule also provides that the equity capital may not be withdrawn or cash dividends be paid if the resulting net capital of a broker-dealer would be less than the amount required under the Rule. Accordingly, at November 30, 1995, the payment of dividends and advances to the Company by Sherwood Securities, NDB and Equitrade is limited to $24,436,000, $5,333,000 and $18,465,000, respectively, under the most restrictive of these requirements. The SEC may, by order, restrict the withdrawal of equity capital on a net basis if the SEC determines that such withdrawal would be detrimental to the financial integrity of the broker-dealer or the financial community.

Item - 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The results of the Sherwood Group, Inc. and subsidiaries (the "Company") for the three months and six months ended November 30, 1995 reflect primarily the activities of Sherwood Securities Corp. ("Sherwood Securities"), National Discount Brokers ("NDB"), a division of the Company's subsidiary, Triak Services Corp. ("Triak") and Equitrade Partners ("Equitrade"). Sherwood Securities is primarily engaged in the securities business as a wholesale market maker in NASDAQ/OTC securities. NDB is a deep discount retail brokerage firm and Equitrade is a registered specialist in equity securities on the New York Stock Exchange. Prior to March 1995, the Company's investment in Equitrade was accounted for on an equity basis with the Company's share of Equitrade's net income included in equity income (loss) in partnerships in the statement of operations. Subsequent to March 1995, Equitrade's total revenue and expenses have been consolidated with the share of Equitrade's net income attributable to minority partners reflected in the statement of operations as income of Equitrade allocated to minority partners.

The Company's consolidated net income for the three months ended November 30, 1995 was $3,173,000 compared to $2,934,000 for the three months ended November 30, 1994. For the quarter ended November 30, 1995, the principal subsidiaries, Sherwood Securities, Triak and Equitrade (which was not consolidated in 1994) had net income of $1,395,000, $472,000 and $1,344,000, respectively, compared to net income of $3,729,000, $(716,000) and $1,595,000 for the quarter ended November 30, 1994, respectively. The Company's consolidated net income for the six months ended November 30, 1995 was $7,641,000 compared to $5,992,000 for the six months ended November 30, 1994. For the six months ended November 30, 1995, Sherwood Securities, Triak and Equitrade (not consolidated in 1994) had net income of $4,366,000, $1,283,000 and $3,548,000, respectively, compared to net income of $8,334,000, $(2,409,000) and $3,535,000, respectively, for the six months ended November 30, 1994.

Total revenue for the Company increased by approximately $12,745,000, or 57%, for the three months ended November 30, 1995 and $29,825,000, or 66%, for the six months ended November 30, 1995 as compared with the previous year's respective periods.

Revenue from firm securities transactions for Sherwood Securities increased approximately $5,625,000, or 32%, and $14,935,000, or 42%, for the three and six month periods ended November 30, 1995, respectively, when compared to the prior year. Sherwood Securities' overall trading volume increased approximately 66% and 80% for the same periods, respectively. Several factors contributed to this decrease in trading profits per ticket.

Regulatory changes enacted by the Securities and Exchange Commission ("SEC") and the National Association of Securities Dealers have caused an increase in the number of transactions executed on an "even" basis. Tightened spreads between "bid" and "ask" prices,

increased volatility in the marketplace, capacity constraints and increased Small Order Execution Systems ("SOES") activity have also been factors in the decrease in trading profits per ticket for both the three and six month periods ended November 30, 1995. Equitrade's revenues from firm transactions, included in total revenues for the three and six months ended November 30, 1995, approximated $3,257,000 and $7,439,000, respectively.

The Company's commission income, primarily generated by NDB, increased by approximately $3,604,000, or 114%, and $7,491,000, or 136%, for the three and six months ended November 30, 1995, respectively, when compared with the prior year. The increase is due to the fact that NDB's volume of transactions increased by 148% and 193% for the three and six months ended November 30, 1995, respectively, when compared with the previous year, which was NDB's first full year of operations.

Prior to March 1995 when the Company began to account for Equitrade on a consolidated basis, the primary portion of equity income in partnerships was equity income from Equitrade. Of total Equitrade net income of $1,595,000 and $3,535,000 for the three and six months ended November 30, 1994, respectively, the Company's share was $1,037,000 and $2,281,000, respectively.

There were no investment securities transactions for the three or six months ended November 30, 1995 or for the three months ended November 30, 1994. Gains on sales of investment securities aggregated $76,000 for the six months ended November 30, 1994 resulting entirely from the sale of 11,600 shares of Network Imaging Corp. (IMGX) during June 1994 and July 1994.

Interest income increased by approximately $903,000, or 127%, and $1,709,000, or 127%, for the three and six months ended November 30, 1995, respectively, as compared to the previous year. The increase is due to a significant rise in NDB's customer debit and credit balances held with our clearing broker and an increase in the agreed upon rate used to compute interest earned on such customer balances. Also contributing to the increase were the availability of larger amounts of cash for investment and higher market interest rates than in the prior year.

Fee income increased by $313,000 and $510,000 for the three and six months ended November 30, 1995, respectively, as compared to the prior year. The increase is due to larger 12b-1 fees received from mutual funds as NDB's customers' balances in those funds have increased since the prior year.

Total expenses for the three months ended November 30, 1995 increased approximately $12,199,000, or 65%, from $18,870,000 in 1994 to $31,069,000 in 1995. Total expenses for the six months ended November 30, 1995 increased approximately $24,867,000, or 65%, from $38,089,000 in 1994 to $62,956,000 in 1995. The reasons for the increase in expenses are set forth below.

Compensation and benefits increased $4,128,000, or 63%, and $9,044,000, or 66%, for the three and six month periods ended November 30, 1995, respectively, compared with the prior year. The

increase is due primarily to higher commissions paid to traders and salespeople because of higher trading profits and an increase in office salaries and related benefits due principally to NDB's larger staff size as of November 30, 1995 than in the prior year. Also, higher bonuses were accrued as a result of higher overall profits of the Company as compared to the prior year. Finally, compensation and benefits of Equitrade included in the consolidated results for the three and six months ended November 30, 1995 aggregated $975,000 and $1,978,000, respectively.

Clearing and related charges increased by approximately $5,609,000, or 71%, and $12,236,000, or 80%, for the three month and six month periods ended November 30, 1995, as compared to the prior year. The increase was principally due to the operations of NDB for which clearance charges amounted to approximately $3,430,000 and $6,584,000 for the three and six months ended November 30, 1995, respectively, compared to $1,681,000 and $2,869,000 for the three and six months ended November 30, 1994. In addition, the increased volume of Sherwood Securities' trading activity led to increases in both clearance charges and payments made to correspondents for order flow.

Communications expense increased by $1,168,000, or 74%, and $2,081,000, or 70%, for the three and six months ended November 30, 1995 as compared to the previous year. The increase was mainly due to an increase in the activities of NDB, namely telephone and quotations expense.

Other expenses increased by approximately $1,145,000, or 41%, and $1,215,000, or 20%, for the three and six months ended November 30, 1995, respectively, as compared to the prior year. The increase was due, specifically, to increases in professional fees, occupancy costs, registration fees and depreciation and amortization expense and, generally, to the overall increase in the volume of business and an increase in staff size. Offsetting these increases was a large reduction in advertising expenditures made in connection with NDB. Corresponding to the commencement of NDB's operations, the Company ran an extensive media campaign through September 1994 at which time the amount and frequency of advertising lessened significantly.

Interest expense increased by approximately $148,000 and $290,000 for the three and six months ended November 30, 1995 as compared to the previous year due to the operations of Equitrade.

Liquidity

The Company's tangible assets are highly liquid with more than 76% of these tangible assets consisting of cash or assets readily convertible into cash. The Company's operations have generally been financed by internally generated funds. In addition, margin account borrowings are available to the Company from its clearing brokers.

The Company's broker-dealer entities, Sherwood Securities, NDB and Equitrade, are subject to the minimum net capital requirement of the SEC which is designed to measure the general financial soundness and liquidity of broker-dealers. As of November 30, 1995, Sherwood

Securities, NDB and Equitrade had approximately $24,636,000, $5,383,000 and $18,515,000, respectively, in excess of the required minimum net capital. The net capital rule imposes financial restrictions upon Sherwood Securities', NDB's and Equitrade's businesses which are more severe than those imposed on most other businesses.

Cash flows from operations will vary on a daily basis as the Company's portfolio of marketable securities changes. The Company's ability to convert marketable securities owned into cash is determined by the depth of the market and the size of the Company's security positions in relation to the market as a whole. The portfolio mix also affects the regulatory capital requirements imposed on Sherwood Securities, NDB and Equitrade which directly affects the amount of funds available for operating, investing and financing activities.

The operations of an American Stock Exchange Specialist book continue to be funded by the income generated by the book.

Cash flows from the Company's investment activities are directly related to market conditions.

During the six months ended November 30, 1995, the Company repurchased 36,888 additional shares in connection with its December

1992 plan to buy back up to 1,500,000 shares of the Company's common stock from time to time in the open market or through privately negotiated transactions. As of November 30, 1995, 818,306 shares had been acquired. The source of funds for these purchases were internally generated. In addition to the above purchases, during the six months ended November 30, 1995, the Company acquired 28,876 shares of common stock which were tendered by officers of the Company to exercise stock options and to pay related income taxes.

Effects of Inflation

The Company's assets are not significantly affected by inflation because they are primarily monetary in nature. Management believes that replacement costs of furniture, equipment and leasehold improvements will not materially affect operations. However, the rate of inflation affects the Company's principal expenses such as employee compensation, rent and communication, which may not be readily recoverable from increased revenues. Because of market forces and competitive conditions in the securities industry, a broker-dealer may be unable to unilaterally increase spreads and commissions in order to recover increased costs related to inflation. Consequently, the Company must rely on increased volume for this purpose. However, the Company has significant cash balances on deposit with its principal clearing broker on which interest is paid which, in the event there are higher interest rates which normally result from inflation, would offset some of the costs.

PART II - OTHER INFORMATION

Item 1 - LEGAL PROCEEDINGS

The Company reported in its Form 10-K for the year ended May 31, 1995 that certain class action complaints, Charles Kaye and Sulochana Dessi, et al. v. Herzog, Heine, Geduld, et al. (United States District Court for the Southern District of New York); Jerome Robinson v. Herzog, Heine, Geduld, et al. United States District Court for the Southern District of New York); and Lawrence A. Abel, et al. v. Merrill Lynch Incorporated & Co., et al. (Superior Court of California, County of San Diego), were filed on May 27, 1994 against Sherwood Securities and several other market makers on the NASDAQ exchange. Subsequent to May 27, 1994, several additional class action complaints were filed which contained the same or similar allegations and request similar relief.

By Order dated October 14, 1994, the Judicial Panel on Multidistrict Litigation consolidated the above matters and any later-filed "tag along" cases for pre-trial proceedings in the United States District Court for the Southern District of New York, entitled In Re NASDAQ Market-Makers Antitrust Litigation, 94 Civ. 3996 (RWS). A Second Amended Complaint was filed on August 22, 1995. The Second Amended Consolidated Complaint repeated most of the allegations of the various earlier filed complaints, except that plaintiffs are no longer alleging violations of the Securities Exchange Act of 1934, as amended. Rather, their claims are limited to those previously alleged under the Federal antitrust laws. Plaintiffs have also now limited their claims to approximately 1,659 stocks traded on NASDAQ. On December 18, 1995, Sherwood Securities filed an answer to the Second Amended Complaint denying liability and asserting certain affirmative defenses. The Company intends to vigorously defend itself against these allegations.

Item 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The Company held an Annual Meeting of its Stockholders on October 24, 1995.

(b) (i) The following persons were elected directors for a term of three years:

<TABLE>
<CAPTION>

<S>	Votes For <C>	Votes Withheld <C>
Arthur Kontos	12,022,059	29,550
Richard J. Marino	12,023,259	28,350
Ralph N. Del Deo	12,023,259	28,350

The following persons continued as directors: James H. Lynch, Jr., Dennis Marino, Carl H. Hewitt, John Duffy and Thomas Neumann.

</TABLE>

(ii) The shareholders ratified the adoption of the Company's 1995 Stock Option Plan. The following was the shareholder vote on this matter:

<TABLE>
<CAPTION>

<S>	<C>
For:	7,970,516
Against:	526,610
Abstain:	105,830
Broker Non-Vote:	3,448,653

</TABLE>

(iii) The shareholders ratified the Employment Agreement dated as of September 12, 1995 between the Company and Arthur Kontos and the performance goals adopted by the Employment Agreement Committee and the Board of Directors with respect thereto. The following was the shareholder vote on this matter:

<TABLE>
<CAPTION>

<S>	<C>
For:	8,417,426
Against:	131,025
Abstain:	78,280
Broker Non-Vote:	3,424,877

</TABLE>

(iv) The shareholders ratified the appointment of KPMG Peat Marwick LLP as the Company's independent auditors for the fiscal year ending May 31, 1996. The following was the shareholder vote on this matter:

<TABLE>
<CAPTION>

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Against:	16,351
Abstain:	8,280
Broker Non-Vote:	0

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Item 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit 10.1 - Employment Agreement dated as of September 12, 1995 by and between Arthur Kontos and the Company

Exhibit 10.2 - Letter of Arthur Kontos exercising his option under Employment Agreement

Exhibit 11 - Computation of Earnings Per Share

(b) The Company filed one report on Form 8-K dated September 18, 1995 during the quarter ended November 30, 1995 respecting Item 5, Other Events Regarding Certain Indemnification Agreements

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Sherwood Group, Inc.

Date: January 10, 1996

By: Dennis Marino

Dennis Marino
(Executive Vice President and Chief Administrative Officer)

Date: January 10, 1996

By: Denise Isaac

Denise Isaac
Chief Financial Officer

(19)

Exhibit 10.1

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, dated September 12, 1995, between THE SHERWOOD GROUP, INC., a Delaware corporation (the "Company"), having its principal office at One Exchange Plaza, New York, New York, and Arthur Kontos (the "Executive"), residing at 715 Park Avenue, Apt. 18-B, New York, New York 10021.

The Company desires to obtain the services of the Executive, and the Executive desires to be employed by the Company, as Vice Chairman of the Board, President and Chief Executive Officer of the Company and certain of its subsidiaries.

In consideration of the premises and of the mutual covenants and agreements herein contained, the parties hereto do hereby agree as follows:

1. Term of Employment.

1.1. The Executive's "term of employment," as this phrase is used throughout this Agreement, shall be for a period beginning as of June 1, 1995 and ending on May 31, 1996.

1.2. The Executive shall have the option to extend the term of employment under this Agreement for one additional year from June 1, 1996 until May 31, 1997. The following conditions shall apply to the Executive's right to extend the term of employment pursuant to this Paragraph 1.2:

(i) the option to extend the terms of employment may be exercised at any time prior to January 1, 1996 by delivering to the Company a written notice which refers to this Agreement and states that the Executive, by his delivery of such notice, is exercising his right to extend the term of employment under this Agreement. The delivery of such notice shall constitute an irrevocable exercise of this extension, which exercise cannot be revoked without the prior written consent of the Board of Directors of the Company.

(ii) In no event shall the Company be required to extend the term of employment pursuant to this Paragraph 1.2 unless as of May 31, 1996, this Agreement shall be in full force and effect and the Company shall not have the right to terminate this Agreement in accordance with its terms.

(iii) In no event shall the Company be required to extend the term of employment under this Agreement if as of May 31, 1996, the Executive shall have exercised any right he may have to terminate this Agreement or the Executive shall have received or be entitled to receive any payments as a result of a Change in Control.

2. Employment. The Company shall employ the Executive as Vice Chairman of the Board, President and Chief Executive Officer of the Company and certain of its subsidiaries as determined by the Board of Directors of the Company. The Executive accepts

such employment and agrees that through his term of employment he will devote substantially all his business time, attention, knowledge, and skills to the business of the Company and its subsidiaries. The services of the Executive shall in all respects be subject to the reasonable direction of the Board of Directors of the Company.

3. Base Salary During Full-Time Employment. From and after the date hereof, the Company shall pay or cause to be paid to the Executive during the term of employment a base salary at a rate equal to $300,000 per year. Such salary shall be paid in accordance with the Company's regular payroll practices

4. Bonus

4.1. The Executive shall receive as additional compensation a bonus (the "Bonus") based on the Company's "Income" (as hereinafter defined) with respect to each May 31 fiscal year of the Company during the term of employment. The Bonus shall be calculated as follows: ten percent of the Company's first $5 million of Income during the fiscal year; 15 percent of the Company's next $8 million of Income during the fiscal year; and 18 percent of the Company's Income over $13 million during the fiscal year. In the event that the Executive's employment were to terminate prior to the end of a fiscal year, the Bonus to the Executive for such partial fiscal year shall be calculated on a pro rata basis as to the portion of the fiscal year in which the Executive was employed hereunder; such pro rata portion to be calculated on the basis of the Company's Income during the portion of the fiscal year prior to such termination with the dollar amounts of the Company's Income to be adjusted on a pro rata basis. The Company's obligation as to any unpaid Bonus shall survive termination of this Agreement.

4.2. As used in this Agreement, "Income" shall refer to the Company's consolidated pre-tax net income during any fiscal year in which this Agreement is in effect without any deductions for amounts payable as Bonus hereunder or related accruals.

4.3. On or prior to the 75th day after the end of a fiscal year (or such other date a determination of Bonus is to be made in the event of termination of this Agreement prior to the end of a fiscal year), the Company's independent public accountants shall deliver their written determination of the amount of Income for such fiscal year to the Company. The public accountants' determination of the foregoing shall be made in accordance with generally accepted accounting principles

consistently applied which, in the case of any subsidiary of the Company engaged in the business as a broker-dealer shall be such generally accepted accounting principles in common use in the securities brokerage industry. The determination of the public accountants shall be conclusive and shall be certified by the Employment Agreement Committee of the Company's Board of

Directors.

4.4. The Company shall each month of a fiscal year pay to the Executive as an advance against the Bonus for such fiscal year an amount equal to one half of the aggregate Bonus accrued for such fiscal year through the last day of the month immediately preceding the month in which such payment is to be made less all amounts previously paid as a Bonus advance to the Executive for such fiscal year pursuant to this Paragraph 4.4; provided that the Company shall not be obligated to pay a Bonus advance during any month if the Company' s Income through the end of the preceding month of the fiscal year has averaged less than $250,000 per month. In determining the aggregate Bonus accrual, the dollar amounts of the Company's Income shall be calculated on a pro rata basis.

5. Expenses. The Company shall also reimburse the Executive for all expenses incurred by the Executive in connection with the performance of his duties and the discharge of his responsibilities hereunder, including all legal fees and other costs incurred by the Executive in enforcing (whether by adjudication or settlement) his rights hereunder in the event of a breach of this Agreement by the Company.

6. Termination.

6.1. Voluntary. Executive may terminate this Agreement for any reason upon 30 days prior written notice to the Company; provided, however, that such 30-day notice shall not be required for a voluntary termination by the Executive in connection with, or within one year after, a Change in Control of the Company, as defined in Paragraph 6.4 hereof.

6.2. Termination For Cause. The Company may terminate this Agreement, and all of its obligations hereunder (other than payment obligations that have accrued prior to such termination), for cause if and only if during the term of employment (i) the Executive has engaged in fraudulent or illegal conduct to the material detriment of the Company or (ii) the Executive has engaged in practices to the material detriment of the Company, which constitute a substantial disregard for his responsibilities as an employee of the Company. The Company shall have the burden to establish by clear and preponderance of evidence that cause exists. In the event the Company terminates this Agreement without cause as described above, the Executive shall be entitled to receive as liquidated damages an amount equal to the amount of liquidated damages he would have been entitled to receive for a termination of employment in connection with a Change in Control as provided in Paragraph 6.4 hereof.

6.3. Termination by Death or Disability. If the Executive dies during the term of employment or if, during the term of employment, the Executive becomes disabled so that he is unable substantially to perform his services hereunder (i) for a period of six consecutive months, or (ii) for an aggregate of nine months within any period of 18 consecutive months, this Agreement and the Company's obligations hereunder shall terminate. Prior to such termination, the Executive shall continue to receive the compensation provided for in Paragraphs 3 and 4.

6.4. Termination by Reason of Change of Control. In the event that a Change in Control of the Company occurs during the term of this Agreement, and in connection with such Change in Control or within one year thereafter, the Executive's employment with the Company is terminated either voluntarily or involuntarily, the Executive shall be entitled to receive as liquidated damages an amount equal to three times his average compensation (including base salary, Bonus, and any other compensation) from the Company and its subsidiaries, as reported for federal income tax purposes by the Executive, for the five calendar year period preceding such termination (or such shorter period of time in the event such employment with the Company and its subsidiaries has been less than five years), less $1.00. A Change in Control shall be deemed to have occurred in the event that any person (other than the Executive or persons under his control) or group acting in concert acquires beneficial ownership of more than 50 percent of the outstanding voting stock of the Company or options or convertible or exchangeable securities or other rights to acquire more than 50 percent of such voting stock, if the control so acquired is exercised in any manner (including, but not limited to, any change in the composition of the Company' s Board of Directors or any attempt to influence or change the policies of such Board). Notwithstanding the foregoing, the liquidated damages to be paid to the Executive shall be reduced to the extent necessary so as not to constitute a parachute payment under Section 280G(b)(2) of the Internal Revenue Code, as then in effect.

7. Additional Benefits. During the term of employment, the Executive, in addition to the compensation provided in Paragraphs 3 and 4 hereof, will be entitled to participate in any insurance (other than key man insurance), health plans, pension, profit-sharing, stock purchase, or other benefit plans of the Company now existing or hereafter adopted for the benefit of its employees generally or of the executives of the Company; provided, that where the participation and the extent of participation by an employee or executive of the Company in any such plans are dependent upon the discretion of the Company, then the participation, if any, and the extent of such participation of the Executive shall be subject in all respects to the reasonable determination of the Board of Directors of the Company. Furthermore, the Executive shall be entitled to such additional benefits as may be granted to him from time to time by the Board of Directors of the Company. The Executive shall also be entitled to reasonable vacations.

8. Restrictions.

8.1. The following provisions shall be applicable during the term of this Agreement, irrespective of whether

Executive is an employee of the Company, except as provided in Paragraph 8.1.4. hereof:

8.1.1. Non-Competition. Executive will not, in any geographic area within a 30-mile radius of any sales office operated by the Company at the time of termination or within 24 months prior thereto, directly or indirectly, in any capacity whatever, compete with the activities of the Company's sales offices or otherwise engage in the retail brokerage industry as owner, financier, five percent stockholder, partner, sole proprietor, joint venturer, or otherwise manage, operate, control, assist, participate in, be connected with, or render any consultation or business advice with respect to, any businesses engaged in the wholesale market-making of securities or any businesses that compete with activities conducted by the sales offices of the Company, except with the approval of the Company's Board of Directors. The parties agree that the foregoing territorial and time limitations are reasonable, and that in the event that any such territorial or time limitation is deemed to be unreasonable by a court of competent jurisdiction, Executive agrees and submits to the reduction of either said territorial or time limitation, or both, to such an area or a period of time as said court shall deem reasonable.

8.1.2. Cconfidentiality. Except as may be required by applicable law or pursuant to a subpoena issued pursuant to a governmental investigation or other legal process, Executive shall not divulge to any person who is not an officer, director, shareholder, employee, or agent of the Company or any subsidiary any information of a privileged or confidential nature not otherwise disclosed which shall have come to his attention by virtue of his employment by or association with the Company or any subsidiary.

8.1.3. No Solicitation. Except with the prior consent of the Company, Executive will not, either for his own account or any other person directly or in conjunction with or through any person, hire, solicit, or entice away from the Company or any subsidiary any officer, manager, employee, consultant, or registered account executive who is employed or rendering services to the Company or any subsidiary or had been employed or rendered services within six months prior to such solicitation, whether or not such person would thereby commit a breach of his contract of employment of services with the Company or any subsidiary.

8.1.4. Inapplicability Restrictions. Paragraphs 8.1.1 and 8.1.3 hereof shall not apply in the event that the employment of the Executive is terminated without cause as set forth in Section 6.2 hereof or is terminated voluntarily or involuntarily in connection with or within one year after a Change in Control of the Company, as defined in Section 6.4 hereof.

8.1.5. Injunctive Relief. The parties do hereby acknowledge that money damages alone would not adequately compensate the Company in the event of a breach by the Executive of the foregoing provisions and, therefore, Executive does hereby covenant and agree that, in addition to all other remedies available to the Company at law or in equity, the Company shall be entitled to injunctive relief for the enforcement thereof without the necessity of proving actual damages.

8.1.6. NASD Arbitration. The parties agree to submit any dispute concerning the terms of this Agreement, or the performance of their obligations hereunder, to binding arbitration by the National Association of Securities Dealers, Inc. The cost of such arbitration shall be paid equally by the Company and the Executive unless otherwise allocated in the arbitration.

9. Notices. All notices, requests, consents, demands, and other communications, required or permitted to be given hereunder, shall be in writing and shall be deemed to have been duly given on the date of personal delivery thereof, or, if sent by prepaid, registered, overnight courier service, or certified mail, on the date of deposit in the United States mail or delivery to the courier service addressed to the parties hereto at the addresses set forth at the beginning of this Agreement (or to such other or additional address or to the attention of additional parties which any party shall designate by notice in writing to the other in accordance herewith).

10. General

10.1. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely in New York.

10.2. Captions. The paragraph headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

10.3. Entire Agreement. This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter hereof, and supersedes all prior agreements, arrangements, and understandings, written or oral, between the parties.

10.4. No Other Representations. No representation, promise or inducement has been made by either party that is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promise, or inducement not so set forth.

10.5. Amendments/Waivers. This Agreement may be amended, modified, superseded, cancelled, renewed, or extended and the terms of covenants hereof may be waived, only by a written instrument executed by both of the parties hereto or in the case of a waiver, by the party waiving compliance. The failure of either party at any time or times to require performance of any provision hereto shall in no manner affect the right at a later time to enforce the same. No waiver by either party of the breach of any term of covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of a breach of any other term or covenant contained in this Agreement.

10.6. Effective Date; Condition to Effectiveness. This Agreement shall not be effective and binding on the Company or the Executive unless it shall be approved by the shareholders of the Company. The Company agrees to submit this Agreement to the shareholders of the Company promptly after execution thereof. If the shareholders do not approve this Agreement it shall be null and void. If this Agreement is approved by shareholders this Agreement shall be deemed to be in effect on June 1, 1995 for all purposes. By execution of this Agreement, the Executive and the Company hereby terminate as of the date of the meeting of shareholders to consider this Agreement, the First Employment Agreement as such term is defined in that certain Letter Agreement between the Company and the Executive dated September 15, 1993 and such Letter Agreement. In no event shall the Executive be entitled to payments with respect to the period June 1, 1995 until the date of said meeting of shareholder's under both this Agreement and the First Employment Agreement.

IN WITNESS WHEREOF, THE SHERWOOD GROUP, INC. and the Executive have duly executed this Agreement as of the date first above written.

EXECUTIVE	THE SHERWOOD GROUP, INC.
By:	By:
Arthur Kontos	Chairman

Exhibit10.2

The Sherwood Group, Inc.

10 Exchange Place Centre

Jersey City, NJ 07302

December 19, 1995

The Sherwood Group, Inc.
Attention: Mr. James H. Lynch, Jr.
Chairman of the Board of Directors
10 Exchange Place Centre
Jersey City, NJ 07302-3913
Dear Mr. Lynch:

This letter shall serve to confirm in writing that I hereby choose to exercise The Second Option of the First Employment Agreement between The Sherwood Group, Inc. and myself. Kindly acknowledge your receipt and acceptance.

Very truly yours,

Arthur Kontos

THE SHERWOOD GROUP, INC EXHIBIT 11
AND SUBSIDIARIES
COMPUTATION OF NET INCOME PER COMMON SHARE

<TABLE>

	Three Months Ended November 30, 1995	1994
<CAPTION>		
<S>	<C>	<C>
Common stock and common stock equivalents:		
Average common stock outstanding	12,602,174	12,616,433
Average common stock equivalents issuable under stock options	823,726	1,129,554
	----------	----------
Total average common stock and common stock equivalents used for earnings per share computation	13,425,900	13,745,987
	==========	==========
Income:		
Net income	$ 3,173,387	$ 2,933,729
	============	============
Income per common and common equivalent share (a):<F1>		
Net income	$ 0.24	$ 0.21
	============	===========

<FN>
<F1>(a) For presentation purposes, primary and fully diluted are identical.
</FN>

THE SHERWOOD GROUP, INC. EXHIBIT 11
AND SUBSIDIARIES

COMPUTATION OF NET INCOME PER COMMON SHARE

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	Six Months Ended November 30, 1995	1994
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Common stock and common stock equivalents:		
Average common stock outstanding	12,502,958	12,625,854
Average common stock equivalents issuable under stock options	822,514	1,127,171
	----------	------------
Total average common stock and common stock equivalents used for earnings per share computation	13,325,472	13,753,025
	==========	==========
Income:		
Net income	$ 7,641,251	$ 5,991,932
	============	============

Income per common and common

equivalent share (a):<F1>		
Net income	$ 0.57	$ 0.44
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<FN>
<F1>(a) For presentation purposes, primary and fully diluted are identical.
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