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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER  
8- 3315

**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 OCTOBER 1, 2004 AND ENDING DECEMBER 31, 2005  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: HERBERT J. SIMS & CO., INC.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

3530 POST ROAD

(No. and Street)

SOUTHPORT

(City)

CONNECTICUT

(State)

06880

(Zip Code)

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

GENEVIEVE FREDA

(203) 418-9030

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

FOX & JURAN

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

295 MADISON AVENUE

(Address)

NEW YORK

(City)

NY

(State)

10017

(Zip Code)

CHECK ONE:

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

PROCESSED  
3 APR 11 2006  
THOMSON FINANCIAL

SECURITIES AND EXCHANGE COMMISSION  
RECEIVED  
FEB 27 2006  
BRANCH OF REGISTRATIONS  
AND  
02 EXAMINATIONS

**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)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, GENEVIEVE FREDA, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of HERBERT J. SIMS & CO., INC., as of DECEMBER 31, 20 05, 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

*Genevieve Freda*  
Signature  
GENEVIEVE FREDA

SECRETARY - TREASURER  
Title

DONNA HART  
NOTARY PUBLIC  
MY COMMISSION EXPIRES 12/31/2008

*Donna Hart*  
Notary Public

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

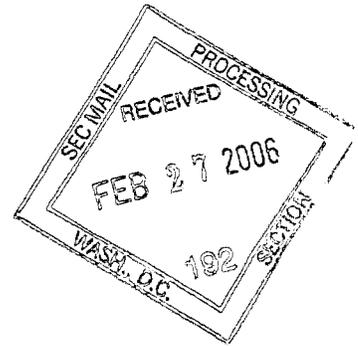
- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims 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).

**HERBERT J. SIMS & CO., INC.  
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT  
OF FINANCIAL CONDITION

DECEMBER 31, 2005



**FOX & JURAN**  
CERTIFIED PUBLIC ACCOUNTANTS

295 MADISON AVENUE  
NEW YORK, N.Y. 10017

TEL. 212-689-4871  
FAX 212-689-4843

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

NY STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

MARTIN MERMELSTEIN, C.P.A.  
HOWARD CLAMPMAN, C.P.A.

To The Board of Directors and Stockholder  
Herbert J. Sims & Co., Inc.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have audited the accompanying consolidated balance sheet of Herbert J. Sims & Co., Inc. and Subsidiaries as of December 31, 2005. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. 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 balance sheet referred to above presents fairly, in all material respects, the consolidated financial position of Herbert J. Sims & Co., Inc. and Subsidiaries as of December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.



New York, N.Y.

January 31, 2006

HERBERT J. SIMS & CO., INC.  
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2005

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ASSETS

Cash and cash equivalents (Notes 1F and 9)	\$ 1,258,608
Securities owned at market value (Note 1C)	19,642,142
Accrued interest receivable	239,110
Other receivables	308,760
Prepaid expenses, etc.	753,395
Secured demand note receivable collateralized by marketable securities (Note 5)	450,000
Equipment and furniture, at cost less accumulated depreciation of \$629,937 (Note 1E)	402,180
Investments (Note 2)	35,513
Deposits (Note 8)	<u>66,656</u>
TOTAL ASSETS	<u>\$ 23,156,364</u>

See Notes To Consolidated Financial Statements

HERBERT J. SIMS & CO., INC.  
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2005

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LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES:

Payable to clearing agent, net (Note 4)	\$ 13,081,914
Securities sold not yet purchased, at market value (Note 1C)	413,087
Accounts payable and accrued expenses	2,269,829
Share of deficiency in net assets of 70% joint venture (Notes 2 & 6)	107,603
Income taxes (Note 6)	<u>542,481</u>
	\$ 16,414,914
Subordinated Borrowings (Note 5)	<u>450,000</u>
TOTAL LIABILITIES	\$ 16,864,914

Commitments and Contingencies (Note 8)

STOCKHOLDER'S EQUITY:

Common stock, no par value; authorized 2,500 shares, issued 2,119 shares	\$ 64,939
Additional paid-in capital	184,212
Retained earnings	6,686,082
Less treasury stock, at cost	<u>( 643,783)</u>
TOTAL STOCKHOLDER'S EQUITY	<u>6,291,450</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 23,156,364</u>

See Notes To Consolidated Financial Statements

HERBERT J. SIMS & CO., INC.  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005

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1. SIGNIFICANT ACCOUNTING POLICIES

- A. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Sims Mortgage Funding, Inc. and HJS Advisors, Inc. Appropriate inter-company balances and transactions have been eliminated (See Note 2).
- B. Security transactions are recorded on a settlement date basis which is generally three business days after trade date.
- C. Securities are stated at fair market value. Unrealized gains and losses are reflected in income currently.
- D. The Company recognizes income from underwriting participations and underwriting management fees on the date of settlement with the issuer of the related debt securities.
- E. Depreciation of furniture and equipment is computed using various accelerated methods over class lives of generally five to seven years.
- F. Cash balances at the Company's banks and financial institutions may exceed insurable amounts. The Company believes it mitigates its risks by depositing cash and equivalents in major financial institutions.

2. THE COMPANY

The Company, which is a wholly owned subsidiary of Teksys Corporation, a holding company, operates as a securities broker & dealer and also engages in other related financial activities. Sims Mortgage Funding, Inc., a wholly-owned subsidiary of the Company, provides HUD-insured mortgage banking services. HJS Advisors, Inc., a wholly-owned subsidiary of the Company, acts as managing member/limited partner in two entities in which it has an interest. Herbert J. Sims Capital Management Inc. is inactive. The Company has a 70% interest in Sims-Ashville, LLC which in turn, has a 50% interest in a retirement facility.

3. CUSTOMER TRANSACTIONS

The Company is exempt from reserve requirements for broker-dealers under Rule 15c3-3 sub-paragraph (k)(2)(ii) as it clears financial transactions with customers through a clearing agent, on a fully disclosed basis as an introducing broker, and meets all other requirements of the Rule.

HERBERT J. SIMS & CO., INC.  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005

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4. FINANCIAL ACCOMMODATIONS - CLEARING AGENT

Under its fully disclosed clearing agreement, the Company has agreed to maintain a "Deposit Account" that shall at all times contain cash and/or securities with a market value of \$100,000.

5. SUBORDINATED BORROWINGS

The subordinated liability payable to the Company's principal officer is pursuant to a secured demand note collateral agreement which matures May 31, 2006. The agreement has been approved by the National Association of Securities Dealers, Inc. and the subordinated borrowing is available for use in computing net capital under the Securities & Exchange Commission's uniform net capital rule. Such borrowing may not be repaid to the extent it is required to maintain compliance with minimum net capital requirements. Cash and securities in the amount of approximately \$515,000 has been deposited, as collateral, with the clearing agent as required by the agreement (See Note 11).

6. INCOME TAXES

Income tax expense of the Company consists of the following:

Current Federal and State income taxes	\$ 630,738
Less: Tax benefit from loss in joint venture	<u>138,000</u>
	<u>\$ 492,738</u>

Income tax expense has been reduced by net operating losses and tax exempt interest.

For the fifteen months ended December 31, 2005 the Company's share of its 70% owned joint venture's loss was approximately \$400,000.

HERBERT J. SIMS & CO., INC.  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005

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7. 401(K) EMPLOYEE SAVINGS AND RETIREMENT PLAN

As of January 1, 1995, the Company adopted a 401(k) Employee Savings and Retirement Plan covering all eligible employees, as defined. Employee contributions of up to 15% of paid compensation may be made, subject to defined limitations. Employer contributions to the plan are discretionary and are based on participants' annual compensation. For the fifteen months ending December 31, 2005, the Company made no contribution into the plan.

8. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company enters into "when issued" and underwriting contractual commitments. At December 31, 2005 there were no unsold open contractual commitments relating to such transactions.

The Company leases office space in Connecticut, Florida, California and New Jersey under agreements extending through March 2011. Minimum annual rentals are as follows:

<u>YEARS ENDED DECEMBER 31,</u>	
2006	\$ 401,509
2007	373,968
2008	383,602
2009	395,645
2010	356,474
Thereafter	<u>19,626</u>
	<u>\$1,930,824</u>

In addition, the Company is responsible for its share of future increases in building taxes, utilities and operating expenses. The Company has deposited with the landlords \$65,474 as security.

HERBERT J. SIMS & CO., INC.  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005

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8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Company leases equipment under non-cancellable operating leases that expire as follow:

<u>YEARS ENDED DECEMBER 31,</u>	
2006	\$ 164,962
2007	153,778
2008	91,425
2009	21,611
2010	<u>14,407</u>
	<u>\$ 446,183</u>

The Company's wholly owned subsidiary, Sims Mortgage Funding, Inc. leases office space in Pearl River, New York under an agreement extending through July 31, 2006. Security in the amount of \$6,098 has been deposited with the landlord. Minimum annual rentals are as follows:

<u>YEARS ENDED DECEMBER 31,</u>	
2006	\$ 26,656

The Company contributed \$400,000 for working capital to its 70% owned joint venture.

9. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

At December 31, 2005 cash on deposit in a high quality financial institution exceeded insured bank limits by approximately \$972,000.

10. LITIGATION

The Company is, from time to time, a party to legal proceedings arising in the normal course of its business. Management believes that none of the legal proceedings currently outstanding will have a material adverse effect on the Company's business, financial condition or results of operations.

HERBERT J. SIMS & CO., INC.  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005

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11. MINIMUM NET CAPITAL

The Company is subject to Rule 15c3-1 of the Securities Exchange Act of 1934 which requires that the ratio of aggregate indebtedness to net capital, as defined, shall not exceed 15 to 1. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2005 the Company's net capital and aggregate indebtedness, as defined, were \$2,344,326 and \$2,424,294 respectively. The net capital ratio was 1.0341 to 1 or 103.41%. Net capital exceeded requirements by \$2,094,326.

12. ANNUAL REPORT

Pursuant to Rule 17a-5 of the Securities and Exchange Commission, the Statement of Financial Condition is available for examination at the Company's principal place of business 3530 Post Road, Southport, Connecticut 06890 and at the regional office of the Commission located at 3 World Financial Center, Room 4300, New York, New York 10281.

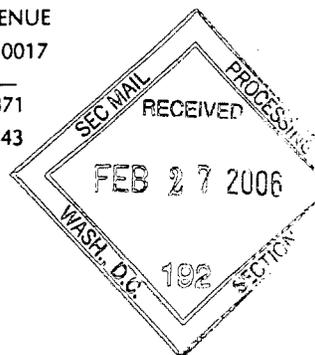
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MARTIN MERMELSTEIN, C.P.A.  
HOWARD CLAMPAN, C.P.A.

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
NY STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS



To The Board of Directors and Stockholder  
Herbert J. Sims & Co., Inc.

We have examined the consolidated financial statements of Herbert J. Sims & Co., Inc. and Subsidiaries as of December 31, 2005 and have issued our report thereon dated January 31, 2006. As part of our examination, we made a study and evaluation of the Company's system of internal accounting control (which includes the procedures for safeguarding securities) to the extent we considered necessary to evaluate the system as required by generally accepted audited standards. The purpose of our study and evaluation, which included obtaining an understanding of the accounting system, was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the consolidated financial statements.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practice and procedures) followed by Herbert J. Sims & Co., Inc. that we considered relevant to the objectives stated in rule 17a-5(g), (1) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provision of rule 15c3-3; (2) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13; (3) in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System; and (4) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3.

The management of the Company is responsible for establishing and maintaining a system of internal accounting control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. The objectives of a system and the practices and procedures are to provide management with reasonable, but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

To The Board of Directors and Stockholder of  
Herbert J. Sims & Co., Inc.

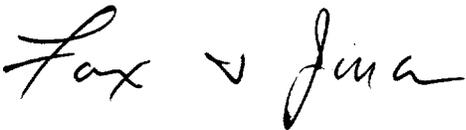
Page 2.

Because of inherent limitations in any internal accounting control procedures or the practices and procedures referred to above, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with them may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Herbert J. Sims & Co., Inc. taken as a whole. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

We understand that procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2005, to meet the Commission's objectives.

This report is intended solely for the use of the board of directors, stockholder, management, the Securities and Exchange Commission and regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used for any other purpose.

A handwritten signature in cursive script, appearing to read "Fox v Jura".

New York, N.Y.

January 31, 2006