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

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

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FEB 28 2012  
Washington, DC  
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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 JANUARY 1, 2011 AND ENDING DECEMBER 31, 2011  
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.)

2150 POST ROAD

(No. and Street)

FAIRFIELD

(City)

CT.

(State)

06824

(Zip Code)

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

JASON H. DIAMOND

203-418-9006

(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.

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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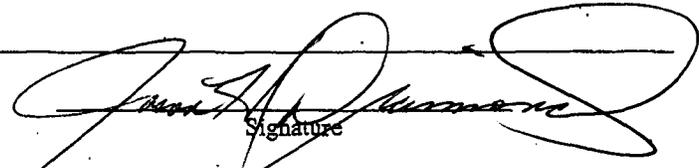
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OATH OR AFFIRMATION

I, JASON H. DIAMOND, 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 & C., INC., as of DECEMBER 31, 20 11, 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

  
Notary Public

  
Signature  
CHIEF FINANCIAL OFFICER  
Title

**ANITA A. CLAVIN**  
**NOTARY PUBLIC**  
MY COMMISSION EXPIRES OCT. 31, 2015

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).

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

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2011

**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.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statement of financial condition of Herbert J. Sims & Co., Inc. and Subsidiaries as of December 31, 2011. This consolidated financial statement is the responsibility of the company's management. Our responsibility is to express an opinion on this consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 financial statement referred to above presents fairly, in all material respects, the financial position of Herbert J. Sims & Co., Inc. and Subsidiaries as of December 31, 2011 in conformity with generally accepted accounting principles generally accepted in the United States of America.



New York, New York  
February 22, 2012

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

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2011

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<u>ASSETS</u>	
Cash and cash equivalents (Note)	\$ 2,808,407
Securities owned at market value (Note)	8,146,734
Accrued interest receivable	152,605
Loans receivable from employees (Note)	584,174
Other receivables	398,923
Prepaid expenses, etc.	1,750,682
Secured demand note receivable collateralized by marketable securities (Note)	500,000
Property and equipment, net (Note)	339,892
Investments (Note)	31,060
Deposits (Note)	<u>149,665</u>
TOTAL ASSETS	<u>\$14,862,142</u>
 <u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>	
LIABILITIES:	
Payable to clearing agent (Note)	\$ 1,230,334
Securities sold not yet delivered, at market value (Note)	4,975
Accounts payable and accrued expenses	3,348,411
Income taxes (Note)	1,200,348
Subordinated borrowings (Note)	<u>500,000</u>
TOTAL LIABILITIES	<u>\$ 6,284,068</u>
STOCKHOLDER'S EQUITY	
Common stock, no par value; authorized 2,500 shares, issued 2119 shares	\$ 64,939
Additional paid-in capital	184,212
Retained earnings	8,972,706
Treasury stock, at cost	<u>(643,783)</u>
TOTAL STOCKHOLDER'S EQUITY	<u>\$ 8,578,074</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$14,862,142</u>

See Independent Auditor's Report  
And Accompanying Notes to Consolidated Financial Statements

HERBERT J. SIMS & CO., INC.  
AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

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1. ORGANIZATION AND NATURE OF BUSINESS

Herbert J. Sims & Co., Inc. ("HJS") and its wholly and partially-owned subsidiaries (collectively, the "Company") are principally engaged in investment banking, financial advisory, investment advisory, retail brokerage and related financial services. These services are provided to institutions, businesses and individuals throughout the United States. HJS is a broker-dealer registered with The Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation.

2. SIGNICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of HJS and its wholly-owned subsidiaries and partially-owned partnership:

Sims Mortgage Funding, Inc.  
HJS Advisors, Inc.  
Herbert J. Sims Capital Management Inc.  
HJS Incentives, Inc  
Longview, LLC (99% owned partnership)

HJS operates as a securities broker-dealer and also engages in other related financial activities. Sims Mortgage Funding, Inc. provides HUD-insured mortgage banking services. HJS Advisors, Inc., acts as a managing member/limited partner in entities in which Longview, LLC has an interest, and equity or equity linked investment. Herbert J. Sims Capital Management Inc. is a licensed insurance broker and registered investment advisor.

Longview, LLC and HJS Incentives, Inc. have various equity, equity linked and debt interests in various senior care and retirement facilities.

All significant inter-company balances and transactions are eliminated in consolidation.

Investment Banking

Investment banking revenues include income and fees, net of direct expenses, arising from fixed income securities offerings in which the Company acts an underwriter or placement agent. Investment banking revenues also include fees earned from providing consulting, risk management and financial advisory services. Investment banking management fees are recorded when the income is reasonably determinable.

Securities Transactions

Proprietary securities transactions are recorded on a settlement basis which is generally three business days after trade date. The recording of securities transactions on a trade date basis was considered, and the difference was deemed immaterial. In the normal course of business, the Company, like other firms in the securities

HERBERT J. SIMS & CO., INC.  
AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

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2. SIGNICANT ACCOUNTING POLICIES (CONT'D)

Securities Transactions (Cont'd)

industry, purchase and sell securities as both principal and agent. Financial instruments are recorded at fair value in accordance with Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements.

Investments

The investments in Longview, LLC and HJS Incentives, Inc. are accounted for using the equity method.

Commission Income and Related Clearing Expenses

Acting as an agent, the Company earns substantially all commission income by buying and selling securities and mutual funds on behalf of its customers and earning commissions on the related transactions. Commission income and related clearing expenses are recorded on a settlement basis.

Depreciation

The Company provides for depreciation of assets using the straight-line method for financial reporting and income tax purposes. Furniture and equipment are depreciated over 3 to 7 years. Leasehold improvements are amortized over the lesser of economic useful life of the improvement or terms of the lease. Depreciation expense was \$88,773 for the year.

Loans Receivable From Employees

The loans, which are interest bearing, are self amortizing with maturities ranging from two to six years.

Cash Equivalents

Cash equivalents are defined as unrestricted short-term investments with original maturities within three months of the date of purchase and money market investments. The Company maintains deposits in financial institutions that consistently exceed the FDIC limit of \$250,000. The Company has not experienced any losses in such accounts and management believes the Company is not exposed to any significant credit risk.

Use of Estimates

The Company's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of financial statements requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

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2. SIGNICANT ACCOUNTING POLICIES (CONT'D)

Advertising and Promotion

The Company expenses advertising and promotion costs as incurred. The advertising and promotion expense was \$876,894 for the year.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Certain income and expense items are accounted for in different financial reporting periods for financial reporting purposes than for income tax purposes. Appropriate provisions are made in the Company's consolidated financial for deferred income taxes in recognition of these temporary differences. A valuation allowance is established for deferred income tax assets, when as determined by management, it is more likely than not that the tax benefit will not be realized.

The company recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, Income Taxes. Under that guidance the Company assesses the likelihood, based upon their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

3. SECURITIES OWNED

Securities owned at December 31, 2011 consist of trading securities at fair value as follows:

Municipal bonds - fixed rate	\$ 8,067,766
Corporate bonds	<u>78,968</u>
Total	\$ <u>8,146,734</u>
Municipal bonds - fixed rate (short)	\$ <u>(4,975)</u>

Municipal bonds consist primarily of revenue bonds issued by state and local governmental authorities related to continuing care retirement communities and health care facilities.

The Company has recorded an unrealized loss of \$76,733 which is included in the consolidated statement of operations.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

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4. FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 157, Fair Value Measurements, defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants on the measurement date. The Company determines the fair values of its financial instruments and assets and liabilities recognized at fair value in the financial statements on a recurring basis in accordance with SFAS No. 157.

The Company's financial instruments are carried at fair value or amounts that approximate fair value. To differentiate between the approach to fair value measurements, SFAS No. 157 uses a fair value hierarchy and describes three levels used to classify fair measurements.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data, such as matrix pricing of fixed income securities.

Level 3 fair value measurements are based on unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Therefore, unobservable inputs reflect the Company's own assumptions about the inputs that market participants would use in pricing the asset or liability (including assumptions about risk).

The following valuation factors are considered for the financial assets and liabilities of the Company:

Cash equivalents consist of investments in money market mutual funds. Such instruments are classified within level 1 of the fair value hierarchy.

Municipal bonds are classified as Level 1 or Level 2 in the fair value hierarchy. Municipal variable rate demand notes that have a weekly or more frequent rate reset, are rated by a rating agency and are actively traded, are classified within Level 1 of the fair value hierarchy.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

Fixed rate municipal bonds may be priced using matrix pricing models. The Company relies on outside pricing services to determine the fair value of the fixed rate municipal obligations. Fixed rate municipal bonds are classified within Level 2 of the fair value hierarchy.

The following table presents the Company's fair value hierarchy for those assets and liabilities at fair value basis as at December 31, 2011.

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash equivalents	\$ <u>2,808,407</u>	<u>-</u>	<u>-</u>	\$ <u>2,808,407</u>
Securities owned:				
Municipal bonds-fixed rate	\$ <u>7,353,177</u>	<u>663,338</u>	<u>51,250</u>	\$ <u>8,067,766</u>
Corporate bonds	<u>78,968</u>	<u>-</u>	<u>-</u>	<u>78,968</u>
Total	\$ <u>7,432,146</u>	<u>663,338</u>	<u>51,250</u>	\$ <u>8,146,734</u>
Receivable from clearing agent:				
US Treasury Notes	\$ <u>104,117</u>	<u>-</u>	<u>-</u>	\$ <u>104,117</u>
Total	\$ <u>7,536,263</u>	<u>663,338</u>	<u>51,250</u>	\$ <u>8,250,851</u>
<b>Liabilities</b>				
Securities sold not yet purchased				
Municipal bonds- fixed rate	\$ <u>(4,975)</u>	<u>-</u>	<u>-</u>	\$ <u>(4,975)</u>

The following is a reconciliation of the beginning and ending balance for the financial assets measured at fair value using Level 3 inputs for the year ended December 31, 2011:

	<u>Balance,</u> <u>January</u> <u>1, 2011</u>	<u>Unrealized</u> <u>gain/(loss)</u>	<u>Purchases,</u> <u>issuances,</u> <u>and</u> <u>settlements</u>	<u>Balance</u> <u>December</u> <u>31, 2011</u>
<b>Assets</b>				
Securities owned:				
Municipal bonds-fixed rate	\$ <u>43,364</u>	<u>\$ 10,900</u>	<u>\$ (3,014)</u>	\$ <u>51,250</u>
Corporate bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>43,364</u>	\$ <u>10,900</u>	\$ <u>(3,014)</u>	\$ <u>51,250</u>

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

5. PAYABLE TO CLEARING AGENT

The Company clears all its financial transactions with customers through a clearing agent, on a fully disclosed basis as an introducing broker, and meets all other requirements of rule 15c-3. 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 minimum market value of \$100,000.

6. PROPERTY AND EQUIPMENT

Furniture, equipment, leasehold improvements, and vehicles at December 31, 2011, consist of the following:

Furniture	\$ 267,348
Equipment	376,717
Leasehold improvements	133,050
Vehicles	<u>23,604</u>
	\$ 800,719
Less accumulated depreciation	<u>460,827</u>
	\$ <u>339,892</u>

7. SUBORDINATED BORROWINGS

The subordinated liability payable to the company's principal officer is pursuant to a secured demand note collateral agreement which matures June 29, 2011. The agreement has been approved by the Financial Industry Regulatory Authority, Inc. and the subordinated borrowing is available for use in computing 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 \$693,384 have been deposited, as collateral, with the clearing agent as required by the agreement.

8. INCOME TAXES

Income tax provisions of the Company consist of the following:

Current state income taxes	\$ 91,098
Deferred income taxes	<u>-</u>
Total Taxes	\$ <u>91,098</u>

Deferred income taxes payable of \$ 1,135,000 result from the company's share of losses of approximately \$ 3,100,000 allocated from the Company's various equity interests in limited liability companies and included in the company's tax returns for the year ended March 31, 2011.

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

9. 401K 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 100% 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 year ended December 31, 2011 the Company made no contribution to the plan.

10. RELATED PARTY TRANSACTIONS

The Company provides investment advisory and administrative services to its wholly-owned subsidiaries, HJS Advisors, Inc., Sims Mortgage Funding Inc. and Herbert J. Sims Capital Management and to its partially-owned (99%) limited partnership, Longview, LLC. All inter-company transactions have been eliminated from the consolidation.

11. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company enters into underwriting contractual commitments. At December, 31, 2011, there were no open contractual commitments relating to such transactions.

The Company leases office space in Connecticut, Florida, New Jersey, Minnesota and Texas under agreements extending through August 2018. Minimum annual rentals are as follows:

Years ending December 31,	
2012	\$ 525,989
2013	294,539
2014	377,012
2015	430,101
2016	444,496
2017	459,023
2018	<u>193,792</u>
	<u>\$ 2,724,952</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 various landlords \$104,392 as security.

The company's wholly-owned subsidiary, Sims Mortgage Funding, Inc. leases office space in Montvale, New Jersey under an agreement extending through November 30, 2013. Security in the amount of \$3,123 has been deposited with the landlord. Minimum annual rentals are as follows:

Years ending December 31,	
2012	\$ 37,476
2013	<u>34,363</u>
	<u>\$ 71,839</u>

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

12. CONSOLIDATED SUBSIDIARIES AND PARTNERSHIP

The following is a summary of certain financial information of the Company's wholly-owned consolidated subsidiaries:

	Sims Mortgage Funding, Inc.	HJS Advisors, Inc.	Herbert J. Sims Capital Management Inc.	HJS Incentives, Inc.
Total Assets	\$ <u>2,620,871</u>	\$ <u>363,072</u>	\$ <u>76,398</u>	\$ <u>4,389</u>
Stockholders Equity	\$ <u>1,428,376</u>	\$ <u>362,673</u>	\$ <u>76,398</u>	\$ <u>0</u>

The following is a summary of certain financial information of the Company's partially-owned (99%) limited partnership:

	Longview, LLC
Total Assets	\$ <u>180,618</u>
Partners' Capital	\$ <u>180,618</u>

13. FINANACIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

At December 31, 2011 cash on deposit in high quality financial institutions exceeded insured bank limits by approximately \$2,700,000.

14. LITIGATION

The Company is, from time to time, a party to legal proceedings arising from 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.

15. 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 related net capital ratio may fluctuate on a daily basis. At December 31, 2011, the Company's net capital and aggregate indebtedness, as defined, were \$ 3,926,115 and \$ 2,271,874 respectively. The net capital ratio was 0.5787 or 57.87%. Net capital exceeded requirements by \$ 3,676,115 .

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

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16. 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 2150 Post Road, Suite 301, Fairfield, Connecticut 06824 and at the regional office of the Commission located at World Financial Center, Room 4300, New York, New York 10281.