

00

SEC



16001917

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

SEC processing
Section

MAR 01 2016

Washington DC

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

SEC FILE NUMBER
8- 68098

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 01/01/15 AND ENDING 12/31/15
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: WELLINGTON SHIELDS & CO., LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

140 BROADWAY, 44TH FLOOR
(No. and Street)

NEW YORK NY 10005
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
DAVID V. SHIELDS (212)320-3000
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

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

685 THIRD AVENUE NEW YORK NY 10017
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

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

MA

OATH OR AFFIRMATION

I, DAVID V. SHIELDS, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of WELLINGTON SHIELDS & CO., LLC, as of DECEMBER 31, 2015, 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:



Steven

Friedfertig

Notary Public

[Handwritten Signature]

Signature

VICE CHAIRMAN & CO-CEO

Title

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).

WELLINGTON SHIELDS & CO. LLC

MEMBER NEW YORK STOCK EXCHANGE

140 Broadway New York, NY 10005

SEC
Mail Processing
Section

MAR 01 2016

Washington DC
416

WELLINGTON SHIELDS & CO., LLC
(A Wholly Owned Subsidiary of Wellington Shields Holdings, LLC)

STATEMENT OF FINANCIAL CONDITION
AND
SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2015

WITH
REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM

WELLINGTON SHIELDS & CO., LLC
(A Wholly Owned Subsidiary of Wellington Shields Holdings, LLC)

FOR THE YEAR ENDED DECEMBER 31, 2015

CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	1
FINANCIAL STATEMENT	
Statement of Financial Condition	2
Notes to Financial Statement	3-9
SUPPLEMENTARY INFORMATION	
Schedule I – Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission	10-11

Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
www.markspaneth.com

New York City
Washington, DC
New Jersey
Long Island
Westchester

M A R K S P A N E T H
ACCOUNTANTS & ADVISORS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Managing Members
of Wellington Shields & Co., LLC

We have audited the accompanying statement of financial condition of Wellington Shields & Co., LLC (a wholly owned subsidiary of Wellington Shields Holdings, LLC) as of December 31, 2015 and the related notes to the financial statements. This financial statement is the responsibility of Wellington Shields & Co., LLC's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Wellington Shields & Co., LLC as of December 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

The Computation of Net Capital Pursuant to Rule 15c3-1 of the Securities and Exchange Commission, has been subjected to audit procedures performed in conjunction with the audit of Wellington Shields & Co., LLC's financial statements. The supplemental information is the responsibility of Wellington Shields & Co., LLC's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the Computation of Net Capital Pursuant to Rule 15c3-1 of the Securities and Exchange Commission, is fairly stated, in all material respects, in relation to the financial statements as a whole.

Marks Paneth LLP

New York, New York
February 29, 2016



An independent member of
Morison International

WELLINGTON SHIELDS & CO., LLC
(a Wholly Owned Subsidiary of Wellington Shields Holdings, LLC)

STATEMENT OF FINANCIAL CONDITION

AT DECEMBER 31, 2015

ASSETS

Cash	\$ 33,083
Securities owned, at fair value	463,507
Deposits with clearing broker-dealers	225,000
Receivables from broker-dealers	2,367,240
Receivable from affiliate	606,705
Furniture, equipment and leasehold improvements – at cost, net of accumulated depreciation in the amount of \$1,763,891	640,806
Restricted cash	400,000
Prepaid expenses and other assets	481,919
	<u>\$ 5,218,260</u>

LIABILITIES AND MEMBER'S EQUITY

<u>Liabilities:</u>	
Accounts payable, accrued expenses and other liabilities	\$ 2,451,530
<u>Member's equity</u>	<u>2,766,730</u>
	<u>\$ 5,218,260</u>

The accompanying notes are an integral part of this financial statement.

WELLINGTON SHIELDS & CO., LLC
(a Wholly Owned Subsidiary of Wellington Shields Holdings, LLC)

NOTES TO FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2015

1. ORGANIZATION AND NATURE OF BUSINESS

The Company is a broker-dealer registered with the Securities and Exchange Commission and is a member of the New York Stock Exchange and FINRA and is a wholly owned subsidiary of Wellington Shields Holdings, LLC (“Holdings”). The Company’s principal line of business is conducting securities transactions for its customers located throughout the United States. The Company clears its securities transactions on a fully disclosed basis with other broker-dealers and, accordingly, is exempt from the provisions of SEC Rule 15c3-3, and is not responsible for compliance with Section 4(c) of Regulation T of the Federal Reserve System.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Security Transactions

Security transactions are recorded by the Company on the trade date as if they had settled. Securities owned and securities sold, not yet purchased, are stated at fair value. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Securities received as compensation for investment banking transactions are recorded at fair value on the date received.

Securities are reported at fair value in accordance with FASB ASC 820, Fair Value Measurements and Disclosures. See Note 3 for discussion of fair value measurements.

Deposits with Clearing Brokers

The Company does not carry accounts for customers or perform custodial functions related to customer securities. Deposits with Clearing Brokers represents cash held at that broker.

NOTES TO FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2015

2. (cont'd)

Furniture, Equipment and Leasehold Improvements

Furniture and equipment are stated at cost and are being depreciated over five or seven years, which approximates their useful lives, using the straight-line method. Leasehold improvements are being amortized using the straight-line method over the term of the related office space lease, which is ten years. Major expenditures for furniture and equipment and those which substantially increase their useful lives are capitalized; maintenance and repairs, are expensed as incurred.

Income Taxes

The Company was organized as a limited liability company in 2008 and is included in the federal partnership tax returns filed by Holdings. Accordingly, no provisions for income taxes are required in these financial statements as the items of income or loss will be included in the tax returns of Holdings' members.

Although the Company itself is not directly subject to income taxes, the effects of an uncertain tax position, if any, may have an impact on the tax returns of Holding's members. Therefore, GAAP requires that any such effects be recognized based on the outcome that is more likely than not to occur. Under this criterion the most likely resolution of an uncertain tax position should be analyzed based on technical merits and on the outcome that will likely be sustained under examination. As of December 31, 2015 the Company has determined that it has no uncertain tax positions that require either recognition or disclosure in the financial statements.

Holding's income tax returns for the years 2012 through 2015 are subject to examination by federal, state and local income tax authorities.

Concentration of Credit Risk

The Company invests its excess cash in deposits with financial institutions, money market funds, and securities issued by the U.S. and local governments. Financial instruments that subject the Company to risk of loss include (a) securities owned, (b) receivables and deposits with brokers and dealers; and (c) receivables from affiliated entities.

Fair Value Hierarchy

Accounting principles related to fair value measurements establish a framework for measuring fair value, and establishes a hierarchy of fair value inputs for valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the

NOTES TO FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2015

2. (cont'd)

principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access as the measurement date.
- Level 2. Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3. Unobservable inputs for the asset or liability.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less unobservable in the market, the determinates of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

3. SECURITIES OWNED

Exchange Traded Equity Securities

Exchanged traded securities are generally valued based on quoted market prices from the exchange. To the extent these securities are actively traded, valuation adjustments are not applied, and they are categorized in level 1 of the fair value hierarchy; otherwise, they are categorized in level 2 or 3 of the fair value hierarchy. Securities categorized in level 2 are classified as such as the securities are restricted or not actively traded.

Residential Mortgage-Backed Securities ("RMBS"), Commercial Mortgage-Backed Securities ("CMBS") and other Asset-Backed Securities ("ABS")

RMBS, CMBS and other ABS are valued based on trades, bid price or spread data, two-sided markets, quotes, benchmark curves including but not limited to treasury benchmarks and Libor

WELLINGTON SHIELDS & CO., LLC
(a Wholly Owned Subsidiary of Wellington Shields Holdings, LLC)

NOTES TO FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2015

3. (cont'd)

and swap curves, discount rates, market data feeds from commercial vendors, derivative indices, loan level information including without limitation loan loss, recovery and default rates, prepayment speeds, trustee reports, investor reports, and servicer reports and is obtained from observed transactions or independent third parties such as vendors or clearing brokers.

State and Municipal Bonds

The fair value of state and municipal securities is determined using trades, bid price or spread, two-sided markets, quotes, benchmark curves including but not limited to treasury benchmarks and Libor and swap curves, market data feeds such as municipal securities rulemaking board, new issues, financial statements and trustee reports and is obtained from observed transactions or independent third parties such as vendor or clearing brokers.

The following table presents the Company's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2015.

Fair Value Measurements on a Recurring Basis

As of December 31, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Securities owned:</u>				
Residential mortgage backed securities \$	-	\$ 53,517	\$ -	\$ 53,517
Exchange traded securities	14,250	-	-	14,250
State and municipal bonds	-	395,740	-	395,740
	<u>\$ 14,250</u>	<u>\$ 449,257</u>	<u>\$ -</u>	<u>\$ 463,507</u>

The aggregate cost of securities was \$596,764 at December 31, 2015.

WELLINGTON SHIELDS & CO., LLC
(a Wholly Owned Subsidiary of Wellington Shields Holdings, LLC)

NOTES TO FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2015

4. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Major classes of furniture, equipment and leasehold improvements include the following:

	<u>Life – Years</u>	
Furniture and equipment	5-7	\$ 1,853,204
Leasehold improvements	10	551,493
		<u>2,404,697</u>
Less accumulated depreciation/amortization		<u>1,763,891</u>
Net furniture, equipment and leasehold improvements		<u>\$ 640,806</u>

5. EMPLOYEE BENEFIT PLAN

Employees' Savings and Investment Plan

The Company sponsors a 401(k) deferred contribution plan covering all eligible employees who elect to participate in the plan. Participating employees contribute a percentage of their compensation, as defined, into the plan, which is limited to an amount allowable under the Internal Revenue Code. The Company, at its discretion, may also make matching contributions to the plan. The Company made no contribution to the plan for the year ended December 31, 2015.

6. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company is obligated under several operating leases for office space and equipment which expire at various dates between June 30, 2015 and September 30, 2024.

On December 18, 2013 the Company signed an extension and second amendment to lease assumed from a member of Holdings, to extend the term of the lease commencing January 1, 2014 and terminating September 30, 2024. Annual rent ranges from \$891,792 plus operating and real estate tax escalations at the beginning of the lease to \$1,003,266 for the final three years of the agreement. Under the terms of the agreement the company is not required to pay rent for the first nine months of the agreement. The Company is also entitled to receive reimbursement from the landlord for up to \$836,055 in renovations to the office space. As of September 2015, \$551,493 was reimbursed from the landlord for renovations, with the remaining \$284,562 converted to free rent, and used by the Company as per the "Free Rent Elective Amount" provision of the agreement.

WELLINGTON SHIELDS & CO., LLC
(a Wholly Owned Subsidiary of Wellington Shields Holdings, LLC)

NOTES TO FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2015

6. (cont'd)

Future minimum annual lease payments under operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Minimum Lease Payment</u>
2016	\$ 1,042,656
2017	955,802
2018	989,682
2019	982,213
2020	971,529
Beyond 2020	3,744,445
	<u>\$ 8,686,327</u>

For financial statement purposes, rent expense is accounted for on a straight line basis. Accordingly, the statement of financial condition reflects a deferred rent liability of \$945,067 for the excess of the expense charged compared to the amount paid in accordance with the lease.

Arbitration Proceedings and Litigation

In September 2014, the Company and one of its employees were named as respondents in an arbitration proceeding before FINRA - Dispute Resolution. The arbitration was scheduled to be heard in December 2015, but was postponed at the request of the claimant. New hearing dates have not yet been scheduled. The Company is vigorously contesting the merits of the claim, but has accrued \$25,000 to cover potential costs. The Company has filed a counterclaim for all claims, liabilities and expenses arising out of the agreement.

In September 2015, a client asserted a claim against the Company and one of its employees. The Company denies any and all liability. In the event a lawsuit is brought, the Company intends on contesting the merit of the claim, but has accrued \$50,000 to cover potential costs.

Letter of Credit

A commitment under a standby letter of credit of \$400,000 is reflected as restricted cash at December 31, 2015 and expires on December 31, 2024.

7. RELATED PARTY TRANSACTIONS

The Company shares office space with an affiliate related by common ownership. Allocation of expenses to this affiliate is based on management estimates. As of December 31, 2015

WELLINGTON SHIELDS & CO., LLC
(a Wholly Owned Subsidiary of Wellington Shields Holdings, LLC)

NOTES TO FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2015

7. (cont'd)

expenses aggregating \$947,164 were allocated to this affiliate, and at December 31, 2015 the receivable from this affiliate was \$606,705 which is due on demand, and repayable on a quarterly basis.

8. NET CAPITAL REQUIREMENT

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2015, the Company had net capital of \$1,297,113 which was \$1,167,298 in excess of its required net capital of \$129,813. The Company's net capital ratio was 0.15012 to 1.

9. CONCENTRATION OF CREDIT RISK

The Company is subject to credit risk in the event that its clearing brokers are unable to fulfill their obligations. The Company maintains its cash in bank deposit accounts which, at times may exceed federal insured limits. At December 31, 2015, cash in bank deposits exceeded federal insured limits by \$150,000. The Company has not experienced any losses in such accounts.

10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND CONCENTRATION OF CREDIT RISK

The Company's transactions are cleared by other broker-dealers in securities pursuant to clearance agreements. Although the Company clears its transactions through other broker-dealers in securities, the Company is exposed to off-balance-sheet risk in the event that customers or other parties fail to satisfy their obligations. Should a customer fail to deliver cash or securities as agreed, the Company may be required to purchase or sell securities at unfavorable market prices. At December 31, 2015, substantially all of the securities owned and the amounts due from brokers reflected in the statement of financial condition are positions held at and amounts due from one clearing broker, a large financial institution. The Company is subject to credit risk should this broker be unable to fulfill its obligations.

11. SUBSEQUENT EVENTS

The Company has evaluated its subsequent events through February 29, 2016, the date that the accompanying financial statements were available to be issued. The Company had no material subsequent events requiring adjustment or disclosure in the accompanying financial statements.

SUPPLEMENTARY INFORMATION

WELLINGTON SHIELDS & CO., LLC
(a Wholly Owned Subsidiary of Wellington Shields Holdings, LLC)

SCHEDULE I

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION

AS OF DECEMBER 31, 2015

NET CAPITAL		
Member's equity		\$ 2,766,730
Deductions:		
Nonallowable assets:		
Furniture, equipment and leasehold improvements, net	\$ 136,468	
Receivable from affiliate	606,705	
Other receivable	4,837	
Restricted cash	400,000	
Prepaid expenses and other assets	<u>295,216</u>	
		1,443,226
Other deductions and/or charges		<u>3,500</u>
		1,320,004
Net capital before haircuts on securities positions		
Haircuts on securities:		
Exempted securities	20,753	
Debt securities	-	
Other securities	<u>2,138</u>	
		<u>22,891</u>
Net capital		<u>\$ 1,297,113</u>

(Continued)

SCHEDULE I
(Continued)

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION

AS OF DECEMBER 31, 2015

AGGREGATE INDEBTEDNESS

Accounts payable, accrued expenses and other liabilities	<u>\$ 2,451,530</u>
Total aggregate indebtedness	<u>\$ 2,451,530</u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required	<u>\$ 129,813</u>
Net capital at 1,500 percent	<u>\$ 1,167,298</u>
Excess net capital at 1,000 percent	<u>\$ 1,102,392</u>
Ratio: aggregate indebtedness to net capital	<u>0.15012 to 1</u>

There are no material differences between the preceding computation and the Company's corresponding unaudited Part II of Form X-17-A-5 as of December 31, 2015.