



02018571

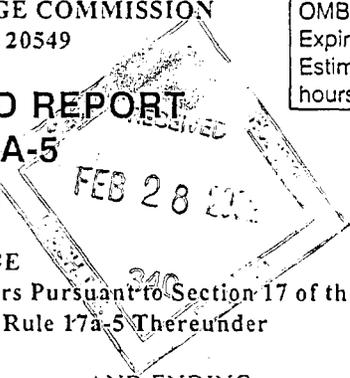
AR

Vf
3-7-02

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

OMB APPROVAL
OMB Number: 3235-0123
Expires: October 31, 2001
Estimated average burden
hours per response..... 12.00

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



SEC FILE NUMBER
8- 44663

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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Shields Securities Inc

OFFICIAL USE ONLY
FIRM I.D. NO.

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

150 Federal Street, 11th Floor

(No. and Street)

Boston
(City)

MA
(State)

02110
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Thomas J. Shields (617) 946-2900
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Lisa A. Roche CPA of Thomas C. Valorie & Company, CPA's

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

253 Main Street,
(Address)

Milford,
(City)

MA
(State)

01757
(Zip Code)

CHECK ONE:

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

PROCESSED
MAR 15 2002
THOMSON FINANCIAL

FOR OFFICIAL USE ONLY

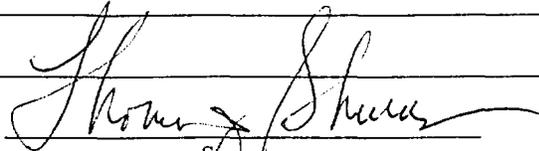
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (05-01)

Persons who 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

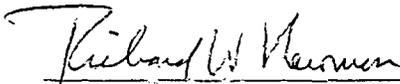
I, Thomas J. Shields, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Shields Securities, Inc., as of December 31, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Signature

President

Title



Notary Public MY COMMISSION EXPIRES AUG. 1, 2008

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 15c3-3 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. *NA*
- (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).

B, E

C, D

SHIELDS SECURITIES, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

SHIELDS SECURITIES, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2001 AND 2000

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Accountants' report | 1 |
| Balance sheet | 2 |
| Statement of income and retained earnings | 3 |
| Statement of cash flows | 4 |
| Notes to the financial statements | 5 |
| Schedules of other income and expenses | 6 |

B

Thomas C. Valorie & Company
Certified Public Accountants
A Professional Corporation

253 Main Street
Milford, Massachusetts 01757
Tel (508) 478-3000
Fax (508) 479-8321

Thomas C. Valorie, C.P.A.
Lisa A. Roche, C.P.A.
To the Directors of
Shields Securities, Inc.

We have audited the accompanying balance sheets of Shields Securities, Inc. as of December 31, 2001 and 2000, and the related statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shields Securities, Inc. as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of other income and expenses are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Thomas C. Valorie, CPA, PC.

Milford, Massachusetts
January 16, 2002

B, E

SHIELDS SECURITIES, INC.
BALANCE SHEET
DECEMBER 31, 2001 AND 2000
(see accountants' report)

ASSETS

| | <u>2001</u> | <u>2000</u> |
|--------------------------------|-------------|-------------|
| Current assets: | | |
| Cash | \$ 349 | \$ 358 |
| Marketable securities (Note 3) | 54,076 | 55,558 |
| Prepaid insurance | 194 | 447 |
| | \$ 54,619 | \$ 56,363 |
| Total assets | \$ 54,619 | \$ 56,363 |

LIABILITIES AND STOCKHOLDER'S EQUITY

| | | |
|--|-----------|-----------|
| Current liabilities: | | |
| Accounts payable | \$ 235 | \$ 549 |
| MA corporate excise tax payable | 456 | 912 |
| Note payable - officer | 6,465 | 4,225 |
| | 7,156 | 5,686 |
| Total current liabilities | 7,156 | 5,686 |
| Stockholder's equity: | | |
| Common stock, .01 par; 200,000 shares authorized 10,000 shares issued and outstanding | 100 | 100 |
| Additional paid-in capital | 9,900 | 9,900 |
| Retained earnings | 37,463 | 40,677 |
| | 47,463 | 50,677 |
| Total stockholder's equity | 47,463 | 50,677 |
| Total liabilities and stockholder's equity | \$ 54,619 | \$ 56,363 |

(See notes to financial statements)

SHIELDS SECURITIES, INC.
 STATEMENT OF INCOME AND RETAINED EARNINGS
 YEARS ENDED DECEMBER 31, 2001 AND 2000
 (see accountants' report)

| | <u>2001</u> | <u>2000</u> |
|--|------------------|------------------|
| Income | \$ 0 | \$ 333 |
| Operating expenses: | | |
| Professional fees | 2,035 | 2,691 |
| Broker/Dealer fees | 1,990 | 1,313 |
| Insurance | 253 | 213 |
| Dues, licenses & fees | 85 | 170 |
| Office supplies and expenses | 0 | 30 |
| Total operating expenses | <u>4,363</u> | <u>4,417</u> |
| Operating income (loss) | (4,363) | (4,084) |
| Other income and expenses (see page 6) | <u>1,605</u> | <u>3,400</u> |
| Net income before income taxes | (2,758) | (684) |
| Massachusetts corporate excise tax (Note 4) | <u>(456)</u> | <u>(456)</u> |
| Net income (loss) | (3,214) | (1,140) |
| Retained earnings, beginning | 40,677 | 41,817 |
| \$ Distribution | <u>0</u> | <u>0</u> |
| Retained earnings, ending | <u>\$ 37,463</u> | <u>\$ 40,677</u> |

(See notes to financial statements)

SHIELDS SECURITIES, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2001 AND 2000
(see accountants' report)

D

| | <u>2001</u> | <u>2000</u> |
|--|-------------|-------------|
| Net cash flows from operating activities: | | |
| Net income (loss) | \$ (3,214) | \$ (1,140) |
| Adjustments for differences between income flows and cash flows from operating activities: | | |
| Decrease in prepaid insurance | 253 | (253) |
| Decrease in accounts payable | (314) | 331 |
| Decrease in MA corporate excise tax payable | (456) | 456 |
| | <hr/> | <hr/> |
| Net cash flow used in operating activities | (3,731) | (606) |
| | <hr/> | <hr/> |
| Cash flows from investing activities: | | |
| Decrease in marketable securities | 1,482 | 276 |
| | <hr/> | <hr/> |
| Net cash flow provided by investing activities | 1,482 | 276 |
| | <hr/> | <hr/> |
| Cash flows from financing activities: | | |
| Increase in note payable-officer | 2,240 | 0 |
| | <hr/> | <hr/> |
| Net cash flow provided by financing activities | 2,240 | 0 |
| | <hr/> | <hr/> |
| Net increase (decrease) in cash | (9) | (330) |
| Cash, beginning | 358 | 688 |
| | <hr/> | <hr/> |
| Cash, ending | \$ 349 | \$ 358 |
| | <hr/> <hr/> | <hr/> <hr/> |

(See notes to financial statements)

SHIELDS SECURITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000

- 1 - The company's principle business activity is as follows:

The company provides investment broker advisory, counseling and trading services.

- 2 - Summary of significant accounting policies:

The financial statements are prepared on the accrual basis with recognition given to accounts receivable, accounts payable, and items of accrued income and expenses.

- 3 - Marketable securities:

Marketable securities are carried at the lower of cost or market.

| | <u>2001</u> | <u>2000</u> |
|------------------------|-------------|-------------|
| Cost | \$ 55,206 | \$ 55,558 |
| Market value | \$ 54,076 | \$ 55,997 |
| Unrealized gain (loss) | \$ (1,130) | \$ 439 |

- 4 - Massachusetts corporate excise tax:

Shields Securities, Inc. elected to become a S corporation at inception on April 19, 1991. S-corporations are not subject to federal or State income taxes as the stockholders report the income on their personal returns. The Commonwealth of Massachusetts assesses an excise tax on the asset balances as of year end.

SHIELDS SECURITIES, INC.
 SCHEDULES OF OTHER INCOME AND EXPENSES
 YEARS ENDED DECEMBER 31, 2001 AND 2000
 (see accountants' report)

| | <u>2001</u> | <u>2000</u> |
|---------------------------------|-------------|-------------|
| Other income: | | |
| Dividend income | \$ 1,863 | \$ 2,921 |
| Long-term capital gains | 2 | 401 |
| Short-term capital gains | 0 | 69 |
| Interest income | 870 | 34 |
| | 2,735 | 3,425 |
| Other expenses: | | |
| Unrealized capital losses | 1,130 | 0 |
| Penalties | 0 | 25 |
| | 1,130 | 25 |
| Total other income and expenses | \$ 1,605 | \$ 3,400 |

(See notes to financial statements)

Shields Securities, Inc.

150 Federal Street
Boston, Massachusetts 02110
Tel. (617) 946-2900
Fax (617) 946-2929

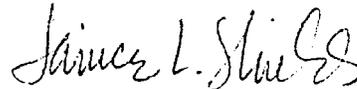
February 26, 2002

Securities & Exchange Commission
450 5th Street
Washington, D.C. 20549

Ladies and Gentlemen:

(F) Shields Securities, Inc. has Liabilities of \$7,156 per our December 31, 2001
Balance Sheet.

Sincerely,



Janice L. Shields
Executive Vice President

Shields Securities, Inc.

150 Federal Street
Boston, Massachusetts 02110
Tel. (617) 946-2900
Fax (617) 946-2929

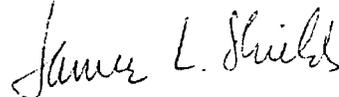
February 26, 2002

Securities & Exchange Commission
450 5th Street
Washington, D.C. 20549

Ladies and Gentlemen:

(H) Shields Securities, Inc. has no reserve requirements pursuant to Rule 15c3-3.

Sincerely,



Janice L. Shields
Executive Vice President

Shields Securities, Inc.

150 Federal Street
Boston, Massachusetts 02110
Tel. (617) 946-2900
Fax (617) 946-2929

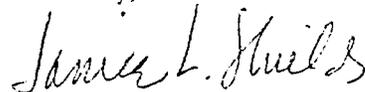
February 26, 2002

Securities & Exchange Commission
450 5th Street
Washington, D.C. 20549

Ladies and Gentlemen:

(I) Shields Securities, Inc. is the introducing broker to Cantella & Company, Inc. which now clears all of its trades through National Financial Services, Inc., a Fidelity Investments affiliate. Shields Securities, Inc. does not have possession or control of securities at any time. This process is managed for Shields Securities, Inc. by National Financial Services, Inc.

Sincerely,



Janice L. Shields
Executive Vice President

Shields Securities, Inc.

150 Federal Street
Boston, Massachusetts 02110
Tel. (617) 946-2900
Fax (617) 946-2929

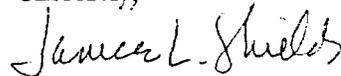
February 26, 2002

Securities & Exchange Commission
450 5th Street
Washington, D.C. 20549

Ladies and Gentlemen:

(K) There is no need to reconcile the audited and unaudited Statements of Financial Condition since there are no consolidation adjustments.

Sincerely,



Janice L. Shields
Executive Vice President

E, G, J

Thomas C. Valorie & Company
Certified Public Accountants
A Professional Corporation

253 Main Street
Millford, Massachusetts 01757
Tel (508) 478-3000
Fax (508) 473-8321

Thomas C. Valorie, C.P.A.
Lisa A. Roche, C.P.A.

January 16, 2002

To the Directors of
Shields Securities, Inc.

We have prepared the following net capital reconciliation for Shields Securities, Inc. as of December 31, 2001 as pursuant to code section 15c3-1 of the Securities Exchange Commission.

| | |
|--|----------------------|
| Common stock, .01 par; 200,000 shares authorized 10,000 share issued and outstanding | 10,000 |
| Retained earnings | 37,463 |
| | <hr/> |
| Subtotal | 47,463 |
| Add: | |
| Accounts payable | 235 |
| MA corporate excise tax payable | 456 |
| Less disallowed assets: | |
| Prepaid insurance | (194) |
| Haircuts | (1,850) |
| | <hr/> |
| Net capital reconciled | <u>\$ 46,110</u> |
| Net capital per Focus Report-Part IIA (as amended to reflect audit results, see page 2 for adjustments | <u>\$ 46,110</u> |

Respectfully submitted,

Thomas C. Valorie, CPA, P.C.
Thomas C. Valorie, CPA, P.C.

| | |
|---|----------------------------|
| Retained earnings per Shields Securities, Inc. as of 12/31/01 before audit results. | \$ 37,613.15 |
| Off-setting adjustments to Owner's Equity from audit results: | |
| Increase in Accounts Payable | (150.00) |
| Retained earnings as of 12/31/01 after audit results. | 37,463.15 |
| Common Stock | 10,000.00 |
| Subtotal | <u>47,463.15</u> |
| Add: | |
| Accounts Payable | 235.00 |
| MA corporate excise tax payable | 456.00 |
| Less disallowed assets: | |
| Prepaid Insurance | (193.98) |
| Haircuts | (1,850.00) |
| Net capital reconciled | <u><u>\$ 46,110.17</u></u> |

N

Thomas C. Valorie & Company
Certified Public Accountants
A Professional Corporation

253 Main Street
Milford, Massachusetts 01757
Tel (508) 478-3000
Fax (508) 478-8321

Thomas C. Valorie, C.P.A.
Lisa A. Roche, C.P.A.

January 16, 2002

Shields Securities, Inc.
150 Federal Street
11th Floor
Boston, MA 02110

We have made a study and evaluation of the system of internal accounting control of Shields Securities, Inc. in effect at December 31, 2001. Our study and evaluation was conducted in accordance with standards established by the American Institute of Certified Public Accountants.

The management of Shields Securities, Inc. is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets 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.

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

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure as of December 31, 2001 or since the previously audited financial statements of December 31, 2000 dated February 7, 2001 that we consider to be material weaknesses as defined above.

Thomas C. Valeriz, CPA P.C.