



SECURITY

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

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3/24

SEC FILE NUMBER  
 8-44663

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**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 01/01/04 AND ENDING 12/31/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Shields Securities, Inc. OFFICIAL USE ONLY  
 ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
WALTHAM Woods Corporate Center, 890 Winter Street  
(No. and Street)  
WALTHAM MA 02451  
(City) (State) (Zip Code)

FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
JANICE L. Shields 781-890-7033 X 224  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
THOMAS C. VALORIE & Company Inc. CPA's  
(Name - if individual, state last, first, middle name)  
253 Main Street Milford MA 01757  
(Address) (City) (State) (Zip Code)

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

PROCESSED  
 MAR 31 2005  
 THUMSON  
 FINANCIAL

RECEIVED  
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 WASH. DC. 179 SECTION

**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)

Handwritten initials and date: JH 3/25

(L)

OATH OR AFFIRMATION

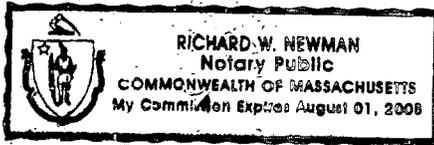
I, Thomas J. Shields, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Shields Securities Inc., as of December 31, 2004, 20\_\_\_\_, are true and correct. I further swear (or affirm) that neither the 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:

*Thomas Shields*

Signature

President

Title



*Richard W. Newman*

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 15c3-3 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, C, D, E

SHIELDS SECURITIES, INC.  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2004 AND 2003

SHIELDS SECURITIES, INC.  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2004 AND 2003

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

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*253 Main Street*  
*Milford, Massachusetts 01757*  
*Tel. (508) 478-3000*  
*Fax (508) 478-8991*

*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, 2004 and 2003, 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, 2004 and 2003, 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  
 February 8, 2005

SHIELDS SECURITIES, INC.  
BALANCE SHEET  
DECEMBER 31, 2004 AND 2003  
(see accountants' report)

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ASSETS

	<u>2004</u>	<u>2003</u>
Current assets:		
Cash	\$ 25,363	\$ 338
Marketable securities (Note 3)	0	33,161
Prepaid insurance	0	458
Total assets	<u>\$ 25,363</u>	<u>\$ 33,957</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:		
Accounts payable	\$ 600	\$ 275
MA corporate excise tax payable	456	456
Current portion of note payable (Note 4)	50	50
Total current liabilities	<u>1,106</u>	<u>781</u>
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	14,257	23,176
Total stockholder's equity	<u>24,257</u>	<u>33,176</u>
Total liabilities and stockholder's equity	<u>\$ 25,363</u>	<u>\$ 33,957</u>

(See notes to financial statements)

SHIELDS SECURITIES, INC.  
STATEMENT OF INCOME AND RETAINED EARNINGS  
YEARS ENDED DECEMBER 31, 2004 AND 2003  
(see accountants' report)

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	<u>2004</u>	<u>2003</u>
Income	\$ 0	\$ 0
Operating expenses:		
Professional fees	3,915	3,125
Broker/Dealer fees	3,803	1,925
Reference materials	0	1,000
Insurance	458	427
Dues, licenses & fees	286	275
Bank charges	50	50
Total operating expenses	<u>8,512</u>	<u>6,802</u>
Operating income (loss)	(8,512)	(6,802)
Other income and expenses (see page 6)	49	198
Net income before income taxes	<u>(8,463)</u>	<u>(6,604)</u>
Massachusetts corporate excise tax (Note 5)	(456)	(456)
Net income (loss)	<u>(8,919)</u>	<u>(7,060)</u>
Retained earnings, beginning	23,176	30,236
S Distribution	0	0
Retained earnings, ending	<u>\$ 14,257</u>	<u>\$ 23,176</u>

(See notes to financial statements)

SHIELDS SECURITIES, INC.  
STATEMENT OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2004 AND 2003  
(see accountants' report)

(D)

	<u>2004</u>	<u>2003</u>
Net cash flows from operating activities:		
Net income (loss)	\$ (8,919)	\$ (7,060)
Adjustments for differences between income flows and cash flows from operating activities:		
Decrease in prepaid insurance	458	(122)
Increase in accounts payable	325	0
Net cash flow used in operating activities	<u>(8,136)</u>	<u>(7,182)</u>
Cash flows from investing activities:		
Decrease in marketable securities	<u>33,161</u>	<u>8,158</u>
Net cash flow provided by investing activities	<u>33,161</u>	<u>8,158</u>
Cash flows from financing activities:		
Decrease in note payable	<u>0</u>	<u>(638)</u>
Net cash flow used in financing activities	<u>0</u>	<u>(638)</u>
Net increase (decrease) in cash	25,025	338
Cash, beginning	338	0
Cash, ending	<u>\$ 25,363</u>	<u>\$ 338</u>

(See notes to financial statements)

SHIELDS SECURITIES, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2004 AND 2003

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>2004</u>	<u>2003</u>
Cost	\$ 0	\$ 33,161
Market value	\$ 0	\$ 33,161
Unrealized gain (loss)	\$ 0	\$ 0

4 - Note Payable:

	<u>Current Portion</u>	<u>Long-term Portion</u>	<u>Total Notes Payable</u>
Demand note payable, monthly payments of interest only at 18%, unsecured.	<u>\$ 50</u>	<u>\$ 0</u>	<u>\$ 50</u>

5 - 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, 2004 AND 2003  
(see accountants' report)

	<u>2004</u>	<u>2003</u>
Other income:		
Interest income	\$ 49	\$ 344
	<hr/>	<hr/>
Total other income	49	344
	<hr/>	<hr/>
Other expenses:		
Unrealized capital losses	0	125
Interest expense	0	21
	<hr/>	<hr/>
Total other expenses	0	146
	<hr/>	<hr/>
Total other income and expenses	<u>\$ 49</u>	<u>\$ 198</u>

(See notes to financial statements)