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

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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 01/01/2005 AND ENDING 12/31/05  
 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.)

WALTHAM Woods Corp. Center 890 Winter St. Suite 160

(No. and Street)

WALTHAM

MA

02451

(City)

(State)

(Zip Code)

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

JANICE L. Shields

781.890.7033 X224

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Thomas C. Valorie & Company, P.C.

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

253 Main St.

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

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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)

*[Handwritten signature]*

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.

# Shields Securities, Inc.

Waltham Woods Corporate Center  
890 Winter Street  
Waltham, Massachusetts 02451  
tel (781) 890-7033  
fax (781) 890-7034

February 23, 2006

NASD/Financial Operations  
9509 Key West Avenue, 5<sup>th</sup> Floor  
Rockville, MD 20850  
Attn: Eleanor Sabalbaro

Ladies and Gentlemen:

(I) Shields Securities, Inc. maintains no clearing arrangements, does not conduct transactions in any markets, has no customer, has no accounts, and does not trade or hold any securities and will not accept any deposits (e.g. cash, in kind, etc.) from any individual, entity, or third party.

Sincerely,



Thomas J. Shields  
President

# Shields Securities, Inc.

Waltham Woods Corporate Center  
890 Winter Street  
Waltham, Massachusetts 02451  
tel (781) 890-7033  
fax (781) 890-7034

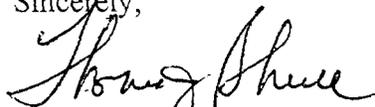
February 23, 2006

NASD/Financial Operations  
9509 Key West Avenue, 5<sup>th</sup> Floor  
Rockville, MD 20850  
Attn: Eleanor Sabalbaro

Ladies and Gentlemen:

(J) Shields Securities, Inc. has no reserve requirement.

Sincerely,



Thomas J. Shields  
President

# Shields Securities, Inc.

Waltham Woods Corporate Center  
890 Winter Street  
Waltham, Massachusetts 02451  
tel (781) 890-7033  
fax (781) 890-7034

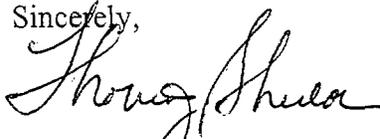
February 23, 2006

NASD/Financial Operations  
9509 Key West Avenue, 5<sup>th</sup> Floor  
Rockville, MD 20850  
Attn: Eleanor Sabalbaro

Ladies and Gentlemen:

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

Sincerely,



Thomas J. Shields  
President

2

OATH OR AFFIRMATION

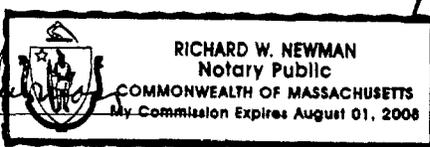
I, Thomas J. Shields, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Shields Securities Inc., as of December 31, 2005, are true and correct. I further swear (or affirm) that neither the company nor 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 15c3-1 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. 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).

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

(N)

*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 26, 2006

Shields Securities, Inc.  
890 Winter Street  
Waltham, MA 02451

We have made a study and evaluation of the system of internal accounting control of Shields Securities, Inc. in effect at December 31, 2005. 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, 2005 or since the previously audited financial statements of December 31, 2004 dated February 8, 2005 that we consider to be material weaknesses as defined above.

Thomas C. Valois, CPA, P.C.

# Shields Securities, Inc.

Waltham Woods Corporate Center  
890 Winter Street  
Waltham, Massachusetts 02451  
tel (781) 890-7033  
fax (781) 890-7034

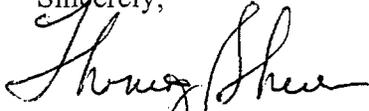
February 23, 2005

NASD/Financial Operations  
9509 Key West Avenue, 5<sup>th</sup> Floor  
Rockville, MD 20850

Ladies and Gentlemen:

(F) Shields Securities, Inc. has liabilities of \$1,096 per our December 31, 2005 Balance Sheet.

Sincerely,



Thomas J. Shields  
President

6

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

*253 Main Street*  
*Milford, Massachusetts 01757*  
*Tel (508) 478-3000*  
*Fax (508) 479-8921*

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

January 26, 2006

To the Directors of  
Shields Securities, Inc.

We have prepared the following computation of net capital and reconciliation of net capital for Shields Securities, Inc. as of December 31, 2005 as pursuant to code section 15c3-3 of the Securities Exchange Commission.

Respectfully submitted,

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

SHIELDS SECURITIES, INC.  
COMPUTATION OF NET CAPITAL  
AS OF YEAR ENDED DECEMBER 31, 2005

Ownership Equity:	
Common stock, .01 par; 200,000 shares authorized 10,000 share issued and outstanding	\$ 10,000
Retained earnings	7,658
	<hr/>
Total ownership equity qualified for net capital	17,658
 Add: Liabilities subordinated to claims of general creditors allowable in computation of net capital	 0
Other deductions or allowable credits	0
	<hr/>
Total capital and allowable subordinated liabilities	17,658
 Less: Deductions and/or charges	 (54)
Add: Other additions and/or credits	0
	<hr/>
Net capital before haircuts on securities positions	17,604
 Less: Haircuts on securities (computed where applicable, pursuant to 15c3-1(f))	 0
	<hr/>
Net capital	\$ 17,604
	<hr/> <hr/>

SHIELDS SECURITIES, INC.  
RECONCILIATION OF NET CAPITAL  
AS OF YEAR ENDED DECEMBER 31, 2005

Net capital per Shields Securities, Inc. as of 12/31/05 before audit results.	\$ 18,510
Off-setting adjustments to net capital from audit results:	
Increase in cash	40
Increase in accounts payable	(946)
Total offsetting adjustments	<u>(906)</u>
Net capital as of 12/31/05 after audit results.	17,604
Less disallowed assets:	
Haircuts	(0)
Net capital reconciled	<u><u>\$ 17,604</u></u>

# Shields Securities, Inc.

Waltham Woods Corporate Center  
890 Winter Street  
Waltham, Massachusetts 02451  
tel (781) 890-7033  
fax (781) 890-7034

February 23, 2006

NASD/Financial Operations  
9509 Key West Avenue, 5<sup>th</sup> Floor  
Rockville, MD 20850  
Attn: Eleanor Sabalbaro

Ladies and Gentlemen:

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

Sincerely,



Thomas J. Shields  
President

SHIELDS SECURITIES, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2005 AND 2004

SHIELDS SECURITIES, INC.  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2005 AND 2004

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

B

*Thomas C. Valorie & Company*

*Certified Public Accountants*

*A Professional Corporation*

*253 Main Street*

*Milford, Massachusetts 01757*

*Tel (508) 478-3000*

*Fax (508) 473-8321*

*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, 2005 and 2004, 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, 2005 and 2004, 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, P.C.*

Milford, Massachusetts  
January 26, 2006

BE

SHIELDS SECURITIES, INC.  
BALANCE SHEET  
DECEMBER 31, 2005 AND 2004  
(see accountants' report)

ASSETS

	<u>2005</u>	<u>2004</u>
Current assets:		
Cash	\$ 18,700	\$ 25,363
Prepaid insurance	54	0
Total assets	<u>\$ 18,754</u>	<u>\$ 25,363</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:		
Accounts payable	\$ 640	\$ 600
MA corporate excise tax payable	456	456
Current portion of note payable	0	50
Total current liabilities	<u>1,096</u>	<u>1,106</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	7,658	14,257
Total stockholder's equity	<u>17,658</u>	<u>24,257</u>
Total liabilities and stockholder's equity	<u>\$ 18,754</u>	<u>\$ 25,363</u>

(See notes to financial statements)

C

SHIELDS SECURITIES, INC.  
STATEMENT OF INCOME AND RETAINED EARNINGS  
YEARS ENDED DECEMBER 31, 2005 AND 2004  
(see accountants' report)

	<u>2005</u>	<u>2004</u>
Income	\$ 0	\$ 0
Operating expenses:		
Professional fees	1,840	3,915
Broker/Dealer fees	3,375	3,803
Insurance	308	458
Dues, licenses & fees	620	286
Bank charges	0	50
Total operating expenses	<u>6,143</u>	<u>8,512</u>
Operating income (loss)	(6,143)	(8,512)
Other income and expenses		
Interest Income	0	49
Net income before income taxes	<u>(6,143)</u>	<u>(8,463)</u>
Massachusetts corporate excise tax (Note 3)	(456)	(456)
Net income (loss)	<u>(6,599)</u>	<u>(8,919)</u>
Retained earnings, beginning	14,257	23,176
S Distribution	0	0
Retained earnings, ending	<u>\$ 7,658</u>	<u>\$ 14,257</u>

(See notes to financial statements)

SHIELDS SECURITIES, INC.  
STATEMENT OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2005 AND 2004  
(see accountants' report)

D

	<u>2005</u>	<u>2004</u>
Net cash flows from operating activities:		
Net income (loss)	\$ (6,599)	\$ (8,919)
Adjustments for differences between income flows and cash flows from operating activities:		
Increase in accounts payable	40	325
Increase in prepaid insurance	(54)	458
	<hr/>	<hr/>
Net cash flow used in operating activities	(6,613)	(8,136)
	<hr/>	<hr/>
Cash flows from investing activities:		
Decrease in marketable securities	0	33,161
	<hr/>	<hr/>
Net cash flow provided by investing activities	0	33,161
	<hr/>	<hr/>
Cash flows from financing activities:		
Decrease in note payable	(50)	0
	<hr/>	<hr/>
Net cash flow used in financing activities	(50)	0
	<hr/>	<hr/>
Net increase (decrease) in cash	(6,663)	25,025
Cash, beginning	25,363	338
	<hr/>	<hr/>
Cash, ending	<u>\$ 18,700</u>	<u>\$ 25,363</u>

(See notes to financial statements)

SHIELDS SECURITIES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

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

The company conducts private placements and purchasers' representative assignments.

- 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 - 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.