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

AB 3/22/06

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

**FACING PAGE  
Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities and Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 03/01/05 AND ENDING 12/31/05  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER DEALER:

Weston Securities Corporation

OFFICIAL USE ONLY
FIRM ID. NO.

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

40 William Street, Suite 100

(No. and Street)

Wellesley

(City)

MA

(State)

02481

(Zip Code)

PROCESSED

JUN 09 2006

THOMSON  
FINANCIAL

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

Stephen G. DaCosta

(781)235-7055

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

KPMG, LLP

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

600 Fleet Center - 50 Kennedy Plaza

(Address)

Providence

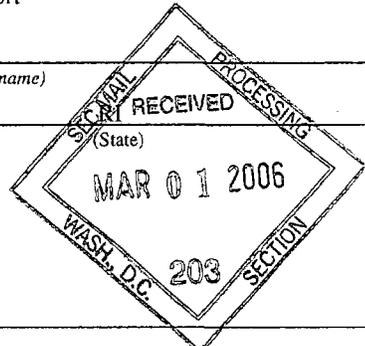
(City)

02903-2321

(Zip Code)

CHECK ONE:

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



FOR OFFICIAL USE ONLY

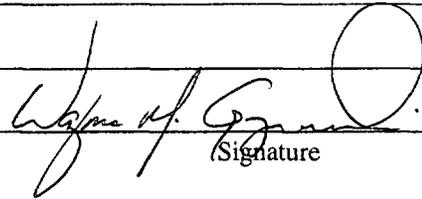
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

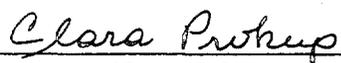
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OATH OR AFFIRMATION

I, Wayne M. Grzecki, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Weston Securities Corporation, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Signature  
\_\_\_\_\_  
President  
\_\_\_\_\_  
Title

  
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 Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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).



**WESTON SECURITIES CORPORATION**  
(A Wholly-Owned Subsidiary of Washington Trust Bancorp, Inc.)

Financial Statements and Supplemental Schedules

December 31, 2005

(With Independent Auditors' Report Thereon and  
Supplemental Report on Internal Control)

**WESTON SECURITIES CORPORATION**  
(A Wholly-Owned Subsidiary of Washington Trust Bancorp, Inc.)

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KPMG LLP  
600 Fleet Center  
50 Kennedy Plaza  
Providence, RI 02903-2321

## Independent Auditors' Report

The Board of Directors  
Weston Securities Corporation:

We have audited the accompanying statement of financial condition of Weston Securities Corporation (the Company), as of December 31, 2005, and the related statements of operations, changes in stockholder's equity, and cash flows for the period from March 1, 2005 through December 31, 2005 that you are filing pursuant to Rule 17a-5 under the Securities and Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 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, 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 financial statements referred to above present fairly, in all material respects, the financial position of Weston Securities Corporation as of December 31, 2005, and the results of its operations and its cash flows for the period from March 1, 2005 through December 31, 2005 in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in schedules I, II, and III are presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. 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.

**KPMG LLP**

Providence, Rhode Island  
February 21, 2006

**WESTON SECURITIES CORPORATION**  
(A Wholly-Owned Subsidiary of Washington Trust Bancorp, Inc.)

Statement of Financial Condition

December 31, 2005

Assets:	
Cash and cash equivalents	\$ 289,626
Fees and commissions receivable	75,138
Receivable from affiliate	37,944
Prepaid expenses	10,681
Goodwill	150,000
Other assets	3,300
	<hr/>
Total assets	\$ 566,689
	<hr/> <hr/>
Liabilities:	
Accounts payable and accrued expenses	\$ 41,496
Federal and state income taxes payable	20,110
Payable to affiliate	80,423
	<hr/>
Total liabilities	142,029
	<hr/> <hr/>
Stockholder's equity:	
Common stock, no par value. Authorized 12,500 shares; issued and outstanding 1,200 shares	6,000
Additional paid-in-capital	418,318
Retained earnings	342
	<hr/>
Total stockholder's equity	424,660
	<hr/> <hr/>
Total liabilities and stockholder's equity	\$ 566,689
	<hr/> <hr/>

See accompanying notes to financial statements.

**WESTON SECURITIES CORPORATION**  
(A Wholly-Owned Subsidiary of Washington Trust Bancorp, Inc.)

Statement of Operations

Period from March 1, 2005 through December 31, 2005

Revenues:		
12b-1 fees		\$ 651,102
Commission and other income		465,505
		<u>1,116,607</u>
Expenses:		
Administrative fee		882,192
Filing fees		79,585
Professional fees		43,850
Other expenses		62,237
		<u>1,067,864</u>
	Income before income taxes	48,743
Income tax expense		<u>20,566</u>
	Net income	<u>\$ 28,177</u>

See accompanying notes to financial statements.

**WESTON SECURITIES CORPORATION**  
(A Wholly-Owned Subsidiary of Washington Trust Bancorp, Inc.)

Statement of Changes in Stockholder's Equity  
Period from March 1, 2005 through December 31, 2005

	<u>Common stock</u>		<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balance, March 1, 2005	1,200	\$ 6,000	29,200	211,283	246,483
Reclassification of capital upon change of ownership	—	—	239,118	(239,118)	—
Contributed capital	—	—	150,000	—	150,000
Net income	—	—	—	28,177	28,177
Balance, December 31, 2005	<u>1,200</u>	<u>\$ 6,000</u>	<u>418,318</u>	<u>342</u>	<u>424,660</u>

See accompanying notes to financial statements.

**WESTON SECURITIES CORPORATION**  
(A Wholly-Owned Subsidiary of Washington Trust Bancorp, Inc.)

Statement of Cash Flows

Period from March 1, 2005 through December 31, 2005

Cash flows from operating activities:	
Net income	\$ 28,177
Adjustment to reconcile net loss to net cash used for operating activities – change in:	
Fees and commissions receivable	(11,872)
Receivable from affiliate	(631)
Prepaid expenses	(10,681)
Accounts payable and accrued expenses	40,862
Payable to affiliate	(117,035)
Federal and state income taxes payable	20,110
	<hr/>
Net cash used for operating activities	(51,070)
	<hr/>
Net decrease in cash and cash equivalents	(51,070)
Cash and cash equivalents at beginning of year	340,696
	<hr/>
Cash and cash equivalents at end of year	\$ 289,626
	<hr/>
Supplemental disclosure of cash flow information:	
Cash paid during the period for income taxes	\$ 456
Supplemental schedule of noncash information:	
Reclassification of capital from retained earnings to additional paid in capital upon transfer of ownership	\$ 239,118
Contributed goodwill	\$ 150,000

See accompanying notes to financial statements.

**WESTON SECURITIES CORPORATION**  
(A Wholly-Owned Subsidiary of Washington Trust Bancorp, Inc.)

Notes to Financial Statements

December 31, 2005

**(1) Operations and Organization**

Weston Securities Corporation (WSC or the Company), organized as a Massachusetts corporation on August 14, 1984, became a wholly-owned subsidiary of Washington Trust Bancorp, Inc. (WTB) on August 31, 2005, and was previously a wholly-owned subsidiary of Weston Financial Group, Inc. (WFG). The Company changed its fiscal year end from August 31 to December 31 to be the same as its new parent.

WSC is a registered broker/dealer, which is primarily involved in the distribution of tax advantaged investments and mutual funds. WSC serves primarily as a distributor of five affiliated mutual funds and distributes these funds predominately to clients of WFG. Certain of the officers and trustees of WSC and the affiliated funds are also officers and directors of WFG.

**(2) Summary of Significant Accounting Policies**

**(a) Cash and Cash Equivalents**

Cash represents monies held in a bank account under normal commercial terms. Investments in money market funds are considered to be cash equivalents. Such investments are carried at cost, which approximates market value.

**(b) Goodwill**

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is tested for impairment at least annually. Any impairment is recognized as a charge to earnings.

**(c) Other Assets**

Other assets consists of the Company's investment in NASD warrants. This investment is carried at cost.

**(d) Revenue**

The Company earns commissions from the placement of mutual funds and equity interest annuities. These commissions are recorded when earned.

**(e) Income Taxes**

The Company will file its 2005 federal income tax return for the period March 1, 2005 through August 31, 2005 on a consolidated basis with its former parent, WFG. The Company is subject to a written tax-allocation agreement, which allocates the Company's consolidated tax liability for payment purposes. Subsequent filing of income tax returns will be on a consolidated basis with WTB. Federal income taxes are calculated as if the companies filed on a separate return basis. The amount of current taxes payable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates.

**WESTON SECURITIES CORPORATION**  
(A Wholly-Owned Subsidiary of Washington Trust Bancorp, Inc.)

Notes to Financial Statements

December 31, 2005

*(f) 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 at the date of the financial statements. Estimates also affect the reported amounts of income and expenses during the period. Actual results could differ from these estimates.

**(3) Goodwill**

Goodwill represents the amount allocated to the Company following WTB's purchase of WFG.

**(4) Related Party Transactions**

The Company entered into a sales agreement with Park Insurance Agency (Park), wholly-owned subsidiary of the WFG, under which Park pays to the Company 70% of commissions earned on sales of insurance products. For the period from March 1, 2005 through December 31, 2005, the Company earned \$286,502 under this agreement, \$37,944 of which was a receivable at December 31, 2005.

The Company has an agreement with WFG, wholly-owned subsidiary of the Company's sister subsidiary, The Washington Trust Company, under which WFG provides the Company with management, administrative facilities, and services, including the use of WFG personnel. For the period of March 1, 2005 through August 31, 2005, the fee paid to WFG was 85% of gross revenues. After August 31, 2005, the Company pays 25% of specified employee-related costs and 15% of specified occupancy-related costs incurred by WFG. For the period from March 1, 2005 through December 31, 2005, the Company incurred expenses related to this agreement in the amount of \$882,192 of which \$80,423 is owed to WFG as of December 31, 2005.

**(5) Income Taxes**

The provision for income taxes is presented below:

Federal	\$	14,883
State		<u>5,683</u>
Total income tax expense	\$	<u><u>20,566</u></u>

The reconciliation of federal income tax at the statutory rate to the effective income tax rate is presented below:

		<u>Amount</u>	<u>% of pre-tax income</u>
Tax at federal income tax rate	\$	17,060	35.00%
State income tax		<u>3,506</u>	<u>7.19%</u>
Total income tax expense	\$	<u><u>20,566</u></u>	<u><u>42.19%</u></u>

**WESTON SECURITIES CORPORATION**  
(A Wholly-Owned Subsidiary of Washington Trust Bancorp, Inc.)

Notes to Financial Statements

December 31, 2005

Federal income taxes payable in the amount of \$15,339 was payable to the Company's parent, WTB.

**(6) Net Capital Requirements**

Pursuant to the net capital provisions of the U.S. Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), the Company is required to maintain minimum net capital (as defined) of \$25,000, and is required that the ratio of aggregate indebtedness (as defined) to net capital, shall not exceed 15 to 1 or 6 2/3%. The rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ration would exceed 10 to 1. Net capital and the related ratio of aggregate indebtedness to net capital may fluctuate on a daily basis. At December 31, 2005, the Company had net capital of \$145,238, which was \$120,237 in excess of its required net capital of \$25,000. The Company's ratio of aggregate indebtedness to net capital as of December 31, 2005 was 0.98 to 1.

**(7) Exemption from Rule 15c3-3**

The Company operates pursuant to the exemption provisions of (k)(1) under Rule 15c3-3 of the U.S. Securities and Exchange Commission Act of 1934 (Securities Act of 1934), (reserve requirements for brokers and dealers) in that the Company does not hold funds or securities for customers and it promptly transmits all funds and delivers all securities in connection with its activities as a broker or dealer.

**WESTON SECURITIES CORPORATION**  
 (A Wholly-Owned Subsidiary of Washington Trust Bancorp, Inc.)  
 Computation of Net Capital Pursuant to Rule 15c3-1  
 December 31, 2005

Capital – stockholder’s equity	\$	424,660
Deductions – nonallowable assets:		
Fees and commissions receivable		(75,138)
Receivable from affiliate		(37,944)
Prepaid expenses		(10,681)
Goodwill		(150,000)
NASD warrants		(3,300)
Haircut on cash equivalents		(2,360)
Net capital	\$	<u>145,237</u>
Aggregate indebtedness	\$	<u>142,029</u>
Minimum net capital requirement of broker or dealer (the greater of 6 2/3% of aggregate indebtedness as defined or \$25,000)		<u>25,000</u>
Excess net capital	\$	<u>120,237</u>
Ratio of aggregate indebtedness to net capital		0.98 to 1

Reconciliation with the Company’s computation (included in Part II of Form X-17A-5 as of December 31, 2005):

There was no material difference between the Company’s computation of net capital as included in Part II of Form X-17A-5 as of December 31, 2005 and that information included herein.

See accompanying independent auditors’ report.

**WESTON SECURITIES CORPORATION**  
(A Wholly-Owned Subsidiary of Washington Trust Bancorp, Inc.)

Computation for Determination of Reserve Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission

December 31, 2005

The Company operates pursuant to the exemptive provisions of (k)(1) under Rule 15c3-3 of the U.S. Securities and Exchange Commission Act of 1934 (Securities Act of 1934), (reserve requirements for brokers and dealers) in that the Company does not hold funds or securities for customers and it promptly transmits all funds and delivers all securities in connection with its activities as a broker or dealer.

See accompanying independent auditors' report.

**WESTON SECURITIES CORPORATION**  
(A Wholly-Owned Subsidiary of Washington Trust Bancorp, Inc.)

Information Relating to Possession or Control Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission

December 31, 2005

The Company operates pursuant to the exemptive provisions of (k)(1) under Rule 15c3-3 of the U.S. Securities and Exchange Commission Act of 1934 (Securities Act of 1934), (reserve requirements for brokers and dealers) in that the Company does not hold funds or securities for customers and it promptly transmits all funds and delivers all securities in connection with its activities as a broker or dealer.

See accompanying independent auditors' report.



KPMG LLP  
600 Fleet Center  
50 Kennedy Plaza  
Providence, RI 02903-2321

### Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5

The Board of Directors  
Weston Securities Corporation:

In planning and performing our audit of the financial statements and supplemental schedules of Weston Securities Corporation (the Company) for the year ended December 31, 2005, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial condition and not to provide assurance on the internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customer as required by Rule 15c3-3

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility 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 conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control would not necessarily disclose all matters in internal control 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 components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial condition 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 internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2005, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Security Dealers, Inc. and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in the regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Providence, Rhode Island  
February 21, 2006