

SHELLS SEAFOOD RESTAURANTS INC
 Form 5
 January 10, 2007

FORM 5

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

OMB APPROVAL
 OMB Number: 3235-0362
 Expires: January 31, 2005
 Estimated average burden hours per response... 1.0

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).
 Form 3 Holdings Reported Form 4 Transactions Reported

ANNUAL STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person *
 Herman Gary L

2. Issuer Name and Ticker or Trading Symbol
 SHELLS SEAFOOD RESTAURANTS INC [SHLL]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Statement for Issuer's Fiscal Year Ended (Month/Day/Year)
 02/07/2005

Director 10% Owner
 Officer (give title below) Other (specify below)

720 FIFTH AVE., 10TH FLOOR

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Reporting

(check applicable line)

NEW YORK, NY 10019

Form Filed by One Reporting Person
 Form Filed by More than One Reporting Person

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned at end of Issuer's Fiscal Year (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|--|--|---|
| | | | | (A) or (D) | Amount or Price | | |
| Common | 02/07/2005 | | P4 | A | \$ 93,750 0.16 | D | |
| Common | 02/07/2005 | | P4 | A | \$ 4,688 0.16 | I | See Footnote (1) |
| Common | 02/07/2005 | | P4 | A | \$ 193,751 0.16 | I | See Footnote (2) |

Edgar Filing: SHELLS SEAFOOD RESTAURANTS INC - Form 5

| | | | | | | | | | |
|--------|------------|---|----|---------|---|-------------|---------|---|------------------------|
| Common | 11/01/2005 | Â | P4 | 463,800 | A | \$ 0 (3) | 755,989 | I | See Footnote (3) |
| Common | 11/12/2006 | Â | P4 | 99,000 | A | \$ 0.75 | 854,989 | I | See Footnote (4) |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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.

SEC 2270
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | Amount or Number of Shares |
|--|--|--------------------------------------|--|--------------------------------|---|-----|--|-----------------|---|----------------------------|
| | | | | | (A) | (D) | Date Exercisable | Expiration Date | Title | |
| Stock Option to purchase Common Stock \$0.01 par value | \$ 0.85 | 06/22/2005 | Â | A4 | 20,000 | Â | 07/22/2005 | 06/22/2012 | Common Stock | 20,000 |
| Stock Option to purchase Common Stock | \$ 0.76 | 06/13/2005 | 06/22/2005 | A4 | 20,000 | Â | 12/31/2005 | 06/13/2012 | Common Stock | 20,000 |
| Stock Option to purchase Common Stock \$0.01 par value | \$ 0.75 | 02/01/2005 | 06/22/2005 | A4 | 20,000 | Â | 02/01/2006 | 02/01/2015 | Common Stock | 20,000 |
| Stock Option to purchase Common Stock | \$ 0.75 | 05/15/2006 | 06/22/2005 | A4 | 20,000 | Â | 02/01/2006 | 05/18/2016 | Common Stock | 20,000 |

\$0.01 par
value

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|---------|-------|
| | Director | 10% Owner | Officer | Other |
| Herman Gary L 720 FIFTH AVE., 10TH FLOOR NEW YORK, NY 10019 | X | ^ | ^ | ^ |

Signatures

/s/ Gary L.
Herman

01/09/2006

__Signature of
Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Shares held by Mr. Herman's dependent child.

(2) 50% of these shares are owned by Mr. Herman through Galloway Capital Management LLC, of which Mr. Herman is a managing member.

(3) Shares owned by Strategic Turnaround Equity Partners, L.P (Cayman) ("STEP"), an investment fund. These shares were primarily acquired through transfers of securities to the Fund by various limited partners. Mr. Herman is a managing member of the General Partner of STEP, and accordingly may be deemed to beneficially own the shares in STEP.

(4) Shares acquired by STEP. See footnote (3).

(5) These options vest 1/12 each month, and shall be fully vested on 5/18/07.

Note: File three copies of this Form, one of which must be manually signed. If space provided is insufficient, see Instruction 6 for procedure. 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 number.