

BB 9/4



SECURITIE

SION

02021989

| OMB APPROVAL | |
|--|------------------|
| OMB Number: | 3235-0123 |
| Expires: | October 31, 2004 |
| Estimated average burden hours per response..... | 12.00 |

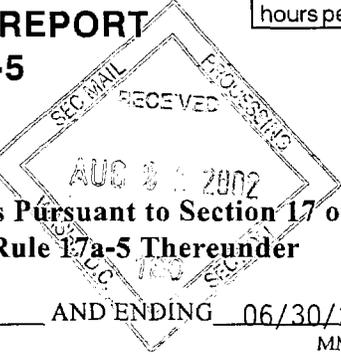
**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

| SEC FILE NUMBER |
|-----------------|
| 8-28378 |

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 06/30/2001 AND ENDING 06/30/2002
MM/DD/YY MM/DD/YY



A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Mason Securities, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
11800 Sunrise Valley Drive, Suite 550
(No. and Street)

Reston, Virginia 20191
(City) (State) (Zip Code)

| OFFICIAL USE ONLY |
|-------------------|
| FIRM I.D. NO. |

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Stuart E. Brawley (703) 716-6000
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Cocke, Szpanka & Taylor, CPAs, PC
(Name - if individual, state last, first, middle name)

1800 Robert Fulton Drive, Reston, Virginia 20191
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED
SEP 17 2002
THOMSON FINANCIAL

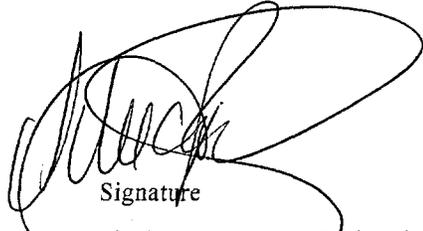
| FOR OFFICIAL USE ONLY |
|-----------------------|
| |

*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)

BB 9-10

OATH OR AFFIRMATION

I, Stuart E. Brawley, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Mason Securities, Inc., as of June 30th, 2002, 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:

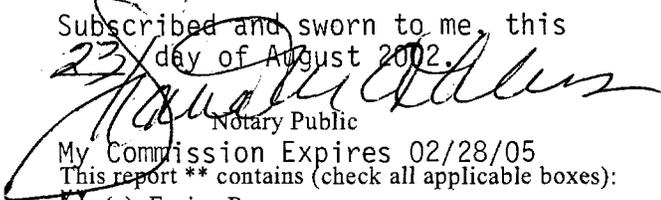


Signature

Financial Operations Principal
Title

County of Fairfax)
State of Virginia)

Subscribed and sworn to me, this
23 day of August 2002.



Notary Public

My Commission Expires 02/28/05

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.
- (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).

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

MASON SECURITIES, INC.

RESTON, VIRGINIA

June 30, 2002 and 2001

CONTENTS

| | Page |
|---|-------|
| AUDITED FINANCIAL STATEMENTS | |
| Independent Auditor's Report | 1 |
| Statements of Financial Condition | 2 |
| Statements of Income | 3 |
| Statements of Stockholder's Equity | 4 |
| Statements of Cash Flows | 5 |
| Notes to Financial Statements | 6-8 |
| OTHER FINANCIAL INFORMATION | |
| Independent Auditor's Report on Other Financial Information | 9 |
| Computation of Net Capital | 10 |
| Net Capital Reconciliation | 11 |
| Independent Auditor's Report on Internal Accounting Control Required by SEC Rule 17a-5 | 12-13 |
| Information Relating to Possession or Control Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 | 14 |



COCKE, SZPANKA & TAYLOR, CPAs, PC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Directors
Mason Securities, Inc.
Reston, Virginia

We have audited the accompanying statements of financial condition of Mason Securities, Inc. as of June 30, 2002 and 2001, and the related statements of income, stockholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Mason Securities, Inc. as of June 30, 2002 and 2001, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Cocke, Szpanka & Taylor, CPAs, PC

July 16, 2002

STATEMENTS OF FINANCIAL CONDITION

MASON SECURITIES, INC.

| | June 30 | |
|--|-------------------|-------------------|
| | <u>2002</u> | <u>2001</u> |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 57,431 | \$ 32,265 |
| Concessions and commissions receivable | 91,043 | 42,631 |
| Due from related party | 178,229 | 261,753 |
| Prepaid expense | <u>6,235</u> | <u>7,383</u> |
| TOTAL CURRENT ASSETS | 332,938 | 344,032 |
| INVESTMENTS | 500 | 500 |
| PROPERTY AND EQUIPMENT | | |
| Office equipment, net of accumulated depreciation of \$17,676 and \$15,722 | 4,178 | 6,132 |
| DEPOSIT | <u>25,000</u> | <u>25,000</u> |
| | <u>\$ 362,616</u> | <u>\$ 375,664</u> |
| LIABILITIES AND STOCKHOLDER'S EQUITY | | |
| CURRENT LIABILITIES | | |
| Withholdings payable | \$ 5,728 | \$ 2,974 |
| Commissions payable | <u>15,809</u> | <u>36,008</u> |
| TOTAL CURRENT LIABILITIES | 21,537 | 38,982 |
| STOCKHOLDER'S EQUITY | | |
| Common stock, par value \$.01, authorized 1,000 shares, issued and outstanding 100 shares | 1 | 1 |
| Additional paid-in capital | 25,599 | 25,599 |
| Retained earnings | <u>315,479</u> | <u>311,082</u> |
| | <u>341,079</u> | <u>336,682</u> |
| | <u>\$ 362,616</u> | <u>\$ 375,664</u> |

See notes to financial statements.

STATEMENTS OF INCOME

MASON SECURITIES, INC.

| | Year Ended June 30 | |
|----------------------------------|--------------------|------------------|
| | <u>2002</u> | <u>2001</u> |
| INCOME | | |
| Concession and commission income | \$ 798,853 | \$ 812,599 |
| Interest income | <u>527</u> | <u>827</u> |
| | 799,380 | 813,426 |
| EXPENSES | | |
| Management fees | 398,028 | 335,169 |
| Commission expense | 99,692 | 126,967 |
| Operating expenses | <u>297,263</u> | <u>317,130</u> |
| | <u>794,983</u> | <u>779,266</u> |
| NET INCOME | \$ <u>4,397</u> | \$ <u>34,160</u> |

See notes to financial statements.

STATEMENTS OF STOCKHOLDER'S EQUITY

MASON SECURITIES, INC.

| | <u>Common Stock</u> | <u>Additional Paid-in Capital</u> | <u>Retained Earnings</u> | <u>Total</u> |
|-------------------------|-------------------------|---|------------------------------|-------------------|
| BALANCE, JUNE 30, 2000 | \$ 1 | \$ 25,599 | \$ 276,922 | \$ 302,522 |
| Net income for the year | _____ | _____ | <u>34,160</u> | <u>34,160</u> |
| BALANCE, JUNE 30, 2001 | 1 | 25,599 | 311,082 | 336,682 |
| Net income for the year | _____ | _____ | <u>4,397</u> | <u>4,397</u> |
| BALANCE, JUNE 30, 2002 | <u>\$ 1</u> | <u>\$ 25,599</u> | <u>\$ 315,479</u> | <u>\$ 341,079</u> |

See notes to financial statements.

STATEMENTS OF CASH FLOWS

MASON SECURITIES, INC.

| | Year Ended June 30 | |
|---|--------------------|------------------|
| | <u>2002</u> | <u>2001</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 4,397 | \$ 34,160 |
| Charge to expenses not affecting cash: | | |
| Depreciation | 1,954 | 2,305 |
| Effect of changes in income and expense accruals: | | |
| Concessions and commissions receivable | (48,412) | (11,919) |
| Prepaid expenses | 1,148 | (1,883) |
| Withholdings payable | 2,754 | (11,406) |
| Commission payable | (20,199) | 8,363 |
| NET CASH FLOW FROM (USED BY) OPERATING ACTIVITIES | (58,358) | 19,620 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net change in due from related party | <u>83,524</u> | <u>(3,882)</u> |
| NET INCREASE IN CASH | 25,166 | 15,738 |
| Cash, beginning of year | <u>32,265</u> | <u>16,527</u> |
| CASH, END OF YEAR | <u>\$ 57,431</u> | <u>\$ 32,265</u> |

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

MASON SECURITIES, INC.

June 30, 2002 and 2001

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Mason Securities, Inc. (the Corporation), a wholly owned subsidiary of Mason International, Inc. (the Parent), is a securities brokerage firm providing its customers with brokerage services to trade mutual funds, limited partnerships and individual stocks and bonds. The Corporation's clients are individuals throughout the United States. The Corporation does not have custody of client accounts or hold securities. Securities are held by third parties and transactions are cleared through a clearing company.

The Corporation uses accrual basis accounting for financial statement purposes and cash basis accounting for income tax reporting. A consolidated income tax return is filed with the Parent.

The Corporation considers securities with maturities of three months or less, when purchased, to be cash equivalents.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Corporation records 12b-1 trailer commission revenue when received rather than earned. The commission revenue will fluctuate depending upon the volume of trades involving loaded mutual funds. Total trailer commission revenue for the years ended June 30, 2002 and 2001 was \$409,557 and \$370,989, respectively.

Office equipment is recorded at cost. Depreciation is calculated under the straight-line method over the estimated useful life of the related assets. Total depreciation expense for the fiscal years ended June 30, 2002 and 2001 was \$1,954 and \$2,305, respectively.

NOTE B - CONCENTRATIONS OF CREDIT RISK

The Corporation had bank balances of \$297,988 in one financial institution as of June 30, 2002. The balances are insured by the FDIC up to \$100,000.

NOTE C - INCOME TAXES

No provision for income taxes has been provided in these statements as the Parent, by agreement, is responsible for any tax liability of the consolidated group.

NOTES TO FINANCIAL STATEMENTS

MASON SECURITIES, INC.

June 30, 2002 and 2001

NOTE D - LIABILITIES SUBORDINATED TO GENERAL CREDITORS

The Corporation had no liabilities which were subordinated to general creditors at either June 30, 2002 or 2001.

NOTE E - RELATED PARTY TRANSACTIONS

Mason Associates, Inc., a sister corporation, is paid management fees for providing all management services to the Corporation. The current method of determining management fees is based on revenue. As a result of transactions and short-term loans between these related entities, Mason Associates, Inc. owed the Corporation \$178,229 and \$261,753 as of June 30, 2002 and 2001, respectively.

In addition, Mason Associates, Inc. allocates certain office and employee benefits expenses to the Corporation. Total expenses allocated to the Corporation for the years ended June 30, 2002 and 2001 were \$16,266 and \$17,185, respectively.

Mason Securities, Inc. and Mason Associates, Inc. are wholly owned subsidiaries of Mason International, Inc.

NOTE F - OFFICE LEASE

The Corporation leases office space on a month to month basis from the Parent Corporation. The monthly lease payments of \$4,033 include office services. Rent expense for the years ended June 30, 2002 and 2001 was \$48,402 each year, all of which was paid to the Parent Corporation.

NOTE G - PROFIT SHARING PLAN

The Corporation provides a salary reduction/profit sharing plan under the provisions of Internal Revenue Code section 401(k). The plan covers all full time employees who have completed three months of service. Contributions to the 401(k) plan by the Corporation are matched at one-half of the employee contribution to a maximum amount of 3% of salary deferred. During the years ended June 30, 2002 and 2001, the Corporation made contributions to the plan of \$12,248 and \$8,893, respectively.

NOTES TO FINANCIAL STATEMENTS

MASON SECURITIES, INC.

June 30, 2002 and 2001

NOTE H - NET CAPITAL REQUIREMENTS

The Corporation is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 and subparagraph (2) of rule 15c3-1 further requires all brokers not generally carrying customers' accounts to maintain net capital of not less than \$5,000 or one-fifteenth of the Corporation's aggregate indebtedness, whichever is greater.

The Corporation's aggregate indebtedness to net capital ratio was .1492 to 1. At June 30, 2002, the Corporation had net capital of \$144,336, which was \$139,336 in excess of its required net capital of \$5,000.

OTHER FINANCIAL INFORMATION

MASON SECURITIES, INC.

RESTON, VIRGINIA

June 30, 2002



COCKE, SZPANKA & TAYLOR, CPAs, PC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report
On Other Financial Information

Board of Directors
Mason Securities, Inc.
Reston, Virginia

We have audited the accompanying financial statements of Mason Securities, Inc. as of and for the years ended June 30, 2002 and 2001 and have issued our report thereon dated July 16, 2002. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplemental information is 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 of the Securities and Exchange Commission. 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.

Cocke, Szpanka & Taylor, CPAs, PC

July 16, 2002

COMPUTATION OF NET CAPITAL

MASON SECURITIES, INC.

June 30, 2002

| | |
|--------------------------------|-------------------|
| Total stockholder's equity | \$ 341,079 |
| Deduct: non-allowable assets | (196,243) |
| Deduct: haircuts on securities | (<u>500</u>) |
| NET CAPITAL | \$ <u>144,336</u> |

See auditor's report on other financial information.

NET CAPITAL RECONCILIATION

MASON SECURITIES, INC.

June 30, 2002

In accordance with Rule 17A-5(d)(4), we are reporting the following material differences that we found when comparing our report on the computation of net capital under Rule 15c3-1 with the focus report as filed by Mason Securities, Inc. for the year ended June 30, 2002.

DIFFERENCES WITH FOCUS REPORT \$ 0

See auditor's report on other financial information.



COCKE, SZPANKA & TAYLOR, CPAs, PC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Accounting
Control Required by SEC Rule 17a-5

Board of Directors
Mason Securities, Inc.
Reston, Virginia

In planning and performing our audit of the financial statements of Mason Securities, Inc. (the Corporation) for the year ended June 30, 2002, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We also made a study of the practices and procedures followed by the Corporation in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of rule 15c3-3. We did not review the practices and procedures followed by the Corporation in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13 or in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Corporation does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Corporation is responsible for establishing and maintaining an internal control structure 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 internal control structure policies and procedures 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 Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Corporation has responsibility are safeguarded against loss from unauthorized use or disposition and that the transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities 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 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, including procedures 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 Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and the 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 Corporation's practices and procedures were adequate at June 30, 2002 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

Cocke, Szpanka & Taylor, CPAs, PC

July 16, 2002



COCKE, SZPANKA & TAYLOR, CPAs, PC

CERTIFIED PUBLIC ACCOUNTANTS

INFORMATION RELATING TO POSSESSION OR
CONTROL REQUIREMENTS FOR BROKERS AND DEALERS
PURSUANT TO RULE 15c3-3

MASON SECURITIES

June 30, 2002

The Corporation qualifies under Rule 15c3-3(k)(2)(ii) from the Securities and Exchange Commission Customer Protection Rule (Rule 15c3-3). Accordingly, the supplemental schedule of Information Relating to Possession or Control Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 is not applicable.