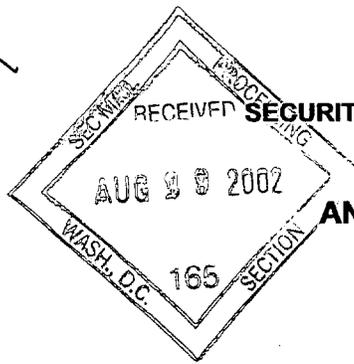


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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



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

SEC FILE NUMBER
8-50784

FACING PAGE

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

FW 8-30-02

REPORT FOR THE PERIOD BEGINNING 07/01/01 AND ENDING 06/30/2002
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

PRO-INTEGRITY SECURITIES, INC.

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

1125 JUDSON ROAD, SUITE 182

(No and Street)

OFFICIAL USE ONLY
FIRM ID. NO.

LONGVIEW, TEXAS

75601-9770

(City)

(State)

(Zip Code)

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

WILLIAM PERRY, CEO & PRESIDENT

903-757-9800

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT Whose opinion is contained in this Report*

HENDRICKS, GRAVES AND ASSOCIATES, LLP

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

14001 GOLDMARK DRIVE, SUITE 115,

DALLAS, TEXAS

75240-4253

(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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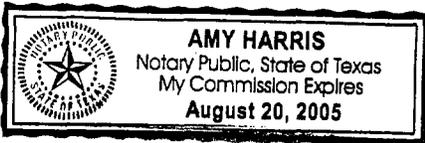
FOR OFFICIAL USE ONLY
THOMSON FINANCIAL

* Claim 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

OATH OR AFFIRMATION

I, WILLIAM PERRY, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of PRO-INTEGRITY SECURITIES, INC., as of JUNE 30, 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 solely as that of a customer, except as follows:



[Handwritten Signature]

Signature

CEO

Title

[Handwritten Signature]
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 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 140.17a-5(e)(3).

PRO-INTEGRITY SECURITIES, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2002

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Hendricks, Graves and Associates, LLP

Certified Public Accountants

*Suite 115, 14001 Goldmark Drive
Dallas, Texas 75240-4253*

*972-234-3333
Facsimile 972-234-3331
gravesdon@earthlink.net*

INDEPENDENT AUDITORS' REPORT

**BOARD OF DIRECTORS
PRO-INTEGRITY SECURITIES, INC.
LONGVIEW, TEXAS**

We have audited the accompanying statement of financial condition of **PRO-INTEGRITY SECURITIES, INC.** as of June 30, 2002, and the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended. 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 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 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 **PRO-INTEGRITY SECURITIES, INC.** as of June 30, 2002, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

Hendricks, Graves and Associates

Hendricks, Graves and Associates, LLP

August 14, 2002

PRO-INTEGRITY SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION

JUNE 30, 2002

ASSETS

Cash and cash equivalents	\$ 220,020
Deposits with clearing organizations	51,000
Receivable from broker-dealer	245,624
Receivable from stockholder	10,152
Other receivable	24,948
Marketable securities owned, at market value	54,953
Other investment	3,300
Prepaid expenses	2,395
Equipment at cost, less accumulated depreciation of \$38,689	<u>32,393</u>

\$ 644,785

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:

Payable to broker-dealer	\$ 8,124
Accounts payable and accrued expenses	265,033
State franchise taxes:	
Payable	7,201
Deferred	280
Federal income taxes:	
Payable	47,782
Deferred	<u>2,426</u>

Total liabilities

\$ 330,846

STOCKHOLDERS' EQUITY:

Common stock, no par value, 1,000,000 shares authorized; 800,000 shares issued and 765,400 outstanding; at stated value	110,098
Retained earnings	<u>225,791</u>

Sub-total

335,889

Treasury stock, 34,600 share at cost

21,950

Net stockholders' equity

313,939

\$ 644,785

The accompanying notes are an integral part of the financial statements.

PRO-INTEGRITY SECURITIES, INC.

STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30, 2002

REVENUES:

Commissions	\$ 4,982,009
Interest and dividends	91,056
Trading loss, net of gains	17,790
Other	<u>78,815</u>

Total revenues

\$ 5,169,670

COSTS AND EXPENSES:

Salaries and payroll taxes	301,665
Commissions	3,911,276
Clearance and brokerage	291,910
Communications	24,351
Occupancy costs	36,180
Other operating expenses	<u>429,745</u>

Total costs and expenses

4,995,127

NET INCOME BEFORE PROVISION FOR INCOME TAXES

174,543

PROVISION FOR INCOME TAXES:

State franchise taxes	7,481
Federal income taxes	<u>19,103</u>

Total provision for income taxes

26,584

NET INCOME

\$ 147,959

The accompanying notes are an integral part of the financial statements.

PRO-INTEGRITY SECURITIES, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

YEAR ENDED JUNE 30, 2002

	<u>COMMON STOCK</u>	<u>RETAINED EARNINGS</u>	<u>TREASURY STOCK</u>	<u>TOTAL</u>
Balances at June 30, 2001	\$ 110,098	\$ 77,832	\$ (10,000)	\$ 177,930
Purchase of shares for Treasury			(20,000)	(20,000)
Issuance of Treasury shares			8,050	8,050
Net income	<u> </u>	<u>147,959</u>	<u> </u>	<u>147,959</u>
Balances at June 30, 2002	<u>\$ 110,098</u>	<u>\$ 225,791</u>	<u>\$ (21,950)</u>	<u>\$ 313,939</u>

The accompanying notes are an integral part of the financial statements.

PRO-INTEGRITY SECURITIES, INC.

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED

TO CLAIMS OF GENERAL CREDITORS

YEAR ENDED JUNE 30, 2002

Balance at June 30, 2001	\$	-0-
Increases		-0-
Decreases		<u>-0-</u>
Balance at June 30, 2002	\$	<u><u>-0-</u></u>

The accompanying notes are an integral part of the financial statements.

PRO-INTEGRITY SECURITIES, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2002

OPERATING ACTIVITIES

Net income	\$ 147,959
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	13,066
Changes in operating assets and liabilities:	
Decrease in deposits with clearing organizations	46,962
Increase in receivables:	
Broker-dealer	(52,877)
Stockholder receivable	(1,092)
Other	(24,948)
Increase in accounts payable	8,991
Decrease in payable to broker-dealer	(38,224)
Increase in state franchise tax liability:	
Payable	7,201
Deferred	280
Increase (decrease) in federal income taxes:	
Payable	47,782
Deferred	(7,788)

Net cash provided by operating activities \$ 147,312

FINANCING ACTIVITIES

Decrease in capital lease obligations	(2,116)
Purchase of common stock for treasury	(20,000)
Issuance of common stock from treasury	<u>8,050</u>

Net cash used in financing activities (14,066)

INVESTING ACTIVITIES

Decrease in marketable securities	76,820
Decrease in securities sold, but not yet purchased at market value	(18,000)

Net cash provided by investing activities (58,820)

Increase in cash during year 192,066

Cash at June 30, 2001 27,954

Cash at June 30, 2002 \$ 220,020

SUPPLEMENTARY INFORMATION:

Interest paid	\$ 1,772
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The accompanying notes are an integral part of the financial statements.

PRO- INTEGRITY SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2002

A. COMPANY:

PRO-INTEGRITY SECURITIES, INC., was incorporated on January 21, 1998 in Texas.

The Company operates as a broker-dealer in securities. All customers' securities, funds and accounts are processed and carried by correspondent broker-dealers.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. **Customers' Securities and Commodities** - Transactions are recorded on a settlement date basis with related commission income and expenses recorded on a trade date basis. Securities and commodities transactions of the Company are recorded on a trade date basis.
2. **Cash and Cash Equivalents** - The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.
3. **Accounts Receivable** - The company evaluates the collectability of accounts receivable. Amounts considered uncollectible or doubtful of collection are written off and charged against income when such determinations are made.
4. **Securities** - Marketable securities are valued at market value and securities not readily marketable are valued at fair value as determined by the Board of Directors. The resulting difference between cost and market (or fair value) is included in income.
5. **Equipment** - Equipment is stated at cost less accumulated depreciation which is provided by charges to income over estimated useful lives using the straight-line method.
6. **Income taxes** - Deferred federal income taxes arise from timing differences resulting from use of the straight line method to record depreciation provisions on equipment for financial reporting purposes and use of accelerated methods for federal income tax purposes. In addition timing differences arise from valuing marketable securities at current values for financial reporting purposes and cost amounts for federal income tax purposes.
7. **Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

(Continued)

PRO-INTEGRITY SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2002

C. FAIR VALUES OF FINANCIAL INSTRUMENTS:

The carrying amounts of assets and liabilities in the balance sheet approximate fair value.

D. OPERATING LEASES:

For the year ended June 30, 2002, rental payments on operating leases totaled \$52,746. At June 30, 2002, minimum annual rental commitments on long-term leases for the year ending June 30, 2003 were \$18,305 and none thereafter.

E. NET CAPITAL REQUIREMENTS

The Company 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. At June 30, 2002, the Company had net capital of \$209,480 which was \$159,480 in excess of its required net capital of \$50,000. The Company's net capital ratio was to 1.5 to 1.

Hendricks, Graves and Associates, LLP

Certified Public Accountants

*Suite 115, 14001 Goldmark Drive
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INDEPENDENT AUDITOR'S REPORT OF SUPPLEMENTARY INFORMATION
REQUIRED BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION

**BOARD OF DIRECTORS
PRO-INTEGRITY SECURITIES, INC.
LONGVIEW, TEXAS**

We have audited the accompanying financial statements of **PRO-INTEGRITY SECURITIES, INC.** as of and for the year ended June 30, 2002, and have issued our report thereon dated August 14, 2002. 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 and II 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.

Hendricks, Graves and Associates

Hendricks, Graves and Associates, LLP

August 14, 2002

PRO-INTEGRITY SECURITIES, INC.
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION

JUNE 30, 2002

(See Independent Auditors' Report On Supplementary Information.)

COMPUTATION OF NET CAPITAL:

Total stockholders' equity qualified for net capital	\$ 313,939
Add:	
Other deductions or allowable credits	<u> - 0 -</u>
Total capital and allowable subordinated liabilities	313,939
Deductions and/or charges:	
Non-allowable assets	<u> 91,012</u>
Net capital before haircuts on securities positions	222,927
Haircuts on securities (computed, where applicable, pursuant to rule 15c3-1(f))	9,447
Fidelity bond	<u> 4,000</u>
Net Capital	\$ <u>209,480</u>
AGGREGATE INDEBTEDNESS	\$ <u>322,722</u>

(Continued)

PRO-INTEGRITY SECURITIES, INC.**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1****OF THE SECURITIES AND EXCHANGE COMMISSION (CONTINUED)****JUNE 30, 2002****(See Independent Auditors' Report On Supplementary Information.)****COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:**

Minimum net capital required (6 2/3% of total aggregate indebtedness)	\$ <u>21,526</u>
Minimum dollar net capital requirement of reporting broker or dealer	\$ <u>50,000</u>
Net capital requirement (greater of above two minimum requirement amounts)	\$ <u>50,000</u>
Net capital in excess of required minimum	\$ <u>159,480</u>
Excess net capital at 1000%	\$ <u>177,208</u>
Ratio of aggregate indebtedness to net capital	<u>1.5 to 1</u>

RECONCILIATION WITH COMPANY'S COMPUTATION:

Net capital, as reported in Company's Part II (Unaudited) Focus report	\$ 202,905
Audit adjustments	<u>6,575</u>
Net capital	\$ <u>209,480</u>

PRO-INTEGRITY SECURITIES, INC.

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS UNDER RULE 15c3-3
OF THE SECURITIES AND EXCHANGE COMMISSION

JUNE 30, 2002

(See Independent Auditors' Report On Supplementary Information.)

EXEMPTIVE PROVISIONS

The Company has claimed an exemption from Rule 15c3-3 under section (k)(2)(ii), in which all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

Company's clearing firm: Correspondent Services Corporation
A PaineWebber Company

Hendricks, Graves and Associates, LLP

Certified Public Accountants

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Dallas, Texas 75240-4253*

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Facsimile 972-234-3331
gravesdon@earthlink.net*

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

STRUCTURE REQUIRED BY SEC RULE 17a-5

**BOARD OF DIRECTORS
PRO-INTEGRITY SECUTITIES, INC.
LONGVIEW, TEXAS**

In planning and performing our audit of the financial statements of **PRO-INTEGRITY SECUTITIES, INC.** for the year ended June 30, 2002, we considered its internal control structure, including procedures for safe-guarding 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 Company 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 Company 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 Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company 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 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 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.

*Members American Institute and Texas Society
of Certified Public Accountants*

PAGE 2

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE REQUIRED BY SEC RULE 17a-5**

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 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 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.

Hendricks, Graves and Associates

Hendricks, Graves and Associates, LLP

August 14, 2002