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

Washington, DC  
103

SEC FILE NUMBER  
8-65276

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 JANUARY 1, 2007 AND ENDING DECEMBER 31, 2007  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **TEXAS SECURITIES, INC.**

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

4024 Nazarene Drive, Ste. B

(No. and Street)

CARROLLTON

(City)

TX

(State)

75010

(Zip Code)

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

SHAWN M. GRISHAM

972/395-1133

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

HARTMAN LEITO & BOLT, LLP

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

6050 Southwest Blvd., Ste. 300

(Address)

Fort Worth

(City)

TX

(State)

76109

(Zip Code)

CHECK ONE:

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

**PROCESSED**  
**MAR 19 2008**  
**THOMSON FINANCIAL**

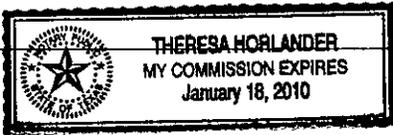
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SD  
3/18/08

OATH OR AFFIRMATION

I, Shawn M. Grisham, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Texas Securities, Inc., as of December 31,, 2007, 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]  
Signature  
President  
Title

Theresa Horlander  
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.
- (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).

**INDEPENDENT AUDITORS' REPORT**

**Board of Directors  
Texas Securities Inc.:**

We have audited the accompanying statement of financial condition of Texas Securities Inc. (a Texas Corporation) (the "Company") as of December 31, 2007 and the related statements of operations, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities 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 effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 the Company as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplemental schedules listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplemental information required by Rule 17a-5 under the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our 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.

*Hartman Leito + Bolt, LLP*

**February 15, 2008  
Fort Worth, Texas**

**TEXAS SECURITIES INC.**  
**Statement of Financial Condition**  
**December 31, 2007**

**ASSETS:**

**Current assets:**

|                           |               |
|---------------------------|---------------|
| Cash                      | \$ 286,437    |
| Trade accounts receivable | 21,986        |
| Prepaid expenses          | 16,021        |
| Other current assets      | <u>74,410</u> |

**Total current assets** 398,854

**Equipment:**

|                               |                |
|-------------------------------|----------------|
| Office equipment              | 43,374         |
| Furniture and fixtures        | <u>131,907</u> |
|                               | 175,281        |
| Less accumulated depreciation | <u>115,344</u> |

**Total equipment** 59,937

**Total assets** \$ 458,791

**LIABILITIES AND STOCKHOLDERS' EQUITY:**

**Current liabilities:**

|                     |                |
|---------------------|----------------|
| Accounts payable    | \$ 23,103      |
| Accrued liabilities | <u>240,949</u> |

**Total current liabilities** 264,052

**Commitments and contingencies** -

**Stockholders' equity:**

|  |                    |
|--|--------------------|
| Common Stock, .01 par value; 100,000 shares<br>authorized, 100,000 shares issued and outstanding | 1,000              |
| Additional paid-in capital   | 1,328,230          |
| Retained deficit   | <u>(1,134,491)</u> |

**Total stockholders' equity** 194,739

**Total liabilities and stockholders' equity** \$ 458,791

See accompanying notes and independent auditors' report.

**TEXAS SECURITIES INC.**  
**Statement of Operations**  
**For the Year Ended December 31, 2007**

|  |                            |
|--|----------------------------|
| <b>REVENUES:</b>                             |                            |
| Commission income                            | <b>\$ 6,304,749</b>        |
| Interest income                              | <u>304</u>                 |
| <b>Total revenues</b>                        | <b>6,305,053</b>           |
| <b>EXPENSES:</b>                             |                            |
| Selling, general and administrative expenses | <u>6,811,036</u>           |
| <b>Net loss</b>                              | <u><u>\$ (505,983)</u></u> |

See accompanying notes and independent auditors' report.

**TEXAS SECURITIES INC.**  
**Statement of Changes in Stockholders' Equity**  
**For the Year Ended December 31, 2007**

|                               | <u>Common<br/>Stock</u> | <u>Additional<br/>Paid-In<br/>Capital</u> | <u>Retained<br/>Deficit</u> | <u>Total</u>      |
|-------------------------------|-------------------------|---|-----------------------------|-------------------|
| Balances at January 1, 2007   | \$ 1,000                | \$ 968,230                                | \$ (628,508)                | \$ 340,722        |
| Contributed capital           | -                       | 360,000                                   | -                           | 360,000           |
| Net loss                      | -                       | -   | (505,983)                   | (505,983)         |
| Balances at December 31, 2007 | <u>\$ 1,000</u>         | <u>\$ 1,328,230</u>                       | <u>\$ (1,134,491)</u>       | <u>\$ 194,739</u> |

See accompanying notes and independent auditors' report.

**TEXAS SECURITIES INC.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2007**

|   |                          |
|---|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |                          |
| Net loss  | \$ (505,983)             |
| Adjustments to reconcile net loss to net cash used by operations: |                          |
| Depreciation  | 30,378                   |
| Changes in operating assets and liabilities:                      |                          |
| Decrease in trade accounts receivable                             | 48,829                   |
| Decrease in prepaid expenses                                      | 3,975                    |
| Decrease in other assets  | 37,531                   |
| Increase in accounts payable                                      | 5,251                    |
| Decrease in accrued liabilities                                   | <u>(33,944)</u>          |
| Net cash used by operating activities                             | (413,963)                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       | -                        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |                          |
| Contributed capital   | <u>360,000</u>           |
| Net decrease in cash  | (53,963)                 |
| Cash at beginning of year   | <u>340,400</u>           |
| Cash at end of year   | <u><u>\$ 286,437</u></u> |

See accompanying notes and independent auditors' report.

**TEXAS SECURITIES INC.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Organization and Nature of Business**

On February 13, 2002, Texas Securities Inc., (the "Company") became a Texas Corporation. The Company is registered with the Securities and Exchange Commission (SEC) and various state regulatory jurisdictions as a broker-dealer and is a member of The Financial Industry Regulatory Authority ("FINRA"). The Company is also a member of the Securities Investor Protection Corporation (SIPC), which insures customers' deposits up to \$500,000 including \$100,000 in cash.

The Company is in the business of selling interests in joint ventures organized for drilling of oil and gas wells in Texas. Crown Exploration, Ltd. ("Crown") serves as the managing venturer of these joint ventures. The stockholder of the Company exercises majority control over Crown's affairs.

During 2007, the Company also began serving as the managing broker-dealer for a royalty interest offering from Crown Exploration Royalties, LLC ("Crown Royalties"), a wholly owned subsidiary of Crown.

The Company cannot take possession of customer funds. Accordingly, the Company operates under the exemptive provisions of SEC Rule 15c3-3(k)(2)(i).

**(b) Accounts Receivable**

Accounts receivable is recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends.

**(c) Equipment**

Depreciation is provided by the straight-line method over the estimated useful lives of the assets, generally five years. The Company capitalizes all assets with a cost greater than \$500 and estimated useful life greater than one year.

**(d) Income Taxes**

The Company is organized as an S corporation. Therefore, no provision has been made for income taxes since these taxes are the responsibility of the individual stockholders. State taxes were incurred but were not material for inclusion.

**(e) Management's Estimates and Assumptions**

The preparation of the 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The actual results could differ from these estimates.

**TEXAS SECURITIES INC.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Statement of Cash Flows**

The Company has defined as cash equivalents highly liquid investments, with original maturities of less than ninety days that are not held for sale in the ordinary course of business.

**(g) Concentrations of Credit Risk**

The Company sells interests in joint ventures and royalties, which results in accounts receivable arising from commissions earned. The Company does business with many individual investors and thus believes that its receivable credit risk exposure is limited.

The Company maintains cash with high quality financial institutions. At December 31, 2007, the Company had cash deposits in a financial institution that exceeded the federally insured deposits limit by \$194,858.

**(h) Impairment of Long-Lived Assets**

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the Company periodically reviews the carrying value of its long-lived assets, including equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized to the extent fair value of a long-lived asset is less than the carrying amount. Fair value is determined based upon the estimated future cash inflows attributable to the asset less estimated future cash outflows. No such losses were recognized during the year.

**(i) Recent Accounting Pronouncements**

In 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. FIN 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes". This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FASB Staff Position No. FIN 48-2 defers the effective date of Interpretation 48 for nonpublic enterprises for fiscal years beginning after December 15, 2007. The Company's management is evaluating the impact of FIN 48 to its financial statements, but does not anticipate any material effect.

**TEXAS SECURITIES INC.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(i) Recent Accounting Pronouncements (Continued)**

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157 "Fair Value Measurements". This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practice. This statement is effective for consolidated financial statements issued for fiscal years beginning after November 15, 2007. Early application is encouraged, but the Company has decided not to adopt early application of this statement for the year ended December 31, 2007.

In December 2007, The FASB issued SFAS No. 141(R) "Business Combinations." This statement revises SFAS No. 141 establishing principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. In addition, this revised statement establishes principles and requirements for how the acquirer recognizes and measures the goodwill acquired in a business combination or a gain from a bargain purchase. This statement applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51." This statement establishes new rules regarding the accounting and disclosure of minority interests. This statement is effective for fiscal years beginning on or after December 15, 2008.

**2. RELATED PARTY TRANSACTIONS**

Pursuant to a certain sales agency agreement with Crown, the Company shall receive up to 15% of all funds raised as defined by the management agreement. For the year ended December 31, 2007, the Company received commission income of \$6,202,706 related to this agreement. As of December 31, 2007, the Company was owed \$14,681 from Crown for commission income.

Pursuant to a certain dealer management agreement with Crown Royalties, the Company shall receive 8% of funds raised as defined by the management agreement. The Company then pays out the commissions received to the soliciting dealers as commission expense.

**TEXAS SECURITIES INC.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2007**

**2. RELATED PARTY TRANSACTIONS (Continued)**

For the year ended December 31, 2007, the Company received commission income of \$102,043 and paid commission expense to soliciting dealers of the same amount related to this agreement. As of December 31, 2007, the Company was owed \$7,305 from Crown Royalties for commission income.

The Company also paid Crown \$24,000 for accounting and administrative assistance fees and another related party \$96,455 for office space.

**3. RETIREMENT**

The Company has a retirement plan which qualifies under Section 401(k) of the Internal Revenue Code. Subject to certain limitations, employees who are at least 18 years old and have completed one hour of service are eligible to participate in the plan and may contribute a maximum of 50% of compensation and a minimum of 3% of compensation. The Company may make annual discretionary contributions to the plan. As of the year ended December 31, 2007, the Company made a profit sharing contribution of \$175,951.

**4. NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum regulatory net capital and requires that the ratio of aggregate indebtedness to regulatory net capital, both as defined, shall not exceed 15 to 1. At December 31, 2007, the Company had regulatory net capital, as defined under SEC Rule 15c3-1, of \$29,638, which was \$12,035 in excess of its required regulatory net capital of \$17,603. The Company's ratio of aggregate indebtedness to regulatory net capital was 891%.

**5. LEASE OBLIGATIONS**

The Company leases office space from a related party (see Note 2). Rental expense for office space totaled \$96,455 for the year. The lease requires monthly payments of \$7,430 through April 2008. Future minimum payments under this non-cancelable lease are \$29,720 to be paid in 2008.

**SUPPLEMENTAL MATERIAL**

**TEXAS SECURITIES INC.**  
**Information Relating to the Possession**  
**Or Control Requirements Under Sec Rule 15c3-3**  
**Of the Securities and Exchange Commission**  
**For the Year Ended December 31, 2007**

**COMPUTATION OF NET CAPITAL:**

|                              |                  |
|------------------------------|------------------|
| Total Stockholders' equity   | \$ 194,739       |
| Less: Non-allowable assets   | 165,049          |
| Less: Haircuts on securities | <u>52</u>        |
| Net capital                  | 29,638           |
| Net capital requirement      | <u>17,603</u>    |
| Excess net capital           | \$ <u>12,035</u> |

There are no material differences between the computation of net capital contained herein and the corresponding computation prepared by Texas Securities Inc. and included in the Company's unaudited Part IIA Report Filing as of December 31, 2007.

**TEXAS SECURITIES, INC.**  
**Statement of Changes in Liabilities Subordinated to Claims of Creditors**  
**For the Year Ended December 31, 2007**

|                                    |                           |
|------------------------------------|---------------------------|
| <b>Claims at January 1, 2007</b>   | <b>\$ -</b>               |
| <b>Additions</b>                   | <b>-</b>                  |
| <b>Reductions</b>                  | <b>-</b>                  |
|                                    | <hr/>                     |
| <b>Claims at December 31, 2007</b> | <b><u><u>\$ -</u></u></b> |

**TEXAS SECURITIES INC.**  
**Information Relating to the Possession**  
**Or Control Requirements Under Sec Rule 15c3-3**  
**Of the Securities and Exchange Commission**  
**For the Year Ended December 31, 2007**

The Company claims exemption from the requirements of SEC Rule 15c3-3, under Section k(2)(i) of the Rule.

A computation for determination of reserve requirements pursuant to Rule 15c3-3 required by Rule 17a-5(d)(3) and information relating to possession or control of securities as required by Rule 15c3-3 and Rule 17a-5(d)(3) of the SEC were both omitted as the Company, can not take possession of customer funds.

The Company was in compliance with the conditions of the exemptive provisions of SEC Rule 15c3-3 at December 31, 2007.

**Independent Auditors' Report  
on Internal Control Required by  
SEC Rule 17a-5(g)(1) for a Broker-Dealer Claiming  
an Exemption From SEC Rule 15c3-3  
For the Year Ended December 31, 2007**

**Board of Directors  
Texas Securities Inc.:**

In planning and performing our audit of the financial statements and supplemental schedules of Texas Securities Inc. (the "Company"), as of and for the year ended December 31, 2007 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of 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 (or aggregate debits) 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.

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 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 internal control and 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Company's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Company's financial statements that is more than inconsequential will not be prevented or detected by the Company's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Company's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and 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, 2007, to meet the SEC's objectives.

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

*Haitman Zeitz + Bolt, LLP*

February 15, 2008  
Fort Worth, Texas