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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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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 Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2001 AND ENDING 12/31/01
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

INVESTCO SECURITIES, INC.

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

866 RIDGEWAY LOOP, SUITE 150

OFFICIAL USE ONLY

FIRM ID. NO.

(No. and Street)

MEMPHIS

TENNESSEE

38120

(City)

(State)

(Zip Code)

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

DAN MCEWAN

(901) 747-3946

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

WATKINS UIBERALL, PLLC

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

6584 POPLAR AVENUE, SUITE 200

MEMPHIS

TENNESSEE

38138

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 29 2002

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).

VF
3-24-02

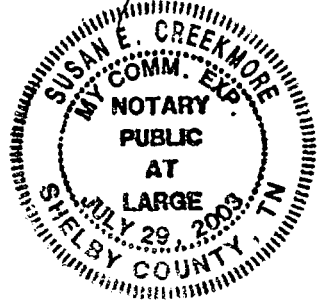
OATH OR AFFIRMATION

I, Dan McEwan, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Investco Securities Inc, as of January 24, ~~19~~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:

Dan McEwan
Signature

PRESIDENT
Title

Susan Creekmore
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 240.17a-5(e)(3).

**REPORT ON THE AUDITED
FINANCIAL STATEMENTS OF
INVESTCO SECURITIES, INC.
DECEMBER 31, 2001 AND 2000**

INVESTCO SECURITIES, INC.

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DECEMBER 31, 2001 AND 2000**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Investco Securities, Inc. (An S Corporation)
Memphis, Tennessee

We have audited the statements of financial condition of Investco Securities, Inc. (an S Corporation) as of December 31, 2001 and 2000 and the related statements of income and retained earnings 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 U.S. 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 Investco Securities, Inc. as of December 31, 2001 and 2000, and the results of its operations and cash flows for the year then ended, 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 Schedule I 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.

Watkins Uiberall, PLLC
WATKINS UIBERALL, PLLC

January 10, 2002

INVESTCO SECURITIES, INC.
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2001 AND 2000

	ASSETS	
	2001	2000
Cash	\$ 19,333	\$ 35,085
Accounts receivable – related parties	49,501	51,444
Office equipment, net of accumulated depreciation of \$1,613 and \$18,239, respectively	299	707
Other assets	-	2,300
Total Assets	\$ 69,133	\$ 89,536

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities		
Accrued expenses and payroll liabilities	\$ 559	\$ 9,321
Stockholder's Equity		
Common stock, 1,000 shares authorized, 100 shares issued, no par value	1,000	1,000
Additional paid in capital	56,016	56,016
Retained earnings	11,558	23,199
Total stockholder's equity	68,574	80,215
Total Liabilities and Stockholder's Equity	\$ 69,133	\$ 89,536

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

INVESTCO SECURITIES, INC.
STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
Revenues		
Commissions and other income	\$ 205,403	\$ 358,065
Interest income	1,044	758
Total revenue	<u>206,447</u>	<u>358,823</u>
Expenses		
Depreciation expense	408	347
Employee compensation	170,000	300,500
Office expenses	2,492	3,114
General and administrative expenses	45,188	48,129
Miscellaneous expenses	-	534
Total expenses	<u>218,088</u>	<u>352,624</u>
Net income (loss)	(11,641)	6,199
Retained earnings - beginning of year	<u>23,199</u>	<u>17,000</u>
Retained earnings - end of year	<u>\$ 11,558</u>	<u>\$ 23,199</u>

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

INVESTCO SECURITIES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2001 AND 2000

	<u>Common Stock</u>	<u>Additional Paid in Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholder's Equity</u>
Balance at December 31, 1999	\$ 1,000	\$ 56,016	\$ 17,000	\$ 74,016
Net income (loss)	-	-	6,199	6,199
Balance at December 31, 2000	\$ 1,000	\$ 56,016	\$ 23,199	\$ 80,215
Net income (loss)	-	-	(11,641)	(11,641)
Balance at December 31, 2001	<u>\$ 1,000</u>	<u>\$ 56,016</u>	<u>\$ 11,558</u>	<u>\$ 68,574</u>

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

INVESTCO SECURITIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
Cash Flows from Operating Activities		
Cash received in commissions	\$ 205,383	\$ 356,860
Cash received from other	20	1,205
Interest received	1,044	758
Cash paid to suppliers	(52,199)	(56,173)
Cash paid to employees	(170,000)	(300,500)
Net cash (used) provided by operating activities	<u>(15,752)</u>	<u>2,150</u>
Increase (decrease) in cash	(15,752)	2,150
Cash - beginning of year	<u>35,085</u>	<u>32,935</u>
Cash - end of year	<u>\$ 19,333</u>	<u>\$ 35,085</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities		
Net income (loss)	\$ (11,641)	\$ 6,199
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation expense	408	347
Decrease in accounts receivable-related parties	1,943	-
Decrease in other assets	2,300	-
(Decrease) in accounts payable	-	(62)
(Decrease) increase in accrued expenses	(8,762)	(4,334)
Net cash (used) provided by operating activities	<u>\$ (15,752)</u>	<u>\$ 2,150</u>

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

SCHEDULE I

**INVESTCO SECURITIES, INC.
COMPUTATIONS OF NET CAPITAL UNDER RULES 15c3-1
DECEMBER 31, 2001 AND 2000**

Less: minimum dollars net capital requirement	<u>(5,000)</u>	<u>(5,000)</u>
Excess Net Capital	<u>13,774</u>	<u>30,085</u>
 Total Aggregate Indebtedness	 <u>0</u>	 <u>0</u>
 Percentage of Aggregate Indebtedness to Net Capital	 <u>0.0%</u>	 <u>0.0%</u>
 Percentage of debt to debt–equity total computed in accordance with Rule 15c3-1(d)	 <u>0.000%</u>	 <u>0.000%</u>
 Reconciliation with Company's computation (included in Part II of Form X-17A-5 as of December 31, 1995)		
 Net capital, as reported in Company's Part II (unaudited) FOCUS report	 \$ 13,774	 \$ 25,765
 Net audit adjustments	 <u> </u>	 <u>4,320</u>
 Net capital per above	 <u>\$ 13,774</u>	 <u>\$ 30,085</u>

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

**SCHEDULE I
EXHIBIT I**

**INVESTCO SECURITIES, INC.
SCHEDULE OF NON-ALLOWABLE ASSETS
DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
Equipment, net	\$ 299	\$ 707
Unsecured receivable from related parties	49,501	51,444
Other assets	<u>-</u>	<u>2,300</u>
	<u>\$ 49,800</u>	<u>\$ 54,451</u>

INVESTCO SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION - Investco Securities, Inc. (the Company) began operations on July 17, 1989, and is a registered securities broker and dealer operating in the Mid-South.

SIGNIFICANT ACCOUNTING POLICIES

Revenues and Expenses - Commission revenues and commission expenses are recorded on a trade date basis.

Property and Equipment - Office equipment is stated at cost and depreciated using the double-declining balance method over 5 - 7 years.

Other Assets - Other assets consist of paintings held for investment purposes.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes - On August 16, 1989 the shareholder of Investco Securities, Inc. consented to the Corporation's election to be treated as an "S" Corporation under Internal Revenue Code Section 1362(a) for its taxable year commencing July 17, 1989. The income or loss of an "S" Corporation is not taxed at the corporate level, it passes through to the shareholders; hence, there is no provision for federal income taxes.

NOTE 2 - ACCOUNTS RECEIVABLE - RELATED PARTIES

The Company had receivables from related parties of \$49,501 and \$51,444 as of December 31, 2001 and 2000, respectively. Included in this amount were Company advances to a shareholder, Gary Prosterman, of \$48,399 and \$42,246 as of December 31, 2001 and 2000, respectively and receivables of \$1,102 and \$9,198 as of December 31, 2001 and 2000, respectively from affiliated companies.

NOTE 3 - 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 December 31, 2001, the Company had net capital of \$18,774, which was \$13,774 in excess of its required net capital of \$5,000.



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SUPPLEMENTARY REPORT OF INDEPENDENT ACCOUNTANTS UNDER SEC RULE 17a-5

To the Board of Directors of
Investco Securities, Inc.

In planning and performing our audits of the financial statements of Investco Securities, Inc. as of December 31, 2001 and 2000 and for the years then ended, 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.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Investco Securities, Inc., that we considered relevant to the objectives stated in Rule 17a-5(g)(1), in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11). The management of Investco Securities, Inc. is responsible for establishing and maintaining a system of 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 the preparation of financial statements in accordance 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 the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

To the Board of Directors
Investco Securities, Inc.
Page 2

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 relatively low level the risks 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 and 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, 2001 and 2000 to meet the Commissions objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. 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.

Watkins Uiberall, PLLC

WATKINS UIBERALL, PLLC

January 10, 2002